

SCHOOL FINANCE IN COLORADO



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FOREWORD

The purpose of this booklet is to help readers understand how Colorado finances its public elementary and secondary schools. The major focus of this booklet is an explanation of the funding formula included in the Public School Finance Act of 1994, including amendments made to the act in 2014. Several illustrations are provided to help readers calculate funding under the formula. The booklet also describes several other provisions of law that relate to school district funding. These provisions include a description of revenue that is earmarked for specific functions, other local sources of revenue, categorical programs, and the Colorado Preschool Program. Please note that this booklet is intended to provide a summary overview of programs that affect funding for schools; state law should be consulted for more specific details on the operation of the programs or for information on other programs that provide money to school districts.

This booklet was prepared by the Colorado Legislative Council Staff, the nonpartisan research staff of the Colorado General Assembly. It is available on the Internet at: <http://tinyurl.com/lcs-schoolfinance>

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SUMMARY OF SCHOOL FINANCE FUNDING

How Is a School District's Funding Determined?

The state constitution sets a minimum per pupil funding level for all school districts, known as the **statewide base**.



The statewide base amount is adjusted for each school district by **various factors**, such as cost-of-living, enrollment, and at-risk student population differences. Many of these adjustments address constitutional requirements to provide a thorough and uniform system of public education.



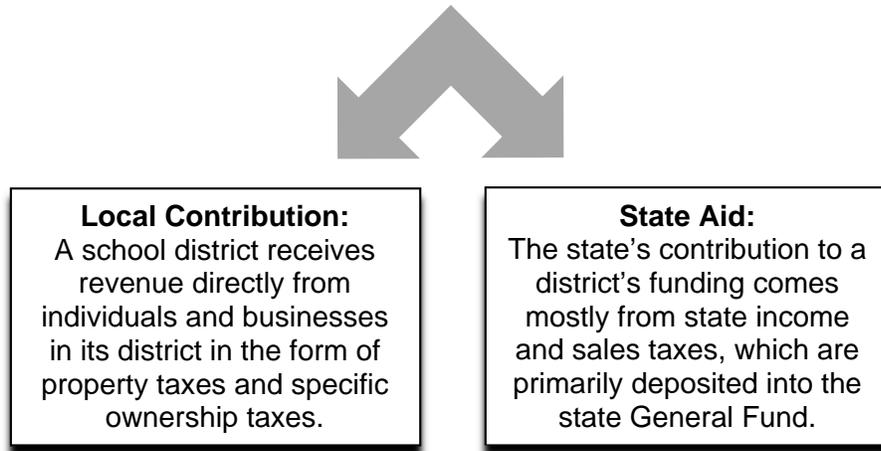
These adjustments create a **per pupil funding level** for each school district.



A school district's **total funding** is determined by multiplying its per pupil funding by its funded pupil count.

Who Pays For a School District's Funding?

Most school districts rely on a combination of state and local sources of revenue to pay for school finance, or what is also called total program funding. Normally, state aid makes up the difference between a district's total funding and what is provided from local tax revenue. The state's share of funding for districts varies based on the amount of local tax revenue generated in each district.



The following booklet describes in greater detail how the various elements of the school finance funding formula are calculated. It also highlights recent changes in school finance funding, such as the use of the negative factor to achieve budget savings for the state by reducing each district's total funding.

In FY 2014-15, total funding for school finance was \$5.93 billion, with the state contribution at \$3.95 billion, or 67 percent of the total, and the local contribution at \$1.98 billion, or 33 percent of the total. The average per pupil funding was \$7,026 for all districts. The lowest district received \$6,580 per pupil and the highest district received \$16,123 per pupil.

COLORADO'S SCHOOL FINANCE ACT

Colorado's school finance act distributes just over \$5.9 billion annually in state and local dollars to the state's 178 school districts for K-12 public education. Currently, this money is allocated under a law called the "Public School Finance Act of 1994." The school finance act contains a formula that calculates a per pupil funding amount for each school district based on the individual characteristics of the district, such as the cost to live in the district and the number of students enrolled. The act is explained in detail on the following pages, including amendments made under the most recent school finance bill, House Bill 14-1298, and the Student Success Act, House Bill 14-1292.

Appendix A also provides an overview of Senate Bill 13-213. This bill will replace the Public School Finance Act of 1994 only if voters approve a statewide citizen-initiated ballot measure that provides new tax revenue for K-12 public education. Voters must approve the measure on or before November 2017.

THE FUNDING FORMULA

A district's funding under the school finance act is the number of pupils in the district multiplied by the district's preliminary per pupil funding level, plus an amount of money provided to compensate a district for the presence of at-risk pupils, online students, and pupils participating in the accelerating students through concurrent enrollment (ASCENT) program.

$$\text{School District Funding} = (\text{Pupils} \times \text{Preliminary Per Pupil Funding}) \\ + \text{At-Risk Funding} + \text{Online and ASCENT Funding}$$

The following describes elements contained in state law that determine how pupils are counted and how a school district's per pupil funding is adjusted by certain factors. Most recently, because of ongoing state budget constraints, what is known as the **negative factor** was implemented to reduce each school district's funding by a fixed percentage. This reduction is made after all other adjustments in the funding formula are calculated. An example of this adjustment is illustrated on page 20.

How Are Pupils Counted?

Funding under the school finance act is based on the number of pupils enrolled in the school district on October 1. Thus, the number of pupils counted on October 1, 2014, determines funding for the budget year beginning July 1, 2014. Because the fiscal year begins before the count date, state aid is distributed based on estimated pupil counts. After October 1, state aid is adjusted to reflect the actual count.

The act provides an alternative to the October 1 count date in certain instances, such as when students in a year-round educational program will be on vacation on October 1. This alternative count date must be within 45 calendar days of the first school day after October 1.

The pupil count is expressed in full-time equivalent (FTE) pupils to reflect the amount of time a student spends in an instructional setting. Preschool students are usually counted half time, and kindergarten students are counted as 0.58 of a pupil. A school district's pupil count also includes students who are enrolled in online programs and students who are eligible to complete a fifth year of high school while enrolled concurrently in higher education courses. The latter is called the ASCENT program.

Funded Pupil Count = Preschool Count + Online/ASCENT Counts + .08 Kindergarten Count + the Greater of: the Current Year's K-12 Count or a Two-year, Three-year, Four-year, or Five-year average of the October Counts

The formula also makes enrollment allowances for districts that lose pupils from one year to the next, recognizing that such districts may have difficulty budgeting for fewer pupils. The pupil count for **declining enrollment districts** is the greater of a two-year, three-year, four-year, or five-year average of the October counts.

Online, ASCENT, and a portion of preschool, kindergarten, and Charter School Institute students are not included in the averaging formula. The number of pupils for which a district receives funding is called the **funded pupil count**.

How Is Per Pupil Funding Calculated?

A district's preliminary per pupil funding is the result of adjusting the statewide base by various elements, such as the district's cost-of-living, personnel and nonpersonnel costs, and enrollment size.

Preliminary Per Pupil Funding = [(Statewide Base x Personnel Costs Factor x Cost of Living Factor) + (Statewide Base x Nonpersonnel Costs Factor)] x District Size Factor

Statewide Base is Starting Point

The calculation of each district's pupil funding starts with a statewide base per pupil funding amount which is set annually by the General Assembly. The statewide base for FY 2014-15 is \$6,121.00, an increase of 2.8 percent (\$166.72) over the prior year. Base funding accounts for about \$5.2 billion of the money allocated under the formula in FY 2014-15, or about 75.9 percent of total funding before application of the negative factor.

Although the General Assembly sets the base annually, Article IX, Section 17, of the Colorado Constitution, commonly referred to as Amendment 23, contains minimum increases for the base. At a minimum, the General Assembly must increase the base each year by the rate of inflation. Because the inflation rate for calendar year 2013 was 2.8 percent, that was the minimum increase for FY 2014-15 required by Amendment 23.

The Statewide Base Is Adjusted for Cost of Living

Each school district is assigned a factor to indicate the cost of living in the district relative to the cost of living in other districts in the state. For FY 2014-15, the cost of living factors for school districts range from about 1 percent to 65 percent. Statewide, an estimated \$996 million in FY 2014-15 school finance funding is attributed to the cost-of-living factor, or 14.6 percent of total funding, before application of the negative factor.

State law contains the method for calculating cost-of-living factors, but not the actual factors themselves. Cost-of-living factors are certified to the Colorado Department of Education by the Legislative Council Staff every two years following a study that measures the cost in each district of an identical set of items, such as housing, goods and services, and transportation. The 2013 study set factors for the 2014-15 and 2015-16 budget years. Under state law, a district's factor from the prior two-year cycle is increased when the cost of living in the district increases by a greater percentage than the increase in the statewide average teacher salary used in the study. The 2013 study, however, was based on an average teacher salary of \$49,100, a decrease of 0.2 percent from the \$49,200 used in the study two years earlier. As a result, the factor was not increased for any district, and HB 14-1298 specified that factors would remain constant in periods when average teacher salaries declined. In periods when average salaries increase by 1.0 percent or more, the increase in the factor is equal to the percentage change in the district's cost of living divided by the percentage change in the salary level divided by 1,000. The increase in the factor is rounded to three decimal places.

District "Personnel Costs Factor" Defines the Portion of the Statewide Base Adjusted for Cost of Living

The formula recognizes that differences in the cost of living primarily affect the salaries that must be paid to hire and retain qualified personnel. Therefore, the cost-of-living factor is applied only to the portion of the base that relates to personnel, as defined by the personnel costs factor.

The personnel costs factor ranges from 79.9 percent to 90.5 percent and differs by district according to enrollment. Smaller districts have smaller factors and, therefore, a smaller portion of the base is increased for cost of living. Larger districts spend a higher proportion of their budgets on personnel costs than smaller districts and thus receive a larger increase to their base from the cost-of-living factor. The formula for determining district personnel costs factors is illustrated on page 18.

Each district's "*nonpersonnel costs factor*" is the difference between 100 percent and the district's personnel costs factor. It is the portion of the base that is *not* adjusted for cost of living and ranges from 9.5 percent to 20.1 percent.

Enrollment Size Factor Adjusts for Economies of Scale

The act includes an enrollment size factor that provides additional money to all school districts, but particularly small school districts unable to take advantage of economies of scale. In FY 2014-15, approximately \$292 million is allocated through the size factor, or about 4.3 percent of total funding, before application of the negative factor.

Like the personnel costs factor, a size factor is calculated under a formula using district enrollment. The smallest districts — districts with enrollments of fewer than 4,023 students — receive the largest size factors and, therefore, more funding per pupil. All other districts receive a size factor, which provides an increase in per pupil funding of just under 3 percent. The formula for calculating a school district's size factor appears on page 18.

Since the formula for determining the size factor is based on a district's enrollment, the act acknowledges that the formula inherently provides incentives and disincentives for districts to reorganize and take advantage of the formula. For example, when a reorganization results in a lower size factor, and less funding per pupil, the lower size factor is phased in over six years. When a reorganization results in a higher size factor, and more funding per pupil, the district or districts involved in the reorganization receive the lower size factor of the original district. Thus, the act lessens the negative fiscal impact of reorganization, while prohibiting a district from taking advantage of a higher size factor following reorganization.

The act also attempts to minimize the effect that charter schools may have on the size factor of small school districts. The size factor for districts with fewer than 500 pupils is calculated using the district's enrollment minus 65 percent of the pupils enrolled in charter schools.

What Is At Risk Funding?

Colorado's school finance act provides additional funding for school districts that serve students who are at risk of failing or dropping out of school. The additional funding depends on the district's per pupil funding that is based on the adjustments previously described, the number of at-risk students, and the proportion of at-risk students in the district. In FY 2014-15, the act provides \$322 million in at-risk funding statewide, or 4.7 percent of total funding, before application of the negative factor. At-risk funding is determined according to the following formula.

$$\text{At-Risk Funding} = \text{At-Risk Pupils} \times 12\% \times \text{Preliminary Per Pupil Funding} + \text{At-Risk Funding Premium}$$

Definition of At-Risk Pupils Follows the Federal Free Lunch Program and Includes Some Students with Limited English Skills

Under the act, at-risk pupils are defined as students from low-income families, as measured by eligibility for free lunches under the National School Lunch Act. The definition of at-risk pupils also includes a limited number of non-English-speaking students.

Students qualify for free meals at school based on their family's income. The act defines at-risk pupils as those who are *eligible* for free lunches so districts can receive funding for students who do not actually participate in the federal program. As an alternative, the act allows districts to use the proportion of free-lunch students in grades one through eight multiplied by the district's enrollment if it produces a larger number than the actual count. This alternative count is provided because some high schools do not offer free lunches, and some students choose not to participate in the free lunch program, especially at the high school level.

A student with limited English skills, as defined by the English Language Proficiency Act, can be included in the at-risk count if the student meets one of two criteria. First, a student can be counted if he or she took the statewide assessment in a language other than English in the preceding year. Second, a student can be counted if the student's assessment scores were not included in calculating school academic performance. In either case, a student can be counted as at-risk only once; therefore, a student who is counted under the income guidelines of the free lunch program cannot be counted because of limited proficiency in English.

Preschool students are not included in a district's at-risk count. The official date for counting at-risk pupils is October 1.

Proportion of At-Risk Students Determines At-Risk Funding

The proportion of at-risk students in a district determines the amount of funding a district receives for its at-risk pupils. Every district receives at least 12 percent of its preliminary per pupil funding for each at-risk pupil.

Districts with higher-than-average proportions of at-risk students receive a premium above this initial amount for those at-risk pupils. The amount of this premium depends upon enrollment in the district and the degree to which the district's share of at-risk students exceeds the statewide average. For districts with enrollments between 459 and 50,000, the premium is equal to 12 percent plus 0.30 of a percentage point for each percentage point that the district's at-risk percentage exceeds the statewide average. Thus, if the statewide average is 30 percent, and 41 percent of a particular district's students qualify for at-risk funding, the district would receive a premium of 15.3 percent ($12.0 + (0.3 \times 11) = 15.3$) for qualifying students. For districts with enrollments greater than 50,000, the premium is equal to 12 percent plus 0.36 of a percentage point for each percentage point that the district's at-risk percentage exceeds the statewide average. The premium is capped at 30 percent, so 18 percentage points is the maximum that can be added to the existing 12 percent of per pupil funding provided for each at-risk student.

The at-risk funding premium is provided only for pupils over the statewide average percentage of at-risk pupils. So, the district described above with 41 percent at-risk students would receive 12 percent more in preliminary per pupil funding for 30 percent of its students and 15.3 percent more in preliminary per pupil funding for the other 11 percent of its students who are at risk. In addition, only districts with more than 459 pupils qualify for the at-risk funding premium.

How Are Online and ASCENT Students Funded?

Students who participate in public online education programs or the ASCENT program are funded through the school finance act. Online students participate either in programs that serve students from multiple districts (multi-district programs) or in a program offered by the student's home district (single-district program). The vast majority of online students participate in multi-district programs. Both multi-district online and ASCENT students were funded at a uniform \$7,381 per pupil in FY 2014-15, accounting for about \$20 million in school finance funding, before application of the negative factor. After the negative factor, this amount was reduced to \$6,424, which compares with statewide average per pupil funding of \$7,026.

$$\text{Online + ASCENT Funding} = (\text{Online + ASCENT Pupil Count}) \times \text{Per Pupil Funding for Online and ASCENT Students}$$

What Is the Negative Factor?

In an effort to generate budget savings for the state, House Bill 10-1369 included a new factor called the budget stabilization factor for FY 2010-11 and FY 2011-12. For most districts, after all the funding adjustments required by the school finance act are calculated, this factor reduces total funding proportionately across districts.

Senate Bill 11-230 changed the name of this factor to the negative factor and extended its applicability indefinitely. In FY 2014-15, for most districts, the negative factor reduced total funding by approximately 12.97 percent, or a total of \$880 million compared to what would have been funded without the factor. Per pupil funding fell by a similar percentage, although certain districts with limited state aid did not lose as much funding. Districts with limited state aid were instead required to contribute through a buyout of state spending on total program, described on page 11.

LOCAL SHARE AND STATE AID

The money to fund the school finance act comes from a combination of local and state sources. In FY 2014-15, local taxes contributed 33 percent of total funding, or \$1.98 billion, while state sources accounted for the remaining 67 percent, or \$3.95 billion. These percentages vary widely among individual school districts, however, because districts have different amounts of property wealth and different tax rates. Under the act, each district's local share is calculated first, and state aid makes up the difference between the local portion and the total funding need identified through the formula. The principle of using state aid to make up for differences in local property wealth is called "equalization."

How Is the Local Share Calculated?

A district's local share comes from two sources — property taxes and specific ownership taxes. Property taxes are paid on real estate and business equipment; specific ownership taxes are paid on motor vehicles. Of the two taxes, property taxes produce the vast majority of the local contribution, roughly 93 percent of the total. Both of these taxes are described in greater detail below.

$$\text{Local Share} = \text{Current Year Property Taxes} + \text{Prior Year Specific Ownership Taxes}$$

Property Taxes Provide Most Local Revenue

Statewide, property taxes contributed almost \$1.84 billion in funding for school finance in FY 2014-15, or 31 percent of total school district funding. A school district's property taxes are the result of multiplying a district's taxable property (assessed value) by its property tax rate (mill levy). The assessed value of a district is determined each year, and it includes all taxable property in the district.

Based on the Colorado Supreme Court decision regarding Senate Bill 07-199, commonly referred to as the mill levy freeze or stabilization bill, state law requires most districts to impose the mill levy from the prior budget year. In cases where a school district has not obtained voter approval to retain and spend revenues in excess of the constitutional property tax revenue limit, a modified mill levy formula applies: the change in a school district's property tax revenue is limited to the sum of the state inflation rate and the percentage change in the district's enrollment. If a district's property tax revenue exceeds that amount with the prior year's levy, the district must reduce its mill levy so that property tax revenue does not grow more than the maximum allowed.

The law also includes a ceiling on mill levies. A district's levy cannot be higher than the levy required to cover the district's total funding less specific ownership tax revenue. This levy calculation, designed for districts with very high property wealth, affects two districts in FY 2014-15. In any case, for all districts, the maximum mill levy for school finance is set at 27 mills.

Specific Ownership Taxes Supplement Property Taxes

Specific ownership taxes provided about \$145 million for school finance in FY 2014-15, bringing the local share to 33 percent of total school district funding. Specific ownership taxes are paid annually on motor vehicles. Counties collect specific ownership taxes and distribute them to all governments in the county that collect property taxes, such as school districts, cities, special districts, and the county itself. By law, counties distribute specific ownership tax revenue to these governments in proportion to the amount of property taxes collected by each. Thus, a school district that receives 50 percent of all the property taxes collected in a county would receive 50 percent of the specific ownership taxes collected in the county.

The funding formula does not count all specific ownership tax revenue against the district's local share, however. Some districts collect more specific ownership taxes than others because the voters in those districts have approved additional property taxes. The formula specifically does not count any specific ownership taxes attributable to a bond redemption (debt) or override (operating) mill levy, if the mill levy was approved by the district's voters.

The formula uses specific ownership taxes collected in the previous fiscal year because they are the most recent actual figures. Thus, the local share in FY 2014-15 reflects the FY 2013-14 specific ownership tax revenue.

How Is State Aid Calculated?

State aid provides the difference between a district's total funding and the district's local share. In school finance, this concept of state assistance supplementing local resources is called "equalization." An equalized school finance system allows similar districts to spend similar amounts regardless of property wealth. For FY 2014-15, the school finance act drives state aid of \$3.95 billion, or 67 percent of total funding.

$\text{State Aid} = \text{Total Funding} - \text{Local Share}$
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Districts that receive less from property taxes get a greater proportion of state aid, while districts that receive more from property taxes get a smaller proportion of state aid. Before FY 2010-11, some districts with relatively high amounts of property taxes received a minimum level of state aid, but this provision was suspended through FY 2014-15 by House Bill 10-1318.

The state distributes money to school districts in 12 approximately equal monthly payments. In the first half of the fiscal year, the payments are based upon pupil count and assessed value estimates, because the state does not know exact pupil counts and district assessed values during that time period. The payments are later adjusted to reflect actual pupil counts and assessed values. These approximately equal monthly payments may cause some districts to experience cash flow problems at certain times of the year, so the state offers a loan program to qualifying school districts. This loan program is discussed in further detail on page 13.

State Aid Comes Primarily from Three Sources

Three sources of revenue provide money for the state aid appropriation for school finance. The state General Fund provides the vast majority of money: in FY 2014-15, 80.6 percent of the appropriation, or \$3.2 billion, was provided by the General Fund.

The State Education Fund also contributes to the state aid appropriation. The State Education Fund, created by Article IX, Section 17, of the Colorado Constitution (Amendment 23), receives revenue equal to a tax of one-third of 1 percent on federal taxable income. Its contribution to the state aid appropriation was about \$667 million in FY 2014-15, or 16.9 percent of the state aid package. The balance comes from the State Public School Fund, which consists primarily from federal mineral lease revenue and a portion of rent and royalties from state school lands.

Transfer of General Fund Surplus

Legislation enacted in 2012, 2013, and 2014 transferred part or all of the General Fund surplus into the State Education Fund. For FY 2011-12 and FY 2012-13, \$59 million and \$1.1 billion, respectively, was transferred to the State Education Fund. House Bill 14-1342 will transfer \$38.6 million of the General Fund surplus for FY 2013-14 into the State Education Fund.

MODIFICATIONS TO THE FUNDING FORMULA

The state's basic funding formula applies to nearly all districts. However, the act makes modifications to the formula to account for unusual situations or to achieve policy objectives. These modifications may cause a district's total funding to be computed differently than the formula described in the preceding pages. In addition, the act contains modifications that may alter the share of a district's funding that comes from state or local sources. These modifications include the following.

- **The law guarantees that all districts receive a minimum level of per pupil funding.** Minimum per pupil funding applies to any school district that would have a lesser per pupil funding amount under the formula described on the preceding pages. The minimum per pupil funding level is benchmarked to the state average per pupil funding, excluding online funding. In FY 2014-15, state law set minimum per pupil funding at 95 percent of the state average, or \$7,669, before application of the negative factor. Thirteen districts benefit from minimum per pupil funding, totaling about \$15 million.
- **Increases in total program for districts are capped** at a district's constitutional spending limit percentage (inflation plus the percentage change in district enrollment). The law allows a district to receive the total amount of funding from the school finance act if it receives voter approval to exceed its constitutional spending limit. Most districts have held such elections and 174 of 178 have received voter approval.
- The **category buyout** provisions of the school finance act require certain districts to offset or "buy out" state aid for categorical programs with local property tax revenue. This requirement applies when a district can raise enough money from local property taxes to cover its total funding, less specific ownership taxes, with a levy less than the prior year's levy. Two districts are in this position in FY 2014-15, collecting a total of \$309,000 from all of these districts as an offset against state categorical funding.
- **A school district may have to buy out additional state support for categorical program funding** if it does not have enough state aid to rescind the full amount of the negative factor, specified in Senate Bill 14-1298. Seven districts are in this position in FY 2014-15, refunding a total of \$943,000 as a further offset against categorical program funding.
- **State aid to school districts may be reduced** if the General Assembly's appropriation is not sufficient to pay for its share of the cost of the school finance act. In these instances, state aid is reduced by the same percentage of total funding in all districts, but no district loses more state aid than it actually receives.
- **A district's enrollment is modified** to prevent a school district from using enrollment averaging to increase its funded pupil count when a charter school originally authorized by the district is subsequently converted to an institute charter school.

EARMARKED REVENUE

School districts are no longer required to earmark revenue for instructional supplies, materials, capital outlay, capital reserve, and risk management. However, districts are still required to allocate a portion of the at-risk moneys they receive for specific purposes. Seventy-five percent of at-risk moneys must be allocated for instructional programs or staff development efforts that relate directly to at-risk pupils. All other money distributed to school districts under the school finance act can be spent at the discretion of districts.

UNEQUALIZED LOCAL REVENUE

The bulk of school district revenues are equalized, meaning that the state provides funding to equalize property wealth. However, the school finance act also allows local school districts some discretion to raise additional local revenue, for which the state provides no equalization. A description of these unequalized local revenue sources follows.

School Districts May Raise Additional Property Taxes for Operating Purposes

With voter approval, the act allows districts to raise and spend property taxes over and above those that support the school finance act. These additional property taxes are called overrides. The act limits overrides to 25 percent of a district's total funding, prior to application of the negative factor, or \$200,000, whichever is greater, plus the FY 2001-02 supplemental cost-of-living adjustments. (The FY 2001-02 supplemental cost-of-living adjustment is a flat dollar amount in 104 districts that resulted from a calculation required by law based on the results of the 1999 cost-of-living study.)

The school finance act counts other revenue sources against a district's override limit. These other sources of revenue may limit a district's ability to request voter approval for a property tax increase equal to the full amount of the limit. For example, the override for 34 districts includes approximately \$21 million in property taxes relating to hold harmless provisions that used to be in the law. This funding was designed to hold districts harmless from any decrease in per pupil funding resulting from the passage of the 1994 act.

In FY 2014-15, 115 school districts authorized \$826 million in override property taxes. Since some districts are phasing in overrides, the amount of taxes collected may be somewhat less than the amount authorized by voters.

Unequalized District Property Taxes Also Pay for Debt

Independent of the school finance act, state law permits school districts to request voter approval to incur debt by issuing bonds. This is known as bonded debt. Districts repay the debt with a dedicated mill levy. Bonded debt is generally used by school districts for major capital construction projects. Revenue collected from a bonded debt mill levy must be credited to the district's bond redemption fund and used to repay the bondholders. In FY 2014-15, 136 school districts collected about \$785 million from bonded debt mill levies.

State law imposes a limit on the amount of bonded debt a school district may incur. Districts are prohibited from issuing bonded debt in excess of 20 percent of the district's assessed valuation or 6 percent of market value, whichever is greater. For districts that meet specified enrollment growth criteria, the limit is the greater of 25 percent of assessed value or 6 percent of market value. Although state law permits bonded debt up to 6 percent of market value, school districts have typically not pursued this option.

"Growth" Districts May Raise Additional Property Taxes for Capital Improvements

Growth districts may request voter approval to levy additional property taxes for capital projects. The money must be deposited into the district's capital reserve fund and can be used to pay for capital projects outright or to repay loans from the Public School Fund or the Colorado Educational and Cultural Facilities Authority. Growth districts are districts in which the supplemental enrollment count grows by at least 1 percent or 50 students, whichever is less, over the October count.

The number of mills a growth district may levy is based on a district's property wealth relative to the statewide average. A district with an assessed value per pupil that exceeds the statewide average may impose an additional levy of up to one mill. The number of mills a district may levy increases as district property wealth decreases below the state average, up to a maximum of five mills. For instance, a district with an assessed value per pupil of \$20,000 could impose five mills, if the statewide average assessed value per pupil was \$100,000.

Transportation Levies Require Voter Approval

State law permits school districts to request voter approval to impose a levy to pay for transportation costs not reimbursed by the state. The proceeds from this levy must be deposited in the district's transportation fund.

Full-day Kindergarten May be Funded from Voter-Approval Property Taxes

State law requires school districts to offer kindergarten to children who are eligible for first grade the next year. The school finance act counts kindergarten students at 0.58, thus providing a little more than one-half the amount of per pupil funding for each kindergarten student. With voter approval, school districts may raise additional property taxes to pay for full-day kindergarten programs and the associated capital costs. For the operational costs of full-day kindergarten programs, property taxes cannot exceed the cost of the program less one-half of the district's per pupil funding multiplied by the number of students enrolled. Property taxes must be deposited in a full-day kindergarten fund and, if an election includes a levy for capital purposes, the proceeds of such a levy must be deposited in the capital construction account of the fund.

Voters May Also Approve Special Building or Technology Levies

School districts may also request voter approval to levy up to ten mills for up to three years to maintain and construct schools or to purchase and install instructional technology. The proceeds from such a levy are deposited in the district's special building and technology fund.

CASH FLOW LOAN PROGRAM

School districts may participate in an interest-free cash flow loan program sponsored by the state. Under this program, the state borrows money on behalf of school districts and pays the interest costs of the loan. In some circumstances, the state may lend money directly to school districts, charging the district interest. Participating school districts are required to pledge their property taxes toward the loan's repayment. The loan program was created to help districts deal with the fact that property tax collections occur late in the budget year. A school district applies to the State Treasurer for a loan. The loan is provided if the district meets the eligibility criteria specified in law. A district is eligible for a loan from the state in any month in which the district can demonstrate that a cash deficit will exist in its general fund and that it has the capacity to repay the loan by June 25 of the state fiscal year in which the loan was made. A loan may not be made to provide assistance for matters eligible for payment from the contingency reserve or to cover a foreseeable level of uncollectible property taxes, nor may a loan be used by a district for arbitrage.

STATE CONTINGENCY RESERVE

State law requires the General Assembly to annually determine the amount to appropriate to a contingency reserve fund to provide supplemental assistance to school districts. Money in the fund can be allocated by the State Board of Education to school districts for certain types of financial emergencies. Money may also be allocated in the following situations: if a district's abatement levy is insufficient to refund property taxes; if children placed in the district by a court create an unusual financial burden; to offset the impact of a decline in enrollment resulting from a detachment and annexation; or to offset the cost of pupils moving to a district after the count date. This last option is only available for districts with fewer than 2,000 pupils and only for the cost of the additional pupils.

In cases of extreme emergency, the state board may consider factors that are not specifically delineated in law and may provide financial aid from the contingency reserve to districts that could not maintain their schools without such additional assistance. In determining which districts receive payments from the contingency reserve and the amount of the payment, the state board must consider the amount of assistance requested as a percentage of each district's total funding.

In some situations, such as when disputed property taxes are eventually paid to a district, districts reimburse the state, thereby providing a source of revenue for the fund. For FY 2014-15, the General Assembly appropriated \$1.0 million from the fund. The revenue source for this appropriation is district repayments.

CAPITAL CONSTRUCTION

The state offers several programs to assist with school district capital construction projects. Depending on the program, the state provides assistance as a grant or a matching grant.

The Public School Capital Construction Assistance Fund Provides Matching Grants to School Districts

Through the Building Excellent Schools Today (BEST) Act, the Public School Capital Construction Assistance Fund provides matching grant money to school districts, charter schools, and boards of cooperative services to ensure that the condition and capacity of public school facilities are sufficient to provide a safe and uncrowded environment that is conducive to learning. The State Treasurer is authorized to enter into lease-purchase agreements and to sell certificates of participation to raise money to finance public school capital construction.

Under the law, a board within the Colorado Department of Education is responsible for establishing construction guidelines. These guidelines, which are used to assess and prioritize capital construction needs and evaluate requests for assistance, are required to identify construction, renovation, and equipment standards that meet educational and safety needs at a reasonable cost. In addition, the board is responsible for the conduct of a financial assistance priority assessment. For purposes of awarding assistance, the law prioritizes projects as follows:

- projects that address safety hazards and health or security concerns at existing public school facilities;
- projects that relieve overcrowding; and

- projects that are designed to incorporate technology into the educational environment.

Recipients of assistance from the BEST program are expected to pay a portion of the cost of the project unless a waiver is granted. Among the criteria taken into account in determining the local portion of a project's cost are the property and income wealth of a district and current efforts of districts and schools to finance capital improvements.

The Public School Capital Construction Assistance Fund is capitalized from a variety of revenue sources: state public school lands income; the proceeds from the sale of certificates of participation; some lottery money; and local matching money. In addition, starting in FY 2013-14, the fund will receive the first \$40 million collected annually from an excise tax on retail marijuana. The fund is used to provide financial assistance for projects, pay the administrative costs of the program, and to make lease payments. The amount of the annual lease payments is limited by law to \$80 million.

Charter Schools Receive Money for Capital

The General Assembly appropriated \$13.5 million from the State Education Fund for charter school capital construction in FY 2014-15. A charter school qualifies for money if it has costs associated with constructing, demolishing, remodeling, financing, purchasing or leasing land, buildings, or facilities. Each charter school receives its proportionate share of the appropriation based on the number of pupils enrolled in the charter school.

CALCULATION EXAMPLES

The following tables are provided for two purposes: first, to help illustrate the calculations included in the formula; and second, to provide data on how to determine the factors used in the formula. The two hypothetical districts used in these illustrations represent (A) a large district with a relatively high percentage of at-risk students; and (B) a small district with a relatively low percentage of at-risk students. Both districts are assumed to have the same cost-of-living factor.

ILLUSTRATION 1: CALCULATING PRELIMINARY PER PUPIL FUNDING

Preliminary Per Pupil Funding = [(Base x Personnel Costs Factor x Cost-of-Living Factor) + (Base x Nonpersonnel Costs Factor)] x District Size Factor

	<u>District A</u>	<u>District B</u>
Base Per Pupil	\$6,121.00	\$6,121.00
X Cost-of-Living Factor	X 1.203	X 1.203
X Personnel Costs Factor	<u>X 0.9050</u>	<u>X 0.8255</u>
	\$6,664.02	\$6,078.62
Base Per Pupil	\$6,121.00	\$6,121.00
X Nonpersonnel Costs Factor	<u>X .095</u>	<u>X .1745</u>
	\$581.50	\$1,068.11
Total Adjustment Per Pupil	\$6,664.02	\$6,078.62
	<u>+ \$581.50</u>	<u>+ \$1,068.11</u>
	\$7,245.52	\$7,146.08
Total Adjustment Per Pupil	\$7,245.52	\$7,146.08
X Size Factor =	<u>X 1,0297</u>	<u>X 1.2362</u>
Preliminary Per Pupil Funding	\$7,460.71	\$8,834.79

ILLUSTRATION 2: CALCULATING TOTAL AND PER PUPIL FUNDING

Total Funding = (Preliminary Per Pupil x Funded Pupil Count) + At-Risk Funding + Online and ASCENT Funding

	<u>District A</u>	<u>District B</u>
Preliminary Per Pupil Funding (see Illustration 1)	\$7,460.71	\$8,834.79
X Pupils*	X 30,000	X 450
	=\$223,821,343	=\$3,975,658
+ At-Risk Funding (see Illustrations 5 and 6)	\$9,910,809	\$106,018
+ Online/ASCENT Funding (see Illustration 7)	\$553,575	\$147,620
Total Funding	\$234,285,727	\$4,229,295
Funded Pupil Count**	30,075	470
Final Per Pupil Funding	\$7,790	\$8,999

*Excludes Online and ASCENT pupils.

**Includes Online and ASCENT pupils.

Illustration 1 shows how base per pupil funding is multiplied by the cost-of-living, personnel and nonpersonnel costs, and size factors to determine preliminary per pupil funding (last row). District A (larger district) benefits more from the cost-of-living factor because of its higher personnel costs factor, but District B (smaller district) benefits more from the size factor. As a result, the smaller district's preliminary per pupil funding is \$1,374 higher than the larger district (\$8,835 versus \$7,461).

Illustration 2 multiplies preliminary per pupil funding by pupil count and adds the amount of at-risk funding and online/ASCENT funding to determine total funding. The larger district benefits more from the at-risk funding element because it has more at-risk students. This calculation narrows the per pupil funding difference to \$1,209.

**ILLUSTRATION 3:
DETERMINING THE PERSONNEL COSTS FACTOR**

For a pupil count of:	The district's personnel cost factor is:
Less than 453.5	$0.8250 - (0.0000639 \times \text{the difference between the pupil count and } 453.5)$
453.5 or more but less than 1,568	$0.8595 - (0.0000310 \times \text{the difference between the pupil count and } 1,567.5)$
1,567.5 or more but less than 6,682	$0.8850 - (0.0000050 \times \text{the difference between the pupil count and } 6,682)$
6,682 or more but less than 30,000	$0.905 - (0.0000009 \times \text{the difference between the pupil count and } 30,000)$
30,000 or more	0.905

**ILLUSTRATION 4:
DETERMINING THE SIZE FACTOR**

For a pupil count of:	The district's size factor is:
Less than 276	$1.5457 + (0.00376159 \times \text{the difference between the district's pupil count and } 276)$
276 or more but less than 459	$1.2385 + (0.00167869 \times \text{the difference between the district's pupil count and } 459)$
459 or more but less than 1,027	$1.1215 + (0.00020599 \times \text{the difference between the district's pupil count and } 1,027)$
1,027 or more but less than 2,293	$1.0533 + (0.00005387 \times \text{the difference between the district' pupil count and } 2,293)$
2,293 or more but less than 4,023	$1.0297 + (0.00001364 \times \text{the difference between the district's pupil count and } 4,023)$
4,023 or more	1.0297

Note: The size factor for districts with fewer than 500 pupils is calculated using the district's enrollment minus 65 percent of the district's pupils in charter schools.

Illustrations 3 and 4 show how the personnel costs and size factors are set in state law, based on a district's pupil count.

Illustration 5 shows how the at-risk factor is determined, with District A getting additional funding for at-risk students that exceed the statewide average. In this example, District A's percentage of at-risk students exceeds the statewide average by 5.9 percentage points. As a result, District A's at-risk funding for students above the statewide average is equal to 13.8 percent of its preliminary per pupil funding (last row).

Illustration 6 shows how the at-risk factor is applied to these two school districts, with District A receiving additional funding for the number of at-risk students exceeding the statewide average (last row).

**ILLUSTRATION 5:
DETERMINING THE AT-RISK FACTOR**

At-Risk Factor = 12.0% of preliminary per pupil funding for pupils below the statewide average;
12.0% plus 0.3 (0.36 for districts with pupil counts greater than 50,000) for each percentage
point over the statewide average

	<u>District A</u>	<u>District B</u>
At-Risk Pupils Divided by Total Pupils	$10,800 \div 30,075$ = 35.9%	$100 \div 470$ = 21.3%
State Average At-Risk Percent	30.0%	30.0%
Does District Percentage Exceed Statewide Average	Yes: $35.9\% - 30.0\% =$ 5.9% pts. over	No: $21.3\% - 30.0\% =$ (8.7% pts. under)
District Receives 0.3 Percentage Points for Each Percentage Point Over Statewide Average	$5.9\% \times 0.3$ = 1.8%	$0.0\% \times 0.3$ = 0.0%
At-Risk Factor for Pupils > State Average	$12.0\% + 1.8\%$ = 13.80%	$12.0\% + 0.0\%$ = 12.0%

**ILLUSTRATION 6:
CALCULATING AT-RISK FUNDING**

	<u>District A</u>	<u>District B</u>
At-Risk Pupils Divided by Total Pupils	$10,800 \div$ $30,075$ = 36.0%	$100 \div 470$ = 21.3%
State Average At-Risk Percent	30% (9,000 pupils)	30% (135 pupils)
Funding for Students Below State Average (12% x Per Pupil Funding x Pupils Below Average)*	12.0% $\times \$7,460.71$ $\times 9,000$ \$8,057,568	12.0% $\times \$8,834.79$ $\times 100$ \$106,018
Funding for Students Above State Average (At-Risk Factor x Per Pupil Funding x Pupils Above Average)	13.8% $\times \$7,460.71$ $\times 1,800$ \$1,853,241	12.0% $\times \$8,834.79$ $\times 0$ \$0
Below Average	\$8,057,568	\$106,018
+above Average	+ \$1,853,241	+ \$0
=Total At-Risk Funding	\$9,910,809	\$106,018

* Excludes online and ASCENT students.

Illustration 7 shows how a district's funding for online and ASCENT students is determined, before application of the negative factor.

**ILLUSTRATION 7:
DETERMINING ONLINE AND ASCENT STUDENT FUNDING**

	<u>District A</u>	<u>District B</u>
Online/ASCENT Per Pupil Funding x	\$7,381	\$7,381
Online and ASCENT Pupils	<u>X 75</u>	<u>X 20</u>
	\$553,575	\$147,620

Illustration 8 shows how the negative factor is applied to each school district. For most districts, total program funding is reduced proportionately, or by 12.97 percent in this example. The reduction in total program funding for a district decreases its amount of state aid by the same dollar amount. This results in the same proportional cut in per pupil funding for each district. A small number of districts with limited state aid are unable to realize the full proportional reduction (see page 11).

**ILLUSTRATION 8:
DETERMINING TOTAL PROGRAM WITH
NEGATIVE FACTOR***

	<u>District A</u>	<u>District B</u>
<u>Before Negative Factor</u>		
Total Program Funding from Illustration 2	\$234,285,727	\$4,229,295
Funded Pupil Count (includes Online and ASCENT pupils)	30,075	470
Final Per Pupil Funding	\$7,790	\$8,999
<u>After Negative Factor</u>		
Assuming a 12.97% factor applied to a district's total program	(\$30,386,859)	(\$548,450)
Total Program with Negative Factor	\$203,898,869	\$3,680,756
% change	(12.97%)	(12.97%)
Total Per Pupil Funding with Negative Factor	\$6,780	\$7,831
% change	(12.97%)	(12.97%)

**Assumes enough state aid to enact full 15.49 percent rescission.*

A History of School Finance Act Funding

(\$ in thousands, except for per pupil funding)

Year	Pupil Count	Pct Chg	Local Share ¹	Pct Chg	State Share ²	Pct Chg	Total Funding	Pct Chg	Per Pupil Funding	Pct Chg
1993-94	598,723	N/A	\$1,173,360	N/A	\$1,333,473	N/A	\$2,506,833	N/A	\$4,187	N/A
1994-95	612,503	2.30%	\$1,212,975	3.40%	\$1,442,538	8.20%	\$2,655,513	5.90%	\$4,336	3.50%
1995-96	627,934	2.50%	\$1,257,025	3.60%	\$1,524,452	5.70%	\$2,781,477	4.70%	\$4,430	2.20%
1996-97	644,226	2.60%	\$1,301,484	3.50%	\$1,644,771	7.90%	\$2,946,255	5.90%	\$4,573	3.20%
1997-98	657,531	2.10%	\$1,372,814	5.50%	\$1,724,017	4.80%	\$3,096,831	5.10%	\$4,710	3.00%
1998-99	670,913	2.00%	\$1,417,205	3.20%	\$1,848,346	7.20%	\$3,265,110	5.40%	\$4,867	3.30%
1999-00	681,749	1.60%	\$1,476,033	4.20%	\$1,929,349	4.40%	\$3,405,202	4.30%	\$4,995	2.60%
2000-01	693,551	1.70%	\$1,538,638	4.20%	\$2,046,137	6.10%	\$3,584,775	5.30%	\$5,168	3.50%
2001-02	707,130	2.00%	\$1,628,159	5.80%	\$2,228,375	8.90%	\$3,856,534	7.60%	\$5,454	5.50%
2002-03	717,749	1.50%	\$1,676,090	2.90%	\$2,483,614	11.50%	\$4,159,705	7.90%	\$5,796	6.30%
2003-04	723,230	0.80%	\$1,673,577	-0.20%	\$2,624,575	5.70%	\$4,298,152	3.30%	\$5,943	2.50%
2004-05	729,417	0.90%	\$1,688,628	0.90%	\$2,741,712	4.50%	\$4,430,340	3.10%	\$6,074	2.20%
2005-06	741,328	1.60%	\$1,702,468	0.80%	\$2,869,702	4.70%	\$4,572,170	3.20%	\$6,168	1.50%
2006-07	753,141	1.60%	\$1,730,154	1.60%	\$3,059,154	6.60%	\$4,789,308	4.70%	\$6,359	3.10%
2007-08	760,811	1.00%	\$1,915,780	10.70%	\$3,152,195	3.00%	\$5,067,974	5.80%	\$6,661	4.80%
2008-09	778,136	2.30%	\$1,955,869	2.10%	\$3,392,945	7.60%	\$5,348,814	5.50%	\$6,874	3.20%
2009-10	789,497	1.50%	\$2,068,679	5.80%	\$3,518,956	3.70%	\$5,587,572	4.50%	\$7,077	3.00%
2010-11	798,677	1.20%	\$2,018,856	-2.40%	\$3,422,747	-2.70%	\$5,441,603	-2.60%	\$6,813	-3.70%
2011-12	808,195	1.10%	\$1,900,525	-5.90%	\$3,331,922	-2.70%	\$5,232,448	-3.80%	\$6,474	-5.00%
2012-13	817,660	1.17%	\$1,918,249	0.93%	\$3,379,714	1.43%	\$5,297,963	1.25%	\$6,479	0.08%
2013-14	828,045	1.27%	\$1,975,723	3.00%	\$3,532,663	4.53%	\$5,508,386	3.97%	\$6,652	2.67%
2014-15	844,546	1.99%	\$1,982,832	0.36%	\$3,950,612	11.83%	\$5,933,444	7.72%	\$7,026	5.62%

¹ The local share includes property and specific ownership taxes to support total program in the school finance act.

² For FY 1993-94, the state share includes funding for increasing enrollment and House Bill 93-1320; for FY 2010-11, the state share includes \$216.4 million in federal funds.

CATEGORICAL PROGRAMS

School districts in Colorado receive state revenue through a variety of programs designed to serve special groups of students or student needs. The state constitution designates a specific group of these programs as "categorical programs." Article IX, Section 17, of the Colorado Constitution, commonly referred to as Amendment 23, defines categorical programs as programs for transportation, English language proficiency, expelled and at-risk students, children with disabilities and gifted children, suspended students, vocational education, small attendance centers, comprehensive health education, and any other accountable program specifically identified in law as a categorical program. The General Assembly is required to increase the sum of funding for all of these programs by the rate of inflation. The General Assembly may use money in the State Education Fund to provide the increased funding. The state appropriation figures in the descriptive paragraphs below are limited to the appropriations that are regulated by Amendment 23, which are primarily paid from the General Fund and State Education Fund. However, federal and local funds are also used to pay for these services. Table 1 at the end of this section summarizes state funding for these categorical programs.

Table 1
State Funding for Categorical Programs
(Millions of Dollars)

Categorical Program	FY 2013-14	FY 2014-15	% Change
Special Education	\$157.2	\$161.0	2.4%
Gifted and Talented Children	\$9.6	\$10.0	4.2%
Public School Transportation	\$52.0	\$54.2	2.7%
Vocational Education	\$24.5	\$25.0	1.9%
English Language Proficiency	\$15.2	\$16.7	9.8%
Small Attendance Centers	\$1.0	\$1.0	0.0%
Comprehensive Health Education	\$1.0	\$1.0	0.0%
Expelled and At-Risk student Services	\$7.5	\$7.5	0.0%
TOTAL	\$268.9	\$276.4	2.8%

Special Education

The state provides special education funding for disabled students, as well as for gifted and talented students. The Exceptional Children's Educational Act (ECEA) dictates how funding is distributed.

The State Provides \$161.0 Million in Funding for Students with Disabilities

State funding for the education of students with disabilities totals \$161.0 million in FY 2014-15. This money is used to provide special services to about 96,500 Colorado public school students with disabilities, or roughly 11.4 percent of total pupil membership.

Funding to provide educational services to students with disabilities is distributed to administrative units. An administrative unit could be a school district, a board of cooperative services, or a combination of school districts. Under the law, an administrative unit receives \$1,250 for each student with a disability. Any money remaining in the appropriation after the \$1,250 per student is distributed to administrative units based on each unit's proportion of students with specific disabilities compared to the number of students statewide with these disabilities. These specific disabilities include vision or hearing disabilities, autism, a significant identifiable emotional disability, a traumatic brain injury, multiple disabilities, or significant limited intellectual capacity. These distribution mechanisms account for about \$153.9 million of the special education appropriation.

The remaining \$7.1 million is set aside for three specific purposes. Administrative units that pay tuition to facilities to provide special education services to students whose parents cannot be located or are incarcerated or whose parents' rights have been relinquished or terminated receive \$500,000 of the appropriation for services for children with disabilities. Four million dollars is distributed in grants to administrative units for "high cost" students. Administrative units also receive funding — about \$2.6 million in FY 2014-15 — to identify children who may benefit from early intervention services.

The State Provides Funding for Programs to Serve Gifted and Talented Students

For FY 2014-15, the General Assembly appropriated about \$10.0 million for district gifted and talented programs. This money is used to provide staff, activities, and educational materials and equipment to serve gifted students.

Public School Transportation

School districts are reimbursed for some of the cost of transporting pupils between their home and school. The reimbursement formula is two-pronged; it takes into account mileage and costs. The formula provides 37.87 cents for each mile traveled, plus 33.87 percent of the difference between district transportation expenditures and the mileage allowance. Transportation expenditures that are reimbursable include items such as motor fuel and oil, vehicle maintenance costs, equipment, facilities, driver employment costs, and insurance. Districts are not eligible for reimbursement for the cost of purchasing buses or for field trips.

The law sets a minimum funding level equal to the amount a district was entitled to receive in the prior year. However, the law also applies a cap of 90 percent of allowable district transportation expenditures. For FY 2014-15, the General Assembly appropriated just over \$54.2 million for the transportation program. Each district's funding is prorated if the appropriation is less than the required amount.

Vocational Education

Unlike the school finance act and the other categorical programs discussed in this booklet, which are administered by the Colorado Department of Education, the vocational education program is administered by the State Board for Community Colleges and Occupational Education. Vocational education courses are designed to provide students with entry-level occupational skills and knowledge required by business and industry. Any school district conducting approved vocational education courses is entitled to funding from moneys appropriated by the General Assembly.

Vocational education aid is disbursed to districts according to the full-time equivalent (FTE) cost of a program. The state provides funding for instructional personnel, contracted educational services, books and supplies, and equipment. Each district is required to pay its program costs per FTE at 70 percent of its per pupil revenue. For costs exceeding 70 percent, the state pays 80 percent of the first \$1,250 per FTE and 50 percent of any additional costs above the \$1,250 level. If the state appropriation is less than the amount required by the funding formula, district allocations are prorated. The FY 2014-15 appropriation for this program is \$25.0 million.

English Language Proficiency

The English Language Proficiency Act (ELPA) provides financial assistance to districts with students whose dominant language is not English. Districts are required to identify, assess, and provide programs for students in the following classifications:

- a) students who do not comprehend or speak any English;
- b) students who comprehend or speak some English but whose predominant language is not English; and
- c) students who comprehend and speak English and at least one other language, whose dominant language is difficult to determine, and who score at or below an acceptable level on a state-developed test.

ELPA funding is disbursed to districts for up to two years for each participating student. The state appropriation for this program in FY 2014-15 is \$16.7 million. Of this total, 95 percent is distributed to districts with students in classifications (a) and (b). The remainder is distributed to districts with students in category (c). Money is allocated to districts on a per pupil basis: the respective portions of the appropriation are divided by the total number of students in categories (a) and (b) and the total number of students in category (c); each district receives the per pupil funding amount for qualifying students.

Small Attendance Centers

The state provides additional funding for school districts that operate small attendance centers, which are defined as schools with fewer than 200 pupils that are at least 20 miles from a similar school in the same district. To receive funding for such a school, a district must have received funding prior to the 2008-09 budget year.

Eligible districts receive 35 percent of the difference between the district's per pupil funding and the per pupil funding the school would receive if it were a separate school district. This amount is further refined to take into account the size of the school relative to the cut-off point of 200 pupils for small attendance center funding. Smaller schools receive a higher percentage of the calculated per pupil funding, while larger schools receive a smaller percentage. The General Assembly appropriated \$959,379 for this program in FY 2014-15. Twelve schools in 10 districts qualify for funding this year.

Expelled and At-Risk Student Services Grant Program

For FY 2014-15, the General Assembly appropriated about \$7.5 million to the Colorado Department of Education to distribute as grants for programs to serve expelled and truant students and students at risk of expulsion or suspension. The department may distribute money to school districts, charter schools, public alternative schools, non-parochial private schools whose programs have been approved by the state board, boards of cooperative services, the state Department of Military and Veterans Affairs, and pilot schools under contract with the state board to serve expelled and at-risk students.

In awarding grants, the state board must consider, among other issues, the quality and cost-effectiveness of the services to be provided, the demonstrated effectiveness of services funded by previous grants to an applicant, and the number of students receiving services. Forty-five percent of the appropriation must be awarded to applicants who provide services to students from more than one school district.

Comprehensive Health Education

School districts and boards of cooperative services may receive grants to provide a local comprehensive health education program, which must include a law-related education program to reduce the incidence of gang involvement and substance abuse, and a local student wellness program. State law requires that student wellness programs be coordinated with health education to receive funding. One revenue source for the grant program is money appropriated, but not spent, for school finance; the program receives 50 percent of any unspent money. For FY 2014-15, the General Assembly appropriated \$1.0 million for this program.

COLORADO PRESCHOOL PROGRAM

The Colorado Preschool Program, which has been in operation since 1989, serves children aged three to five years old who lack overall learning readiness, who are in need of language development, or who participate in state programs for neglected or dependent children. A school district may provide the program itself, or contract with a Head Start or local child care agency to provide all or a portion of the program. School districts must meet specific state requirements regarding class size, parental involvement, and teacher training and planning to participate in the program.

The Colorado Preschool Program is funded through the school finance act. Children participating in the program are counted as half-day pupils. For FY 2014-15, state law caps the number of children who are funded in the program at 28,360. Funding provided for the program may be used to fund a full day of either preschool or kindergarten. In FY 2014-15, approximately \$105 million may be attributed to school finance funding, prior to application of the negative factor.

Prior to FY 2008-09, the Colorado Preschool Program had a full-day kindergarten component through which a specified proportion of preschool slots were set aside for full-day kindergarten. When this set-aside was eliminated, a "hold harmless" provision was established that essentially provides funding in perpetuity for the 2,454 full-day kindergarten slots in existence at the time of the program's repeal. In FY 2014-15, the hold harmless provision is estimated to cost \$7.7 million.

APPENDIX A

The General Assembly approved Senate Bill 13-213 during the 2013 legislative session. This bill creates a new school finance act that is contingent on voter approval of a statewide citizen-initiated ballot measure that provides new state tax revenue for K-12 public education. Voters must approve the measure on or before November 2017. A citizen-initiated measure, Amendment 66, was on the ballot in November 2013, but did not receive voter approval. Consequently, the provisions of SB 13-213 were not implemented. Another citizen-initiated ballot measure providing new state tax revenue for K-12 public education will have to be approved by the voters on or before November 2017 to implement the provisions of SB 13-213. This new school finance act will become effective in the second budget year following voter approval of the state tax increase.

New Funding Formula

School district funding under the new act begins with the statewide base per pupil amount, which is adjusted by each district's size factor. However, the size factor is eliminated for districts with more than 4,300 students. Districts will receive additional funding for each at-risk student and English language learner, ranging from 20 percent to 40 percent of the statewide base per pupil amount. Districts that exceed the statewide average percentage of at-risk students or English language learners receive a higher percentage of the statewide base per pupil amount. At-risk students are defined as those who qualify for free or reduced-price lunch, and the same at-risk student can also be counted as an English language learner under the formula. The bill also provides per pupil funding for teaching and leadership investment (TLI). This amount was initially set at \$441 per student to be paid by the state.

New State and Local Shares

The state share of total program for a district is determined by the difference between its total program as specified by the new formula and its *calculated* local share. The *calculated* local share is derived based on a district's assessed value per pupil, adjusted for median family income differences, and a district's percentage of at-risk students. Generally, a district with a higher assessed value per pupil and a lower percentage of at-risk students will have a higher *calculated* local share. A district with a higher *calculated* local share than current law is not required to impose a higher mill levy, but it may see a reduction in state aid. School districts that receive less money in state aid, including TLI funding, compared with current law, will receive hold harmless funding under SB 13-213.

Other Funding Provisions

The bill contains other provisions that increase school district funding under certain circumstances. Supplemental per pupil funding (or floor funding) is provided to ensure that each district receives 95 percent of the statewide average per pupil funding before the TLI. The bill also provides supplemental at-risk funding for school districts or CSI schools that are subject to floor funding and have an at-risk student percentage that is less than the statewide percentage of at-risk students, but within 10 percentage points. These districts receive at-risk supplemental funding equal to 23 percent of the district's calculated at-risk funding.

The formula for funding CSI schools is similar to school districts, and is based on the number of at-risk students and English language learners attending the school. CSI schools also receive mill levy equalization money from the state, equal to the amount of per pupil override revenue authorized by the accounting district in which the school is located. CSI schools and district-authorized charter schools can also receive per pupil capital construction funding ranging from \$100 to \$450 per pupil, depending on ownership of the school and a demonstrated need for capital construction money.

GLOSSARY

Accelerating Students through Concurrent Enrollment (ASCENT): A program that allows eligible students to complete a fifth year of high school while enrolled concurrently in higher education courses. Districts that choose to offer an ASCENT program receive a fixed amount of per pupil funding for those students.

Amendment 23: A constitutional amendment adopted in 2000 that sets minimum levels of increase in the statewide base per pupil funding amount and for total categorical program funding. It also creates the State Education Fund and earmarks a portion of income tax revenue for the fund. Amendment 23 is codified as Article IX, Section 17, Colorado Constitution.

Assessed Value: The taxable value of property as determined by a tax assessor or government agency. Property taxes are paid on the basis of a property's assessed valuation, which represents only a fraction of a property's market value.

At-Risk Pupils: Students who are eligible for the federal free lunch program because they come from families with incomes below a certain level or who lack proficiency in English. The act provides additional funding based on the number of at-risk pupils enrolled in each district.

At-Risk Factor: The percentage increase in a district's per pupil funding for the presence of at-risk pupils. Each district starts with an at-risk factor of 12.0 percent. Districts with more than the statewide average proportion of at-risk pupils receive an at-risk factor of 12.0 percent plus three-tenths of one percentage point — 0.36 percentage point for a district with a pupil count greater than 50,000 — for every percentage point that the district's proportion exceeds the statewide average, up to 30 percent.

Base Funding Amount: See Statewide Base Per Pupil Funding Amount.

Bonded Indebtedness: Obligations of a school district to make payments on a loan, generally for major capital construction projects. With voter approval, districts can issue bonded debt and impose a mill levy to repay the debt over time.

Budget Year: Same as a fiscal year, the period beginning on July 1 of each year and ending on the following June 30.

Capital Outlay: Money spent to acquire fixed assets that can be expected to last for more than one year. Fixed assets include land, buildings, machinery, and furniture.

Capital Reserve Fund: A fund used by school districts for long-term capital outlay expenditures. Districts can only use the capital reserve fund to acquire land and buildings, construct new buildings or additions to buildings, purchase equipment and furnishings, alter or improve existing buildings when the cost exceeds \$2,500, acquire school buses or other equipment with a per unit cost of at least \$1,000, enter into long-term lease agreements, or purchase software licenses that cost at least \$1,000. Starting in FY 2009-10, districts are no longer required to allocate a specified amount of money per pupil to the capital reserve fund or the risk management fund.

Categorical Programs: Programs that are funded separately from the school finance act and are identified in the state constitution. Examples include vocational education, special education, and pupil transportation.

Charter School: A public school operated by a group of parents, teachers and/or community members as a semi-autonomous school of choice within a school district, operating under a charter between the members of the charter school community and an authorizer, which is either the local board of education or the state Charter School Institute.

Constitutional Spending Limit: The maximum allowable change in a school district's spending from one year to the next. The limit for school districts is equal to the percentage change in a district's enrollment plus the Denver-Boulder-Greeley inflation rate in the prior calendar year.

Cost-of-Living Factor: One of the three main factors used in calculating a district's per pupil funding. The cost-of-living factor reflects the relative differences among the state's 178 districts in the costs of housing, goods, and services for the regions in which districts are located.

District Per Pupil Funding: The amount that results from combining the statewide base with the components of the formula. A district's per pupil funding is multiplied by its pupil count to determine funding, before accounting for online and at-risk students.

Enrollment: The number of pupils enrolled on October 1 within the budget year.

Equalization Aid: State funding provided to equalize the property wealth of districts.

Growth Districts: School districts whose February enrollment count grows by at least 1 percent or 50 students, whichever is less, over the October count. Growth districts can request voter approval to levy additional property taxes for capital projects.

Local Share: The portion of a district's total program contributed directly by local taxpayers of the district. A district's local share includes revenue from property taxes and specific ownership taxes.

Mill Levy: A property tax rate based on dollars per thousand of assessed valuation. One mill is the same as one tenth of one percent (.001). Thus, one mill will generate \$1 when levied on \$1,000 of a property's assessed value.

Minimum Per Pupil Funding: A minimum funding level guaranteed to each district. In FY 2014-15, the law guarantees 95 percent of statewide average per pupil funding, or \$7,660.51 per pupil before application of the negative factor. After application of the negative factor, minimum per pupil finding is \$6,667.16 in FY 2014-15.

Minimum State Aid District: A district that can generate its entire total program from local property and specific ownership taxes and, thus, only receives the minimum amount of state aid per pupil. House Bill 10-1318 eliminated minimum state aid through FY 2014-15.

Negative Factor: A new factor introduced in House Bill 10-1369 and extended indefinitely in Senate Bill 11-230, to achieve budget savings for the state. In FY 2014-15, the factor reduced total funding for school finance by \$880 million, or 12.97 percent.

Nonpersonnel Costs Factor: A percentage representing the difference between 100 percent and a district's personnel costs factor.

Online Students: Students enrolled in an online education program that provides a sequential program of instruction through the use of technology via the Internet in a virtual or remote setting. Some students participate in programs that serve students from more than one school district (multi-district programs) and some participate in programs offered by their own district (single district programs).

Override: Local voter-approved property tax revenue in excess of funding provided through the school finance act.

Personnel Costs Factor: One of the factors used in calculating a district's per pupil funding. The personnel costs factor is a percentage that represents the estimated portion of a district's budget that is attributed to personnel costs. It is formula-driven and differs by district based on enrollment.

Per Pupil Revenues/PPR: A district's total funding divided by its funded pupil count. It represents a district's final per pupil funding.

Preliminary Per Pupil Funding: The amount that results from combining the statewide base with the components of the formula. A district's preliminary per pupil funding is multiplied by its pupil count to determine funding, before accounting for online, ASCENT, and at-risk students.

Property Tax: A local tax that is calculated by applying a mill levy to assessed value. Revenue from the property tax represents the primary source of local funding for K-12 public education.

Pupil Count/Funded Pupil Count: The number of pupils for which a school district receives funding under the school finance act. For funding purposes, pupils are counted on October 1 within the applicable budget year.

Size Factor: One of the three main factors used in calculating a district's per pupil funding. The size factor is designed to compensate smaller districts for being unable to realize economies of scale. It is formula-driven and based on enrollment.

Specific Ownership Tax: A tax paid annually on motor vehicles instead of property taxes. Specific ownership taxes are part of a district's local contribution to school funding.

Small Attendance Center: A school of fewer than 200 students that is located more than 20 miles from a similar school in the same district. Small attendance centers are eligible for categorical program funding.

State Aid: Funding provided by the state under the school finance act. State aid is the difference between a district's total funding and what is provided from local property and specific ownership taxes.

Statewide Base Per Pupil Funding Amount: The dollar amount to which the factors are applied in determining each district's per pupil funding level. Each district receives the same base per pupil funding amount. For FY 2014-15, the base is \$6,121.

