

**COLORADO GENERAL ASSEMBLY
JOINT BUDGET COMMITTEE**



**FY 2015-16 STAFF BUDGET BRIEFING
DEPARTMENT OF EDUCATION**

**JBC Working Document - Subject to Change
Staff Recommendation Does Not Represent Committee Decision**

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DEPARTMENT OF EDUCATION

Department Overview

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

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

The Department also includes three “type 1”¹ agencies:

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

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

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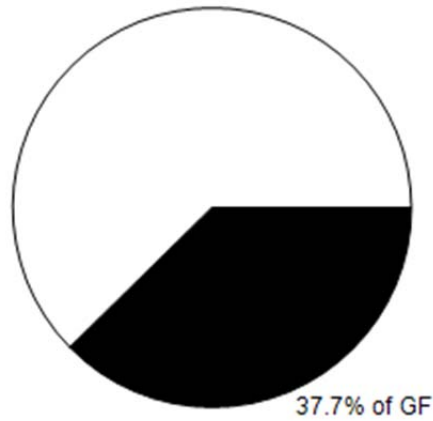
Department Budget: Recent Appropriations

Funding Source	FY 2012-13	FY 2013-14	FY 2014-15	FY 2015-16 *
General Fund	\$3,015,441,352	\$3,153,841,621	\$3,357,895,804	\$3,599,239,290
Cash Funds	767,189,974	895,916,330	1,195,887,249	1,354,830,680
Reappropriated Funds	24,078,570	30,459,207	61,153,725	61,653,615
Federal Funds	<u>628,704,003</u>	<u>625,583,593</u>	<u>636,263,028</u>	<u>636,943,840</u>
Total Funds	\$4,435,413,899	\$4,705,800,751	\$5,251,199,806	\$5,652,667,425
Full Time Equiv. Staff	565.7	563.8	582.0	607.8

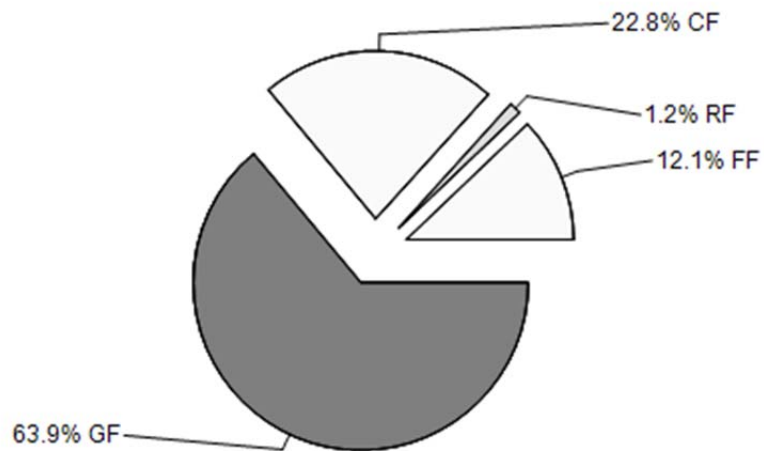
*Requested appropriation.

Department Budget: Graphic Overview

**Department's Share of Statewide
General Fund**

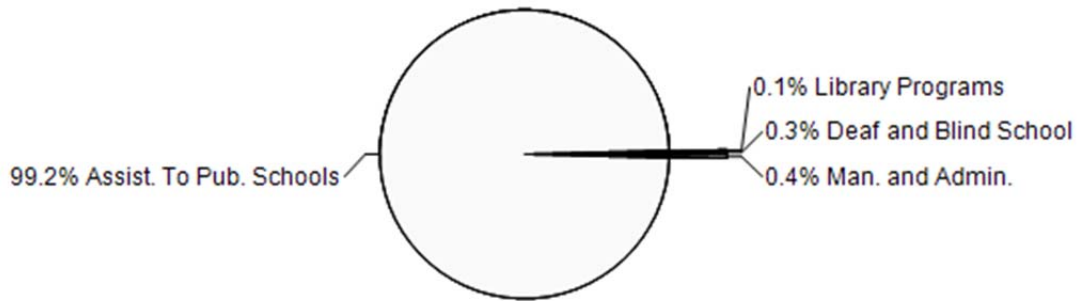


Department Funding Sources

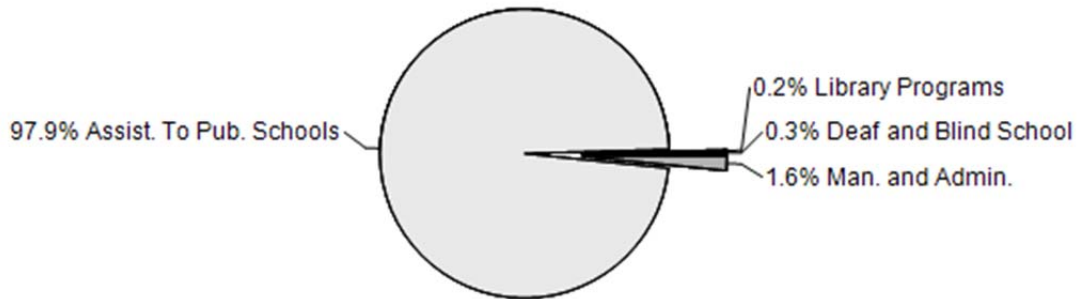


All charts are based on the FY 2014-15 appropriation.

Distribution of General Fund by Division



Distribution of Total Funds by Division



All charts are based on the FY 2014-15 appropriation.

General Factors Driving the Budget

The Governor’s FY 2015-16 request for the Department of Education consists of 63.7 percent General Fund, 24.0 percent cash funds, 11.3 percent federal funds, and 1.1 percent reappropriated funds. Although local government revenues provide a significant source of funding for K-12 education in Colorado (the Governor’s request assumes \$2.1 billion in FY 2015-16), local funds are not reflected in the State’s annual appropriations to the Department of Education. The following three sections discuss major factors driving the Department’s budget: public school finance, categorical programs, and legislative education reform.

Public School Finance

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

The formula provides the same *statewide base per-pupil funding* amount for every school district (\$6,121 per pupil for FY 2014-15). The formula then adds to this statewide base per-pupil funding amount for each district based on *factors* that affect districts’ costs of providing educational services. Thus, per-pupil funding allocations vary for each district. For FY 2014-15, per-pupil funding allocations are anticipated to range from \$6,557 to \$16,166, with a statewide average of \$7,021 per pupil. Each district’s per-pupil funding allocation is multiplied by its funded-pupil count to determine its *total program funding*, which includes state and local funds. For FY 2014-15, pursuant to the formula, a total of \$5.9 billion in state and local funds will be allocated among school districts.

Constitutional Inflationary Requirement (Amendment 23)

Section 17 of Article IX of the Colorado Constitution requires the General Assembly to provide annual inflationary increases in the statewide base per-pupil funding amount. For FY 2001-02 through FY 2010-11, this amount was required to increase annually by at least the rate of inflation plus one percent; for FY 2011-12 and subsequent fiscal years, this amount must increase annually by at least the rate of inflation. For example, for FY 2014-15, the General Assembly was required to increase the statewide base per-pupil funding amount by at least \$167 (from \$5,954 to \$6,121, or 2.8 percent), based on the actual 2.8 percent increase in the Denver-Boulder consumer price index in calendar year 2013. Given an estimated funded-pupil count of more than 845,000, the General Assembly was thus required to provide a minimum of \$5.2 billion in state and local funds for base per pupil funding in FY 2014-15, equal to 87.2 percent of the \$5.9 billion in total program funding.

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Factors Considered in Public School Finance Formula

The remaining 12.8 percent of state and local funds that will be allocated among school districts in FY 2014-15 is driven by other factors in the statutory school finance formula that add to the base per-pupil funding for each district by varying amounts to account for individual district characteristics. The formula includes three primary factors.

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

In addition, the school finance formula requires a *minimum level of per-pupil funding* (\$6,661 per pupil in FY 2014-15²), regardless of the impact of the above factors. For FY 2014-15, 13 districts are anticipated to receive funding based on this minimum level of per-pupil funding. The School Finance Act also provides a *fixed amount of funding per pupil* (established at \$6,410³ for FY 2014-15) *for two types of students*:

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

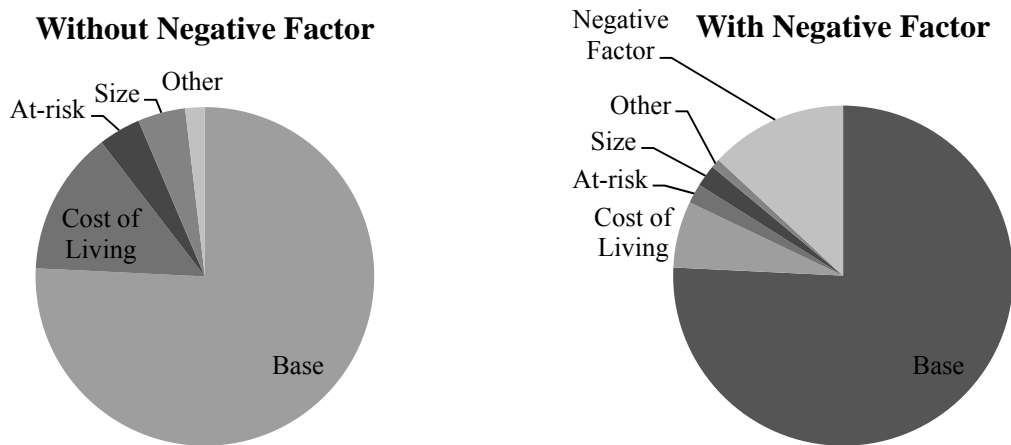
Finally, since FY 2010-11 the formula has included a *negative factor* designed to reduce districts' total program funding to a specified total amount. For FY 2014-15, this factor is estimated to be -13.1 percent, requiring an \$894.2 million reduction in the total program funding that would otherwise be provided under the School Finance Act. Thus, the Department is calculating total program funding for each district based on the formula and factors described above (statewide base per-pupil funding, cost of living, size, and at-risk factors) and then reducing each district's resulting total program funding by 13.1 percent⁴. Because Amendment 23 (discussed above) prohibits reductions in base per-pupil funding, the negative factor effectively reduces the funding attributed the other formula factors, as illustrated in the graphic on the next page.

² This amount is calculated after the application of the negative factor (discussed in the next paragraph).

³ This amount is calculated after the application of the negative factor (discussed in the next paragraph).

⁴ Please note that for some districts, this reduction exceeds the state share of total program funding. In such cases, the reduction in total program funding is limited to the state share of funding.

Total Program Funding by Component: FY 2014-15



Determining the State and Local Shares of Funding

Once the total program funding amount is determined for each district, the state and local share of such funding is calculated for each district. Local property and specific ownership taxes provide the first source of revenue for each district's total program funding. Property taxes are based on each district's tax rate (the mill levy) and the portion of property that is taxable (the assessment rate)⁵. Specific ownership taxes are paid when registering a motor vehicle. Because each school district collects and expends local property and specific ownership taxes, the revenues are not reflected in the state budget. Rather, estimated local revenues are used to calculate the necessary state share of funding for each district because the General Assembly appropriates state funding to fill the gap between local tax revenues and each district's total program funding. The state budget reflects only the state funding. The FY 2014-15 appropriation assumes that \$2.0 billion in local tax revenues will be available to support public schools pursuant to the statutory school finance formula. Thus, the General Assembly appropriated \$3.9 billion in state funding for FY 2014-15 to provide a total of \$5.9 billion for school district operations.

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

- In 1982, voters approved a property tax reform measure that included a provision (generally called the "Gallagher amendment"⁶) which initially reduced the residential assessment rate from 30.0 percent to 21.0 percent, and capped the residential share of property taxes.
- In 1992, voters approved the Taxpayer's Bill of Rights (TABOR⁷). Prior to TABOR, local governments could generally collect and spend the same amount of property tax revenue

⁵ One "mill" equals one-tenth of one percent (0.001). For example, for a property with an actual value of \$100,000 and an assessed value of \$7,960 (based on the 7.96 percent assessment rate for residential property), each mill of tax raises \$7.96.

⁶ See Article X, Section 3 (1) (b) of the State Constitution.

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each year by periodically increasing or decreasing mill levies. With respect to school district property taxes, TABOR: (1) imposes a property tax revenue limit based on inflation and changes in student enrollment; (2) prohibits districts from increasing a mill levy without voter approval; and (3) requires voter approval for any increase in the assessment rate for a class of property.

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

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

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

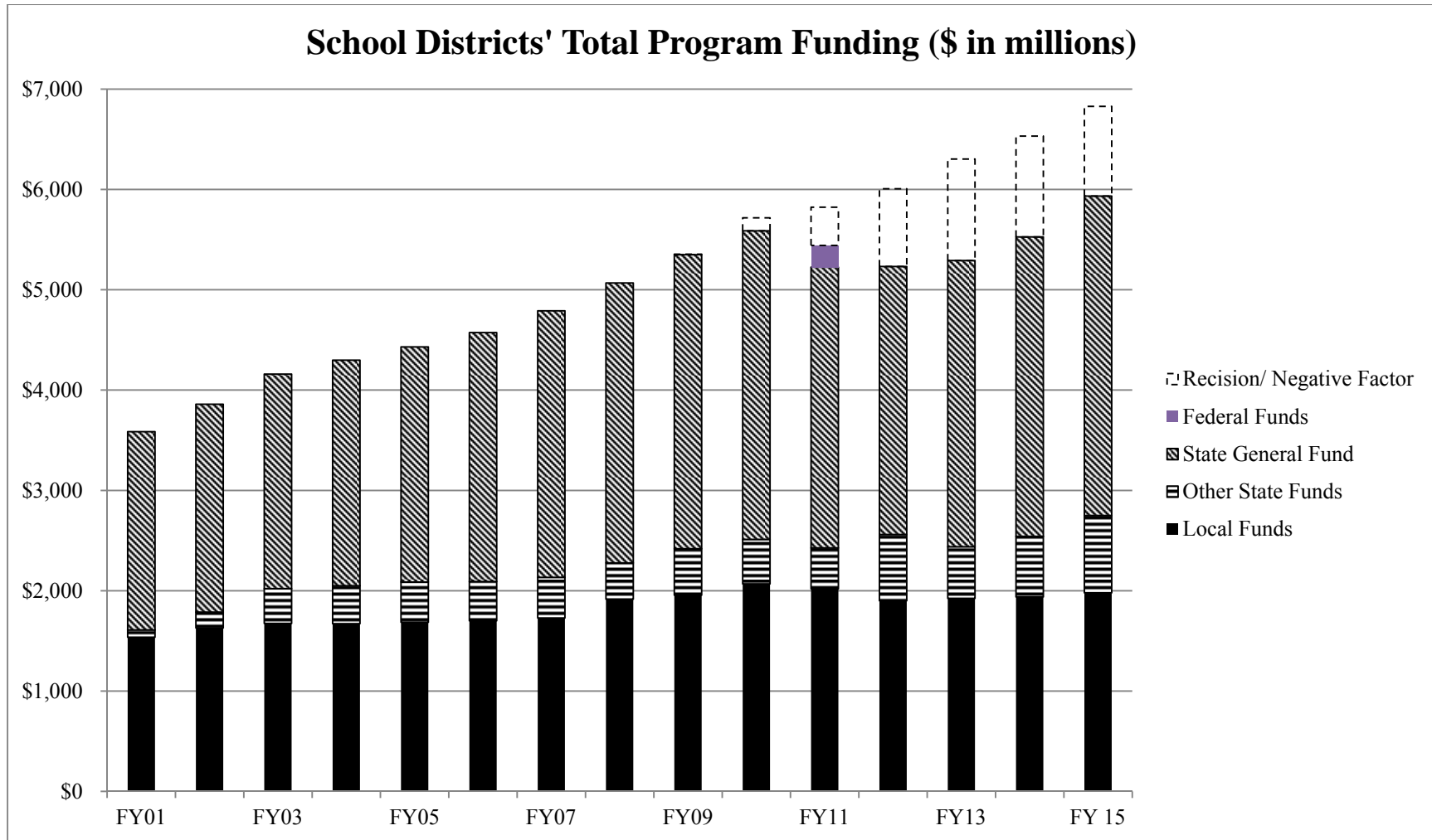
- The number of pupils enrolled in public schools, including: children attending state-supported preschool programs; students enrolled in full-time on-line programs; and students participating in the ASCENT program;
- The rate of inflation;
- Changes in the relative cost-of-living in various regions of the state;
- The number of at-risk students enrolled in public schools;
- Fluctuations in local property and specific ownership tax revenues, as well as constitutional and statutory provisions that limit property tax revenues; and
- Changes in statutory definitions, procedures, or mathematical factors that impact the calculation of per-pupil funding or state-aid for each district.

⁷ See Article X, Section 20 of the State Constitution.

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The graphic below illustrates school districts' total program funding, by fund source, from FY 2000-01 through FY 2014-15. The stacked bar segments outlined with a dotted line illustrate the mid-year recisions required in FY 2008-09 and FY 2009-10 due to insufficient state funds, as well as the impact of the negative factor in subsequent fiscal years. The graphic is followed by key data related to school finance funding for the last five fiscal years, as well as appropriations for FY 2014-15.

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School Districts' Total Program Funding: Key Data						
Description	FY 2009-10 Actual	FY 2010-11 Actual	FY 2011-12 Actual	FY 2012-13 Actual	FY 2013-14 Approp.	FY 2014-15 Approp.
Funded Pupil Count	789,497	798,600	808,139	817,645	830,833	845,136
<i>Annual Percent Change</i>	<i>3.8%</i>	<i>1.2%</i>	<i>1.2%</i>	<i>1.2%</i>	<i>1.6%</i>	<i>1.7%</i>
<i>Change in Denver-Boulder Consumer Price Index for Previous Calendar Year</i>	<i>3.9%</i>	<i>-0.6%</i>	<i>1.9%</i>	<i>3.7%</i>	<i>1.9%</i>	<i>2.8%</i>
Statewide <u>Base</u> Per Pupil Funding	\$5,508	\$5,530	\$5,635	\$5,843	\$5,954	\$6,121
<i>Annual Percent Change</i>	<i>8.3%</i>	<i>0.4%</i>	<i>1.9%</i>	<i>3.7%</i>	<i>1.9%</i>	<i>2.8%</i>
Statewide <u>Average</u> Per Pupil Funding	\$7,078	\$6,814	\$6,474	\$6,480	\$6,652	\$7,021
<i>Annual Percent Change</i>	<i>6.3%</i>	<i>-3.7%</i>	<i>-5.0%</i>	<i>0.1%</i>	<i>2.7%</i>	<i>5.5%</i>
Total Program Funding/1	\$5,587,765,303	\$5,441,412,219	\$5,232,445,847	\$5,297,963,176	\$5,526,933,749	\$5,933,444,389
<i>Annual Percent Change</i>	<i>10.2%</i>	<i>-2.6%</i>	<i>-3.8%</i>	<i>1.3%</i>	<i>4.3%</i>	<i>7.4%</i>
<u>Local Share</u> of Total Program Funding	\$2,068,895,672	\$2,018,856,003	\$1,900,524,532	\$1,918,248,885	\$1,938,833,489	\$1,979,937,820
<i>Annual Percent Change</i>	<i>8.0%</i>	<i>-2.4%</i>	<i>-5.9%</i>	<i>0.9%</i>	<i>1.1%</i>	<i>2.1%</i>
Federal Funds allocated based on School Finance Act formula		\$216,358,164				
<u>State Share</u> of Total Program Funding	\$3,518,869,631	\$3,206,198,052	\$3,331,921,314	\$3,379,714,291	\$3,588,100,260	\$3,953,506,569
<i>Annual Percent Change</i>	<i>11.6%</i>	<i>-8.9%</i>	<i>3.9%</i>	<i>1.4%</i>	<i>6.2%</i>	<i>10.2%</i>
<i>State Share as Percent of Districts' Total Program Funding</i>	<i>63.0%</i>	<i>58.9%</i>	<i>63.7%</i>	<i>63.8%</i>	<i>64.9%</i>	<i>66.6%</i>

1/ For FY 2009-10, these figures exclude \$129,813,999 that was rescinded mid-year due to insufficient funds. For FY 2010-11 through FY 2014-15, figures reflect total program funding after application of the negative factor.

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Categorical Programs

Categorical programs serve particular groups of students (*e.g.*, students with limited proficiency in English) or particular student needs (*e.g.*, transportation). 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 (in aggregate) annually by at least the rate of inflation plus one percent for FY 2001-02 through FY 2010-11, and by at least the rate of inflation for subsequent fiscal years. For example, in calendar year 2013 the percentage change in the Denver-Boulder consumer price index was 2.8 percent, so the General Assembly was required to increase state funding for categorical programs by at least that amount (\$7,528,064) for FY 2014-15.

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 \$136.1 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 \$61.3 million higher than the minimum amount that would have otherwise been required. The following table details the allocation of the \$136.1 million increase since FY 2000-01 among categorical programs.

Increases in State Funding for Categorical Programs Since FY 2000-01				
Long Bill Line Item	FY 2000-01 Appropriation	FY 2014-15 Appropriation	Total Increase in Annual Appropriation of State Funds Since FY 2000-01	
Special education - children with disabilities	\$71,510,773	\$160,981,786	\$89,471,013	125.1%
English Language Proficiency Program	3,101,598	16,739,145	13,637,547	439.7%
Public school transportation	36,922,227	54,217,347	17,295,120	46.8%
Career and technical education programs	17,792,850	24,983,788	7,190,938	40.4%
Special education - gifted and talented children	5,500,000	11,910,269	6,410,269	116.6%
Expelled and at-risk student services grant program	5,788,807	7,493,560	1,704,753	29.4%
Small attendance center aid	948,140	959,379	11,239	1.2%
Comprehensive health education	600,000	1,005,396	405,396	67.6%
Total	\$142,164,395	\$278,290,670	\$136,126,275	95.8%

Legislative Education Reform

Legislative reforms can also drive changes in the Department’s budget by: (1) adding responsibilities for the Department, requiring additional staff or resources; and/or (2) forcing change in the Department’s operations. Reform legislation enacted in recent years, including S.B. 08-212 (CAP4K), S.B. 09-163 (Accountability and Improvement), S.B. 10-191 (Educator Effectiveness), and H.B. 12-1238 (READ Act), among other bills, have driven change and additional costs at the Department. During the 2014 Session, H.B. 14-1298 (School Finance) reformed the State’s English Language Proficiency Act and provided additional funding.

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For example, the FY 2014-15 appropriation includes increases totaling \$54.2 million associated with the implementation of reform legislation, including:

- \$27.5 million cash funds from the State Education Fund associated with revisions to the English Language Proficiency Act in H.B. 14-1298;
- \$18.0 million cash funds from the Early Literacy Fund (originally transferred from the State Education Fund) to support the Early Literacy Program established in H.B. 12-1238;
- \$3.8 million cash funds from the State Education Fund for costs associated with new assessments developed pursuant to S.B. 08-212;

\$2.7 million cash funds from the State Education for the ongoing use of an Early Literacy Assessment Tool associated with H.B. 12-1238 (and originally funded through H.B. 12-1345);

- \$2.0 million cash funds from the State Education Fund to support Boards of Cooperative Educational Services (BOCES) in implementing the State’s education priorities; and
- \$0.2 million and 1.8 FTE to provide additional technical support to school districts regarding recent college and career readiness reforms.

For FY 2015-16, the Governor’s request includes the following increases: (1) \$1.3 million General Fund and 7.3 FTE to support field implementation of S.B. 10-191 and the implementation of new statewide academic standards adopted pursuant to S.B. 08-212; and (2) \$77,375 General Fund to develop an online portal for the State Review Panel established in S.B. 09-163.

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Summary: FY 2014-15 Appropriation & FY 2015-16 Request

Department of Education						
	Total Funds	General Fund	Cash Funds	Reappropriated Funds	Federal Funds	FTE
FY 2014-15 Appropriation						
HB 14-1336 (Long Bill)	\$4,983,060,379	\$3,355,683,787	\$960,419,839	\$30,693,725	\$636,263,028	574.8
HB 14-1292 (Student Success)	179,052,176	0	179,052,176	0	0	0.0
HB 14-1298 (School Finance)	72,000,495	0	44,500,495	27,500,000	0	1.2
Other Legislation	<u>17,086,756</u>	<u>2,212,017</u>	<u>11,914,739</u>	<u>2,960,000</u>	<u>0</u>	<u>6.0</u>
TOTAL	\$5,251,199,806	\$3,357,895,804	\$1,195,887,249	\$61,153,725	\$636,263,028	582.0
FY 2015-16 Requested Appropriation						
FY 2014-15 Appropriation	\$5,251,199,806	3,357,895,804	\$1,195,887,249	\$61,153,725	\$636,263,028	582.0
R1 Increase total program	381,088,678	239,895,415	141,193,263	0	0	0.0
R2 Categorical programs increase	7,792,138	0	7,792,138	0	0	0.0
R3 Field implementation support	1,266,535	1,266,535	0	0	0	7.3
R4 State Review Panel online portal	77,375	77,375	0	0	0	0.0
R5 CSDB strategic plan implementation	1,087,179	1,087,179	0	0	0	11.5
R6 CSDB teacher salary adjustment	102,391	102,391	0	0	0	0.0
R7 BEST statewide priority assessment	3,472,914	0	3,472,914	0	0	6.0
Annualize prior year legislation	6,183,680	(299,323)	6,483,003	0	0	0.0
Centrally appropriated line item adjustments	1,607,380	469,669	210,961	219,361	707,389	0.0
Annualize prior year budget actions	(991,095)	(1,255,755)	10,708	280,529	(26,577)	1.0
Marijuana tax revenue adjustment	<u>(219,556)</u>	<u>0</u>	<u>(219,556)</u>	<u>0</u>	<u>0</u>	<u>0.0</u>
TOTAL	\$5,652,667,425	\$3,599,239,290	\$1,354,830,680	\$61,653,615	\$636,943,840	607.8
Increase/(Decrease)	\$401,467,619	\$241,343,486	\$158,943,431	\$499,890	\$680,812	25.8
Percentage Change	7.6%	7.2%	13.3%	0.8%	0.1%	4.4%

Issue Descriptions

R1 Increase total program: The request includes a net increase of \$381.1 million total funds (including increases of \$239.9 million General Fund and \$145.3 million cash funds from the State Education Fund and a decrease of \$4.1 million cash funds from the State Public School fund). The request includes an increase of \$380.6 million total funds for the State Share of Districts' Total Program line item and \$513,859 cash funds from the State Education Fund for the Hold-harmless Full-day Kindergarten Funding line item. The request would reduce the negative factor by \$200.0 million on a one-time basis from (\$894.2 million in FY 2014-15 to \$694.2 million in FY 2015-16). The request does not specify the negative factor in FY 2016-17

or subsequent years. See the first issue paper in this document for further discussion of school finance projections for FY 2015-16 and the Governor’s request.

R2 Categorical programs increase: Categorical programs serve particular groups of students or particular student needs. Amendment 23 requires the General Assembly to increase *total state funding* for all categorical programs (in aggregate) by at least the rate of inflation in FY 2015-16. The request includes additional appropriations from the State Education Fund to increase state funding for categorical programs by \$7,792,138 (2.8 percent), based on the OSPB projected rate of inflation for CY 2014. The request specifies the allocation of the additional funds among the following five categorical programs: \$4,360,818 for special education for children with disabilities; \$1,400,568 for English Language proficiency programs; \$1,345,141 for public school transportation; \$501,238 for vocational education; and \$184,373 for educational services for gifted and talented children. See Appendix C for a discussion of the Department’s response to a request for information associated with categorical program funding.

R3 Field implementation support: The request includes an increase of \$1.3 million General Fund and 7.3 FTE in FY 2015-16 (annualizing to \$1.8 million General Fund and 10.5 FTE in FY 2016-17) to continue the Department’s support of field implementation of S.B. 10-191 (Educator Effectiveness) and the Colorado Academic Standards adopted pursuant to S.B. 08-212 (CAP4K). The request would continue to support the following staff and activities that are currently supported with one-time state, federal, or private funding: (1) the majority of the staff supporting the implementation of educator effectiveness that were funded on a one-time basis; (2) two content specialists currently “on loan” from the Colorado Education Initiative to implement the statewide standards (that the request proposes to convert to state FTE); (3) ongoing field training and technical assistance provided to local school districts for both initiatives; and (4) ongoing updates and maintenance of the educator evaluation systems, including two information technology systems created to support educator effectiveness implementation. See the fifth issue paper in this document for further discussion of this request.

R4 State Review Panel online portal: The request includes an increase of \$77,375 General Fund (annualizing to \$35,200 in FY 2016-17 and beyond) to enhance and maintain an online system to streamline the State Review Panel’s reviews of schools and school districts with improvement plans. As an enhancement to the online Unified Improvement Plan (UIP) tool, the proposed system would allow members of the State Review Panel, established in S.B. 09-163 (Education Accountability Act), to securely share documents, track changes, and efficiently organize review materials.

R5 CSDB strategic plan implementation: The Department is requesting an increase of \$1.1 million General Fund and 11.5 FTE in FY 2015-16 (annualizing to \$1.2 million and 12.6 FTE in subsequent years) for the Colorado School for the Deaf and the Blind (CSDB) to enhance school services in accordance with the school’s strategic plan. The request includes three major components (see the sixth issue paper in this document for additional discussion of this request):

- \$304,489 and 5.9 FTE (annualizing to \$439,438 and 6.0 FTE) to extend the CSDB school year by 10 days (this component does not include new staff but reflects increased work time for the existing staff);

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- \$501,846 and 5.6 FTE (annualizing to \$521,269 and 6.2 FTE) to add *additional staff* to the school; and
- \$275,844 (annualizing to \$245,124) to support increased operating expenses, including technology updates and enhancement, as well as general operating expenses increases.

R6 CSDB teacher salary adjustment: The request includes an increase of \$102,391 General Fund for salary increases for teachers employed at the CSDB. Statute (Section 22-80-106.5, C.R.S.) requires the CSDB to compensate teachers based on the Colorado Springs District 11 salary schedule, using the CSDB’s salary policies to implement the salary schedule. To align with the District 11 salary schedule, the request includes: (1) \$26,800 to support an ongoing 1.0 percent across-the-board salary increase; (2) \$61,961 to support experience increases (steps); and (3) \$13,630 for educational increments.

R7 BEST statewide priority assessment: The request includes an increase of \$3.5 million cash funds from the Public School Capital Construction Assistance Fund and 6.0 FTE in FY 2015-16 (annualizing to \$648,206 cash funds and 6.0 FTE in FY 2016-17 and beyond) to reconfigure the Building Excellent Schools Today (BEST) priority assessment database and provide additional assistance to schools and school districts applying for funding from the BEST program. The request responds to a September 2013 performance audit of the BEST program. Among other recommendations, the audit recommended that the Department and the Capital Construction Assistance Board: (1) reconfigure the priority assessment database to identify high priority projects, including health-life-safety projects; (2) update the priority assessment database on an ongoing basis to prevent facility data from becoming outdated; and (3) use the revised database to provide targeted outreach to school districts with the highest needs. The request includes the following increases for FY 2015-16:

- \$2,700,000 (one-time) to reconfigure the priority assessment database to consolidate information and allow for the production of a prioritized list of projects based on statutory criteria;
- \$572,914 and 6.0 FTE (annualizing to \$548,206 and 6.0 FTE in subsequent years) to allow the program to hire a team of assessors to continuously update the statewide assessment on an ongoing basis;
- \$100,000 (ongoing) for staff travel costs for the new assessors; and
- \$100,000 (one-time) for first-year staff training.

Annualize prior year legislation: The request includes an increase of \$6.2 million total funds to reflect the FY 2015-16 impact of legislation that was passed in 2014, including the following acts: H.B. 14-1102; H.B. 14-1156; H.B. 14-1175; H.B. 14-1202; H.B. 14-1292; H.B. 14-1298; and H.B. 14-1376. Appendix B provides a short description of each of these acts. The increase is primarily driven by an increase of \$6.5 million cash funds from the State Education Fund for charter school capital construction in FY 2015-16, as required by H.B. 14-1292 (Student Success).

Centrally appropriated line item adjustments: The request includes an increase of \$1.6 million total funds (including \$469,669 General Fund) related to employee benefits and other centrally appropriated line items. This total includes the following major increases:

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- \$896,697 total funds (including \$269,461 General Fund) for proposed salary increases to be awarded in FY 2015-16. The Department’s request includes the following (in line with the Governor’s common policies): 1.0 percent for salary survey and 1.0 percent for merit based pay;
- \$351,832 total funds (including \$105,307 General Fund) for supplemental PERA payments;
- \$98,439 total funds (including \$44,364 General Fund) for various types of insurance (health, life, and dental; short-term disability; workers’ compensation; and risk management/property funds); and
- \$260,412 total funds (including \$50,537 General Fund) for other centrally appropriated items.

Annualize prior year budget actions: The request includes adjustments related to prior year budget actions. The decrease in FY 2015-16 is largely driven by the elimination of one-time funding provided for the purchase of information technology equipment in FY 2014-15.

Marijuana tax revenue adjustments: The request includes a reduction of \$219,556 cash funds from the Marijuana Tax Cash Fund to reflect anticipated marijuana tax revenue collections.

Issue: School Finance Act Funding Projections

The General Assembly faces three basic decisions with respect to school finance appropriations in FY 2015-16 and beyond. First, how much should Colorado spend on school finance in FY 2015-16 and beyond? Second, how should the General Assembly manage the balance of the State Education Fund going forward? Third, should the General Assembly target sustainable appropriations and sustainable growth or maximize appropriations in the short term at the risk of not being able to sustain that growth going forward? The Governor is proposing a total increase of \$380.6 million in state spending on total program in FY 2015-16 (including increases of \$239.9 million General Fund and \$144.7 million cash funds from the State Education Fund and a decrease of \$4.1 million cash funds from the State Public School Fund). The Governor's proposal includes a one-time \$200.0 million reduction in the negative factor in FY 2015-16.

SUMMARY:

- Current law, as enacted in H.B. 14-1298, requires the General Assembly to provide sufficient total program funding in FY 2015-16 to prevent the negative factor from growing above the dollar amount in FY 2014-15 (\$894.2 million).
- Based on the Legislative Council Staff September 2014 Revenue Forecast (LCS Forecast), maintaining a constant negative factor in FY 2015-16 would require an increase of \$180.6 million total funds for the state share of total program funding. Staff anticipates that this baseline scenario will determine the FY 2015-16 Long Bill appropriation for school finance, which the General Assembly may adjust through the annual school finance bill. Based on current revenue forecasts, any spending above that amount would reduce the negative factor.
- Although staff's baseline scenario assumes a flat negative factor throughout the forecast period, current law does not specify a negative factor amount in FY 2016-17 or subsequent years.
- The anticipated fund balance in the State Education Fund (SEF) creates options for the General Assembly to mitigate the need for General Fund increases in FY 2015-16. However, overreliance on one-time funding in the SEF in FY 2015-16 may create unsustainable demands on the General Fund in FY 2016-17 and subsequent years.
- The Governor's FY 2015-16 request includes \$380.6 million in additional state funding for total program (including \$239.9 million General Fund). The proposal is designed to provide a one-time \$200.0 million reduction in the negative factor in FY 2015-16 but does not specify a goal for the negative factor in subsequent years. The proposal would leave between \$94.6 million (LCS Forecast) and \$135.8 million (Office of State Planning and Budgeting September 2014 Revenue Forecast (OSPB Forecast)) in the State Education Fund at the end of FY 2015-16 and require a large General Fund increase in FY 2016-17 to avoid a reduction in state spending on total program.

RECOMMENDATION:

Based on the current statutory school finance formula, staff's school finance funding projections, and the Governor's proposed budget for FY 2015-16, staff recommends that the Joint Budget Committee discuss public school funding with legislative leadership, the Education Committees, and the Governor's Office. Specifically:

1. How does the General Assembly intend to meet the key constitutional requirements concerning education (Amendment 23 and the thorough and uniform requirement)? What is an adequate total program amount? Does the General Assembly intend to decrease the value of the negative factor in FY 2015-16 and beyond? Should the General Assembly consider providing significant one-time funding in FY 2015-16 that may not be sustainable going forward?
2. Should the General Assembly pursue changes to the statutory school finance formula, changes to Amendment 23, and/or changes to increase the revenues available to support school finance to ensure the State's ability to continue to provide for the maintenance of a thorough and uniform system of public schools? For example, should the General Assembly adjust the factors in the formula to address potential inequities? Should the General Assembly adjust the formula to reflect available revenues or maintain the existence of the negative factor?

With respect to the FY 2015-16 appropriation, staff makes the following specific recommendations:

1. Set the Long Bill appropriation for school finance to maintain the negative factor as a constant dollar amount (\$894.2 million).
2. Provide additional total program funding through the school finance bill, as revenues allow, to reduce the negative factor in FY 2015-16 in a manner that is sustainable in subsequent years.
3. Plan the use of General Fund and SEF revenues over multiple years to minimize jumps in the amount of General Fund needed for school finance. For example, if the General Assembly intends to return to a \$100 million minimum SEF balance as in prior years, staff would recommend planning to spend down to that level over at least two years to avoid creating a "cliff" in FY 2016-17.
4. Maintain a long term SEF fund balance of at least \$100 million and consider targeting a higher minimum balance in the SEF to provide an additional reserve for education spending. Based on the scenarios outlined below, staff is not continuing the \$400 million minimum balance recommendation from FY 2014-15. However, staff continues to recommend working toward the maintenance of a larger balance.

DISCUSSION:

Background – Changes in Funding Projection Assumptions

Annual projections of education funding have generally included funding for two program areas: (1) public school finance; and (2) categorical programs. Following the passage of Amendment 23⁸, the annual projections of funding for these two areas were fairly straightforward. To reflect current law, staff based the projections on the existing statutory public school finance formula⁹, plus compliance with the requirements of Amendment 23 to provide annual increases in the "base per pupil funding" component of the statutory formula and in state funding for categorical programs. Staff then calculated the General Fund share of required state funding based on:

- Anticipated local funding from local property and specific ownership tax revenues;
- Anticipated funding from the State Public School Fund;
- Ensuring compliance with the General Fund maintenance of effort requirement in Amendment 23; and
- The amount of General Fund necessary to maintain the “solvency” of the State Education Fund (SEF) based on avoiding the need for a significant increase or “jump” in General Fund appropriations in future years.

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

- First, the projections now must incorporate the negative factor (which the General Assembly extended indefinitely during the 2011 Session) on an ongoing basis. Thus, the “current law” amount is no longer generated through the statutory school finance formula.
- Second, H.B. 14-1298 set a “current law” amount for use in the annual Long Bill appropriation by requiring the General Assembly to prevent growth in the negative factor (as a dollar amount) from FY 2014-15 to FY 2015-16. Thus, under current law (which determines the Long Bill appropriation), the negative factor may not exceed \$894.2 million in FY 2015-16.
- Finally, the concept of SEF “solvency” changed because of declines in the SEF fund balance. Specifically, the projections now assume a minimum SEF balance (\$100 million in recent years) to account for income tax revenue forecast error.

2014 Projection Assumptions

As discussed above, H.B. 14-1298 enacted a statutory change to set a baseline (or current law) school finance funding amount *for the FY 2015-16 Long Bill appropriation*, requiring the negative factor to remain at or below \$894.2 million. Thus, staff’s baseline scenario for FY 2015-16 maintains a flat negative factor. Please note that while the baseline scenario assumes a flat negative factor throughout the forecast period, current law is silent with respect to FY 2016-17 and subsequent years and would allow the negative factor to grow in those years. In a change

⁸ See Article IX, Section 17 of the State Constitution.

⁹ See Article 54 of Title 22, C.R.S.

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from prior years, staff is no longer including projections for scenarios below that baseline funding amount (e.g., maintaining a constant total program amount, funding enrollment to maintain a constant statewide average per pupil funding amount,¹⁰ or increasing statewide average per pupil funding by the rate of inflation).

Consistent with previous analyses, staff's 2014 funding projections assume the following:

- The General Assembly will not change existing appropriations for FY 2014-15 mid-year.
- Based on H.B. 14-1298, the *baseline* projection assumes that the negative factor will remain at \$894.2 million in FY 2015-16 and throughout the forecast period.
- The General Assembly will increase state funding for categorical programs by the rate of inflation annually, as required by Amendment 23. Consistent with recent legislative actions, staff assumes the General Assembly will use SEF moneys to comply with this provision.
- The General Assembly will continue to appropriate SEF moneys to support a variety of programs and functions other than school finance and categorical programs (totaling \$162.8 million in FY 2014-15). The projections do not currently include additional increases that may be required to fully implement recent education reform legislation, including S.B. 08-212 (Preschool to Postsecondary Alignment), S.B. 09-163 (Education Accountability System), or S.B. 10-191 (Educator Effectiveness).

Consistent with the 2013 projections, staff is including options based on different minimum year-end fund balances in the SEF. For the 2011 through 2013 Sessions, the General Assembly assumed a minimum year-end balance of \$100 million in the SEF to account for income-tax forecast error. Like last year, staff's 2014 projections include options based on long-term fund balances of \$100 million and (for illustrative purposes) a minimum balance of \$400 million.

Finally, staff will update these projections again based on the Legislative Council Staff and Office of State Planning and Budgeting December 2014 revenue forecasts (including adjustments for inflation, SEF revenues, pupil enrollment, and property tax revenues), as well as actual pupil count information for the current school year that will be available in January 2015.

2014 Projections (FY 2015-16 through FY 2018-19)

The General Assembly faces three basic decisions regarding school finance in FY 2015-16:

- First, how much should the State spend on total program in FY 2015-16 and subsequent years?

¹⁰ As discussed in prior years, both of those scenarios presented problems in future years, as the statewide base per pupil funding amount would approach and eclipse the statewide average per pupil funding amount, effectively eliminating any differentiation between districts based on the factors in the school finance formula.

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- Second, how should the General Assembly balance the use of the General Fund and the SEF? Should the General Assembly maintain a larger fund balance in the SEF to provide an additional reserve for K-12 education?
- Third, should the General Assembly target sustainable appropriations and sustainable growth or maximize appropriations in the short term at the risk of not being able to sustain the growth and requiring future reductions?

Question 1: How much should the State spend on total program in FY 2015-16?

The General Assembly faces a menu of options regarding expenditures for total program, ranging from reducing appropriations below FY 2014-15 levels (within constitutional constraints and requiring statutory change) to eliminating the negative factor and “fully funding” the formula (if possible within available revenues). Pursuant to H.B. 14-1298, staff recommends that the *Long Bill* appropriation reflect the requirement to maintain the negative factor at a constant level of \$894.2 million. The following projections (other than the baseline scenario) are for discussion purposes as the General Assembly plans for the overall budget and the annual School Finance Bill.

Similar to recent years, this year’s projections include three incremental scenarios to illustrate potential answers to the question of how much to spend on total program. As discussed above, the specific scenarios have changed because staff has not included scenarios below the baseline amount required by H.B. 14-1298. This year’s scenarios include:

- *Baseline/Current Law:* Maintain the negative factor at a constant dollar amount (\$894,202,068) in FY 2015-16 and beyond. Based on current revenue forecasts, any spending above the amounts in this scenario would reduce the negative factor.
- *Governor Request:* Reduce the negative factor by \$200 million (to \$694.2 million) in FY 2015-16. The request does not specify a negative factor amount in FY 2016-17 or subsequent years. For illustrative purposes, staff’s scenario assumes that the negative factor increases to \$894.2 million in FY 2016-17 and remains constant throughout the remainder of the forecast period.
- *Policy Option:* “Fully fund” the statutory school finance formula and eliminate the negative factor beginning in FY 2015-16.

Table 1 below shows the *total state funding* necessary to support each scenario under the Legislative Council Staff September 2014 Revenue Forecast. In a change from the 2013 presentation, staff is only including projections based on the Legislative Council Staff Revenue Forecast, as it is the more conservative forecast and the differences between forecasts were not as significant as in 2013.

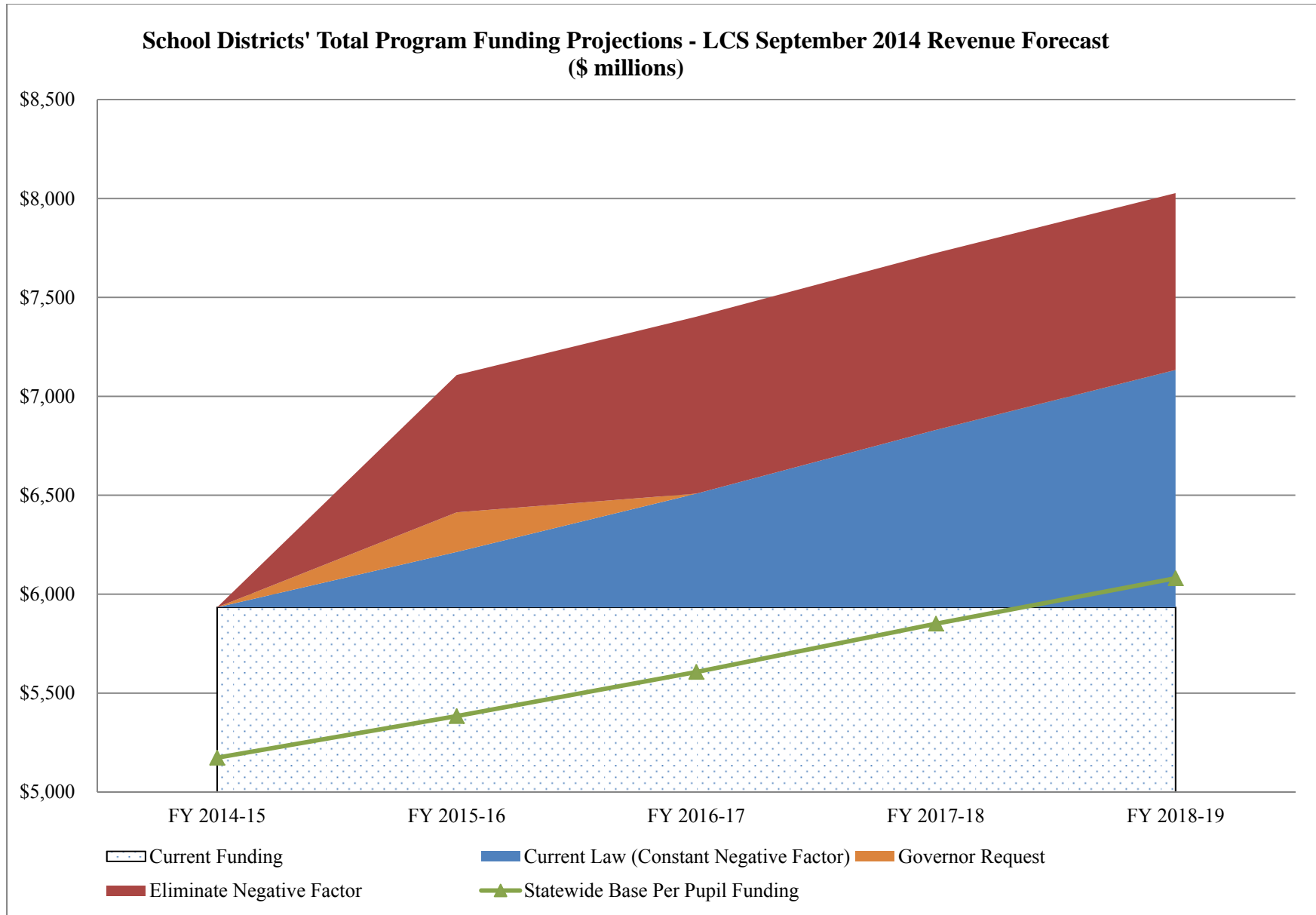
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TABLE 1: Total State Share of Total Program Funding					
	FY 2014-15	FY 2015-16	FY 2016-17	FY 2017-18	FY 2018-19
<i>Projected Pupil Count</i>	845,136	855,589	866,775	881,567	894,682
Local Share of Funding	\$1,979,937,820	\$2,079,654,365	\$2,139,964,342	\$2,268,362,202	\$2,327,339,620
<i>Annual Percent Change</i>	2.1%	5.0%	2.9%	6.0%	2.6%
State Share of Funding - Legislative Council Staff September 2014 Forecast					
<i>Forecast Inflation Rate</i>	2.8%	2.8%	2.8%	2.6%	2.4%
Current Law - Maintain Negative Factor as a Dollar Amount	\$3,953,506,568	\$4,134,081,387	\$4,368,326,347	\$4,562,009,835	\$4,806,102,398
Annual Increase in State Share	<i>n/a</i>	180,574,819	234,244,960	193,683,488	244,092,563
Statewide Average Per Pupil	7,021	7,263	7,509	7,748	7,973
Negative Factor	(894,202,068)	(894,202,068)	(894,202,068)	(894,202,068)	(894,202,068)
Governor Request - One-time \$200 Million Negative Factor Reduction	3,953,506,568	4,334,081,388	4,368,326,347	4,562,009,835	4,806,102,399
Annual Increase in State Share	<i>n/a</i>	380,574,820	34,244,959	193,683,488	244,092,564
Statewide Average Per Pupil	7,021	7,496	7,509	7,748	7,973
Negative Factor	(894,202,068)	(694,202,067)	(894,202,068)	(894,202,068)	(894,202,067)
Policy - Eliminate Negative Factor in FY 2014-15	\$3,953,506,568	\$5,028,283,455	\$5,262,528,415	\$5,456,211,903	\$5,700,304,466
Annual Increase in State Share	<i>n/a</i>	1,074,776,887	234,244,960	193,683,488	244,092,563
Statewide Average Per Pupil	7,021	8,308	8,540	8,762	8,973
Negative Factor	(894,202,068)	0	0	0	0

Thus, based on the most recent Legislative Council Staff revenue forecast, maintaining a constant negative factor through FY 2018-19 requires an average increase of \$213.1 million per year through FY 2018-19. Additional appropriations (such as the \$200 million in the Governor’s proposal for FY 2015-16) would reduce the negative factor.

As a different view, the graphic on the following page shows staff’s projections of total program funding (including both state and local funds) based on these three incremental scenarios. Each layer of the area chart represents additional funding required under each scenario. The graphic also includes a line to identify the costs of simply providing base per pupil funding, keeping pace with projected enrollment increases and providing the constitutionally required inflationary increases in base per pupil funding. The area above that line reflects the amount of funding available for the school finance formula “factors” under each scenario. As shown in the chart, if total program funding remained constant at FY 2014-15 levels, the appropriation would not support the constitutionally required appropriation for statewide base per pupil funding by FY 2018-19.

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Question 2: How should the General Assembly balance the use of the General Fund and the SEF? Should the General Assembly maintain a larger fund balance in the SEF to provide an additional reserve for K-12 education?

The SEF ended FY 2013-14 with a balance of \$1.05 billion as a result of significant year-end transfers of General Fund to the SEF in prior years. Based on current FY 2014-15 appropriations and transfers out of the SEF, staff anticipates a FY 2014-15 ending balance of approximately \$650 million. As the Committee discussed last year, the anticipated fund balance creates a range of options to balance the use of the SEF and General Fund in FY 2015-16 and subsequent years. Each financing option creates different near- and long-term consequences for the General Fund.

In planning for school finance appropriations, staff recommends that the Committee and the General Assembly consider the following.

- *General Fund Stability:* Staff's projections assume that the General Assembly would prefer to avoid large "jumps" in General Fund spending over the forecast period. Relying heavily on the SEF in FY 2015-16 will increase the need for General Fund appropriations in FY 2016-17 and beyond under each scenario.
- *SEF Balance:* As mentioned above, in prior years, the General Assembly has assumed a \$100 million minimum SEF balance to cover income tax forecast error. In FY 2014-15, the Governor proposed and staff recommended maintaining an ongoing SEF balance of \$400 million to provide an additional reserve for education spending. Maintaining a larger SEF balance requires increased General Fund appropriations, however, and the Governor's FY 2015-16 request does *not* include the increased minimum SEF balance. Staff is also no longer recommending the \$400 million minimum because of the potentially untenable increases in General Fund appropriations required by the "Current Law" scenario with that minimum balance. However, consistent with last year, the projections below include two scenarios (\$100 million and \$400 million minimum balances) for discussion purposes.
- *Forecast Differences:* The choice of revenue forecast directly affects the school finance appropriations necessary under each scenario. Differences in inflation rates affect the *total* funding necessary for each scenario, while differences in revenue assumptions affect the General Fund required under each scenario. Based on the Committee's precedent of balancing to the more conservative forecast in recent years, and because these projections are for discussion purposes, staff has only included detailed projections for the LCS forecast.

General Fund Impact

The following tables detail the incremental changes in General Fund appropriations under each scenario and each minimum SEF balance using the LCS forecast. Staff has built the projections to minimize jumps in General Fund growth under the baseline (constant negative factor) scenario. The Governor's request reflects the Governor's proposed fund sources in FY 2015-16. Please note that in a change from prior years' projections, staff is showing the annual growth required under each scenario, rather than the incremental growth between each scenario within a given year.

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Table 2 shows the changes in General Fund appropriations necessary to support each scenario based on an assumed \$100 million minimum balance over the forecast period. For the “Current Law” (constant negative factor) scenario, staff assumes that the General Assembly would target a \$300 million SEF ending balance in FY 2015-16 and \$100 in FY 2016-17 to smooth out General Fund growth over those two years. The projections for the Governor’s Request scenario assume the Governor’s proposed fund sources in FY 2015-16 and the maintenance of \$100 million SEF balance in the later years.

TABLE 2: Projection of General Fund Need for Public School Finance (LCS Forecast with \$100 Million Minimum SEF Balance - \$ in millions)				
	FY 2015-16	FY 2016-17	FY 2017-18	FY 2018-19
Base Appropriation	\$3,184.0	\$4,123.3	\$4,890.0	\$5,051.2
Current Law - Maintain Negative Factor as a Dollar Amount	244.9	362.6	369.4	212.8
Governor Request - One-time \$200 Million Negative Factor Reduction	239.9	577.4	369.4	212.8
Eliminate Negative Factor in FY 2015-16	939.3	766.7	161.2	210.1
Adjusted GF Appropriation to "Fully Fund" Formula (Eliminating Negative Factor)	\$4,123.3	\$4,890.0	\$5,051.2	\$5,261.4
Total Annual GF Change	\$939	\$767	\$161	\$210
Total Annual Percent Change	29.5%	18.6%	3.3%	4.2%

Table 3 shows the changes in General Fund appropriations necessary with a \$400 million minimum SEF balance over the forecast period for the baseline (current law) scenario and the policy option (eliminate the negative factor in FY 2015-16). Because the Governor’s Request no longer proposes maintaining a larger SEF ending balance, staff has not included the Governor’s request in this table. Providing the additional \$200 million in FY 2015-16 would require that amount of additional General Fund if the General Assembly chose to provide the requested funding *and* maintain a minimum balance of \$400 million.

TABLE 3: Projection of General Fund Need for Public School Finance (LCS Forecast with \$400 Million Minimum SEF Balance - \$ in millions)				
	FY 2015-16	FY 2016-17	FY 2017-18	FY 2018-19
Base Appropriation	\$3,184.0	\$4,427.1	\$4,883.2	\$5,044.4
Current Law - Maintain Negative Factor as a Dollar Amount	348.9	456.0	161.2	210.1
Eliminate Negative Factor in FY 2015-16	1,243.0	456.1	161.2	210.1
Adjusted GF Appropriation to "Fully Fund" Formula (Eliminating Negative Factor)	\$4,427.1	\$4,883.2	\$5,044.4	\$5,254.6
Total Annual GF Change	\$1,243	\$456	\$161	\$210
Total Annual Percent Change	39.0%	10.3%	3.3%	4.2%

Tables 4 and 5 (on the following pages) include detail on all of the applicable fund sources for school finance, putting the state share and General Fund projections above in broader context. Table 4 includes total program funding and the average per pupil funding level associated with

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each scenario, as well as the associated state and local funding components, based on a \$100 million minimum SEF balance. Table 5 includes the same detail based on a \$400 minimum SEF balance but again excluding the Governor’s request.

TABLE 4: Fund Source Detail Corresponding to General Fund Projections (LCS Forecast - \$100 Million Minimum SEF Fund Balance)					
	FY 2014-15	FY 2015-16	FY 2016-17	FY 2017-18	FY 2018-19
<i>Projected Pupil Count</i>	845,136	855,589	866,775	881,567	894,682
Current Law - Maintain Negative Factor as a Dollar Amount					
General Fund	\$3,184,047,461	\$3,428,935,986	\$3,791,495,944	\$4,160,906,849	\$4,373,671,976
State Education Fund	670,481,408	614,848,632	486,596,189	307,578,943	338,906,380
State Public School Fund	<u>98,977,700</u>	<u>90,296,769</u>	<u>90,234,214</u>	<u>93,524,043</u>	<u>93,524,043</u>
Subtotal: State Share of Funding	\$3,953,506,569	\$4,134,081,387	\$4,368,326,347	\$4,562,009,835	\$4,806,102,399
<i>Annual Percent Change</i>	10.2%	4.6%	5.7%	4.4%	5.4%
Local Share of Funding	\$1,979,937,820	\$2,079,654,365	\$2,139,964,342	\$2,268,362,202	\$2,327,339,620
<i>Annual Percent Change</i>	2.1%	5.0%	2.9%	6.0%	2.6%
Total Program Funding	\$5,933,444,389	\$6,213,735,752	\$6,508,290,689	\$6,830,372,037	\$7,133,442,019
<i>Annual Percent Change</i>	12.0%	4.7%	4.7%	4.9%	4.4%
Average Funding Per Pupil	\$7,021	\$7,263	\$7,509	\$7,748	\$7,973
<i>Annual Percent Change</i>	8.4%	3.4%	3.4%	3.2%	2.9%
Governor's Request - One-time \$200 Million Negative Factor Reduction					
General Fund	\$3,184,047,461	\$3,423,942,876	\$4,001,305,262	\$4,160,906,851	\$4,373,671,977
State Education Fund	670,481,408	819,841,742	276,786,871	307,578,941	338,906,379
State Public School Fund	<u>98,977,700</u>	<u>90,296,769</u>	<u>90,234,214</u>	<u>93,524,043</u>	<u>93,524,043</u>
Subtotal: State Share of Funding	\$3,953,506,569	\$4,334,081,387	\$4,368,326,347	\$4,562,009,835	\$4,806,102,399
<i>Annual Percent Change</i>	10.2%	9.6%	0.8%	4.4%	5.4%
Local Share of Funding	\$1,979,937,820	\$2,079,654,365	\$2,139,964,342	\$2,268,362,202	\$2,327,339,620
<i>Annual Percent Change</i>	2.1%	5.0%	2.9%	6.0%	2.6%
Total Program Funding	\$5,933,444,389	\$6,413,735,752	\$6,508,290,689	\$6,830,372,037	\$7,133,442,019
<i>Annual Percent Change</i>	12.0%	8.1%	1.5%	4.9%	4.4%
Average Funding Per Pupil	\$7,021	\$7,496	\$7,509	\$7,748	\$7,973
<i>Annual Percent Change</i>	8.4%	6.8%	0.2%	3.2%	2.9%
Fully Fund Statutory Formula and Eliminate Negative Factor Beginning in FY 2015-16					
General Fund	\$3,184,047,461	\$4,123,307,014	\$4,890,007,051	\$5,055,109,531	\$5,267,874,689
State Education Fund	670,481,408	814,679,672	282,287,150	307,578,329	338,905,735
State Public School Fund	<u>98,977,700</u>	<u>90,296,769</u>	<u>90,234,214</u>	<u>93,524,043</u>	<u>93,524,043</u>
Subtotal: State Share of Funding	\$3,953,506,569	\$5,028,283,455	\$5,262,528,415	\$5,456,211,903	\$5,700,304,467
<i>Annual Percent Change</i>	10.2%	27.2%	4.7%	3.7%	4.5%

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TABLE 4: Fund Source Detail Corresponding to General Fund Projections (LCS Forecast - \$100 Million Minimum SEF Fund Balance)					
	FY 2014-15	FY 2015-16	FY 2016-17	FY 2017-18	FY 2018-19
Local Share of Funding	\$1,979,937,820	\$2,079,654,365	\$2,139,964,342	\$2,268,362,202	\$2,327,339,620
<i>Annual Percent Change</i>	2.1%	5.0%	2.9%	6.0%	2.6%
Total Program Funding	\$5,933,444,389	\$7,107,937,820	\$7,402,492,757	\$7,724,574,105	\$8,027,644,087
<i>Annual Percent Change</i>	12.0%	19.8%	4.1%	4.4%	3.9%
Average Funding Per Pupil	\$7,021	\$8,308	\$8,540	\$8,762	\$8,973
<i>Annual Percent Change</i>	8.4%	18.3%	2.8%	2.6%	2.4%

TABLE 5: Fund Source Detail Corresponding to General Fund Projections (LCS Forecast - \$400 Million Minimum SEF Fund Balance)					
	FY 2014-15	FY 2015-16	FY 2016-17	FY 2017-18	FY 2018-19
<i>Projected Pupil Count</i>	845,136	855,589	866,775	881,567	894,682
Current Law - Maintain Negative Factor as a Dollar Amount					
General Fund	\$3,184,047,461	\$3,532,956,052	\$3,988,997,563	\$4,150,235,859	\$4,360,366,979
State Education Fund	670,481,408	510,828,566	289,094,571	318,249,933	352,211,376
State Public School Fund	<u>98,977,700</u>	<u>90,296,769</u>	<u>90,234,214</u>	<u>93,524,043</u>	<u>93,524,043</u>
Subtotal: State Share of Funding	\$3,953,506,569	\$4,134,081,387	\$4,368,326,348	\$4,562,009,835	\$4,806,102,398
<i>Annual Percent Change</i>	10.2%	4.6%	5.7%	4.4%	5.4%
Local Share of Funding	\$1,979,937,820	\$2,079,654,365	\$2,139,964,342	\$2,268,362,202	\$2,327,339,620
<i>Annual Percent Change</i>	2.1%	5.0%	2.9%	6.0%	2.6%
Total Program Funding	\$5,933,444,389	\$6,213,735,752	\$6,508,290,690	\$6,830,372,037	\$7,133,442,018
<i>Annual Percent Change</i>	12.0%	4.7%	4.7%	4.9%	4.4%
Average Funding Per Pupil	\$7,021	\$7,263	\$7,509	\$7,748	\$7,973
<i>Annual Percent Change</i>	8.4%	3.4%	3.4%	3.2%	2.9%
Fully Fund Statutory Formula and Eliminate Negative Factor Beginning in FY 2015-16					
General Fund	\$3,184,047,461	\$4,427,057,785	\$4,883,199,629	\$5,044,437,911	\$5,254,569,040
State Education Fund	670,481,408	510,928,901	289,094,572	318,249,950	352,211,384
State Public School Fund	<u>98,977,700</u>	<u>90,296,769</u>	<u>90,234,214</u>	<u>93,524,043</u>	<u>93,524,043</u>
Subtotal: State Share of Funding	\$3,953,506,569	\$5,028,283,455	\$5,262,528,415	\$5,456,211,904	\$5,700,304,467
<i>Annual Percent Change</i>	10.2%	27.2%	4.7%	3.7%	4.5%
Local Share of Funding	\$1,979,937,820	\$2,079,654,365	\$2,139,964,342	\$2,268,362,202	\$2,327,339,620
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Average Funding Per Pupil	\$7,021	\$8,308	\$8,540	\$8,762	\$8,973
<i>Annual Percent Change</i>	8.4%	18.3%	2.8%	2.6%	2.4%

Question 3: Should the General Assembly target sustainable appropriations and sustainable growth or maximize appropriations in the short term at the risk of not being able to sustain the growth and requiring future reductions?

The Governor's budget request and a recent statement from the majority of school district superintendents (both of which are discussed below) both propose significant one-time funding changes in FY 2015-16 that may hamper the State's ability to sustain school finance spending in FY 2016-17 and beyond. Both proposals appear to seek to maximize funding in FY 2015-16 regardless of potential concerns about sustainability of funding in subsequent years.

Staff continues to recommend that the Committee and the General Assembly avoid one-time spikes in funding (and one-time reductions to the negative factor) and instead plan to maximize sustainable reductions to the negative factor. However, the Governor's and superintendents' proposals raise another option for the Committee's consideration.

Governor's FY 2015-16 Request

The Governor's budget request proposes a \$380.6 million increase in state funding for school districts' total program in FY 2015-16, including \$239.9 million General Fund and \$140.7 million cash funds (including an increase of \$144.7 million from the State Education Fund and a decrease of \$4.1 million from the State Public School Fund). When combined with an anticipated \$99.7 million increase in local revenues, the Governor's proposal provides an increase of \$480.3 million for total program spending.

The proposal, based on the OSPB forecast, is designed to:

- Reduce the negative factor to \$694.2 million in FY 2015-16 (a \$200.0 million reduction from the \$894.2 million level in FY 2014-15), on a one-time basis. The Governor's proposal does not specify a negative factor target for FY 2016-17 or subsequent years, although the calculations in the proposal assume that the negative factor returns to \$894.2 million in FY 2016-17.
- End FY 2015-16 with \$135.8 million in the SEF. Please note that based on the LCS forecast, the Governor's proposal would leave an estimated \$94.6 million in the SEF at the end of FY 2015-16.

While the assumptions driving the specific amounts will change with the December 2014 revenue forecasts and actual pupil count data from the current year, the Governor's Office has indicated that the parameters outlined above define the overall proposal.

The request also includes a decrease in the authorized number of participants in the Accelerating Students Through Concurrent Enrollment (ASCENT) program. The FY 2014-15 Long Bill authorizes up to 708 participants; the Department is requesting a decrease to 592 students in FY 2015-16 (a decrease of 116 students) based on school districts' estimated participation.

Staff Analysis of Request

Staff has two major concerns about the Governor's request for total program funding.

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- *Sustainability:* The Governor’s request does not specify a negative factor target for FY 2016-17 or subsequent years. However, as shown in Table 2 (above), even capping the negative factor at \$894.2 million (the same level as in FY 2014-15) would require an increase of between \$560 million (OSPB forecast) and \$577 million (LCS Forecast) General Fund in FY 2016-17. To put those amounts in perspective, \$577 million represents approximately 83 percent of the anticipated General Fund growth in FY 2016-17 under the LCS Forecast, prior to any transfers pursuant to S.B. 09-228 or TABOR refunds. Staff is concerned that those increases will not be achievable, potentially forcing not only a larger increase in the negative factor (above \$894.2 million) but also a year-over-year decrease in state total program funding.
- *One-time Funding in Total Program:* Given concerns about overall sustainability (discussed above), staff does not recommend providing the requested one-time negative factor reduction. However, if the General Assembly elects to provide significant one-time funding (such as the \$200 million proposed by the Governor), staff would advise creating a separate line item to clarify the one-time nature of the funding rather than including the moneys in total program and reducing the negative factor on a one-time basis.

Superintendents FY 2015-16 Funding Proposal

Staff also notes that 174 school district superintendents (out of 178) signed a letter to the Committee requesting an *additional* \$70.0 million in one-time funding above the amount requested by the Governor (with \$50.0 million specifically for at-risk students and \$20.0 million for small rural school districts). The statement specifies the superintendents’ desire that the use of funds be at the discretion of the school districts and not driven by the General Assembly.

Staff Analysis

The superintendents’ statement clearly seeks an additional \$70.0 million in one-time funding, over and above the amount requested by the Governor. As stated above, the request would also target that money to at-risk students and small rural school districts and give recipient districts’ complete discretion over how to use the funds within those purposes. Staff raises the following points for the Committee’s consideration:

- Given the proposal to specifically target the funding, staff assumes that this funding would *not* flow through total program and would not reduce the negative factor. Staff assumes that the proposal would require the use of a separate line item (or pair of line items) to distribute the funding.
- The superintendents’ letter does not specify a fund source for the additional \$70.0 million. However, given that the Governor’s request would spend the SEF down to roughly \$100 million at the end of FY 2015-16 (discussed above), staff assumes that the additional \$70.0 million would have to be General Fund. Building on the Governor’s request, that assumption would require a total increase of \$309.9 million General Fund in FY 2015-16 (\$239.9 million for total program and \$70.0 million for the superintendents’ request).

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- While \$20.0 million in one-time funding for small rural districts may make sense to support one-time expenses, staff is uncertain about the utility of providing \$50.0 million in *one-time* funding for programs serving at-risk students. If the General Assembly wishes to target additional funding to programs for at-risk students, then staff would strongly recommend providing ongoing, sustainable funding for those programs.

Staff Conclusions and Concerns

As noted above, staff will revise these projections based on upcoming revenue forecasts, pupil counts from the Department of Education, and updated information regarding local revenues available for school finance. The scenarios and specific costs outlined above will inherently change based on that information. Thus, rather than focusing on specific dollar amounts at this point in the process, staff recommends that the Committee and the General Assembly focus early discussions on the broader questions of how much to pay, whether to provide one-time funding or focus on sustainable growth, and how to finance any increases in appropriations to avoid untenable jumps in General Fund appropriations. Staff recommends that the Committee initiate discussions with legislative leadership, the Education Committees, and the Governor’s Office concerning those broader questions.

Staff recommends the following specific topics for discussion with leadership and the Education Committees:

1. How does the General Assembly intend to meet the key constitutional requirements concerning education (Amendment 23 and the thorough and uniform requirement)? What is an adequate total program amount? Does the General Assembly intend to decrease the value of the negative factor in FY 2015-16 and beyond? Should the General Assembly consider providing significant one-time funding in FY 2015-16 that may not be sustainable going forward?
2. Should the General Assembly pursue changes to the statutory school finance formula, changes to Amendment 23, and/or changes to increase the revenues available to support school finance to ensure the State’s ability to continue to provide for the maintenance of a thorough and uniform system of public schools? For example, should the General Assembly adjust the factors in the formula to address potential inequities? Should the General Assembly adjust the formula to reflect available revenues or maintain the existence of the negative factor?

School District and Stakeholder Concerns

Based on discussions with various school districts and education stakeholders, the Committee is likely to hear a variety of concerns about school finance appropriations in FY 2015-16 and beyond. Below is a brief discussion of some of those concerns.

1. *Negative Factor*: The stakeholders clearly remain concerned about the magnitude of the negative factor as both a dollar amount (\$894.2 million) and as a percentage of total program appropriations (13.1 percent in FY 2014-15). The stakeholders’ highest priority is reduction of the negative factor going forward. However, as discussed above, there is strong

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stakeholder interest in maximizing appropriations as soon as possible even at the risk of unsustainable growth.

Staff Response: Staff recommends that the General Assembly reduce the negative factor as resources allow and on a sustainable basis. As discussed above, staff would avoid one-time reductions to the negative factor, particularly one-time reductions that may risk overall reductions in funding in subsequent years.

2. *Adjustments to Formula vs. Negative Factor reduction:* There is some disagreement among school districts regarding whether to consider adjustments to the school finance formula to address potential inequities with the negative factor still in place. Some argue that the General Assembly should address such issues now while others argue that any changes should wait until the negative factor is eliminated.

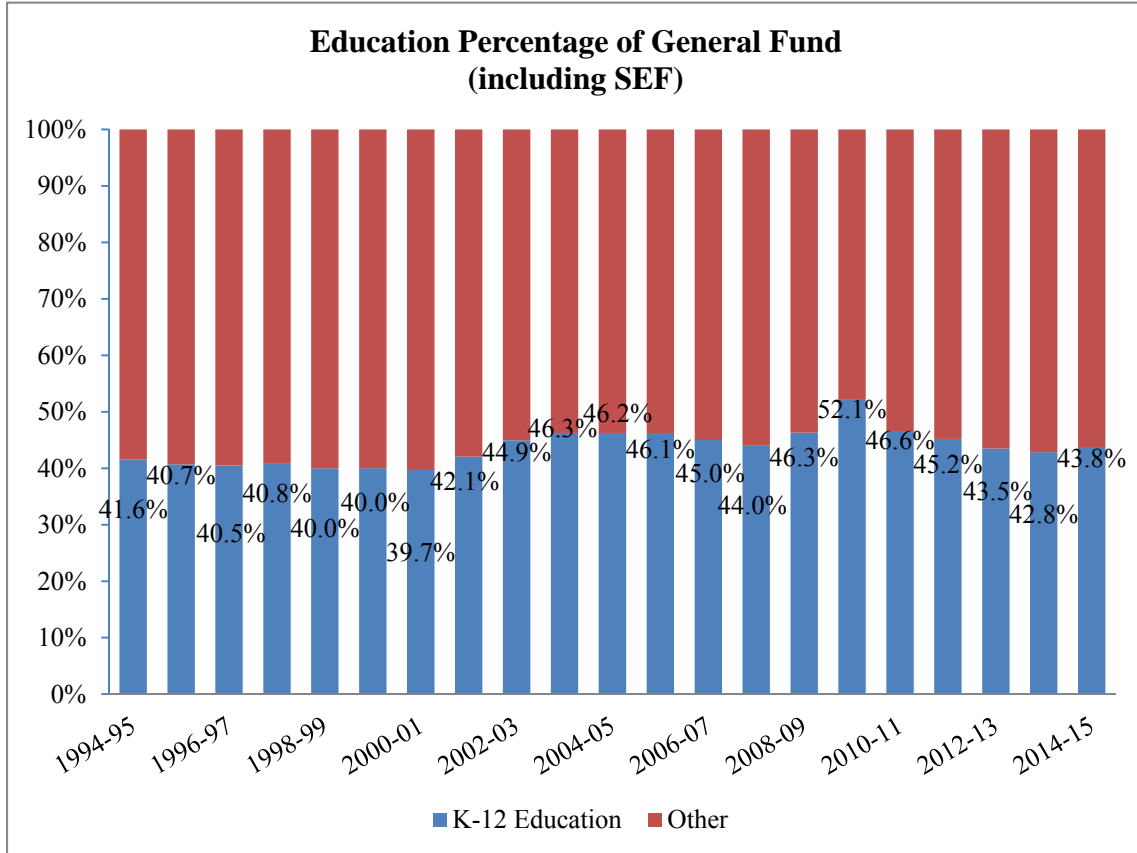
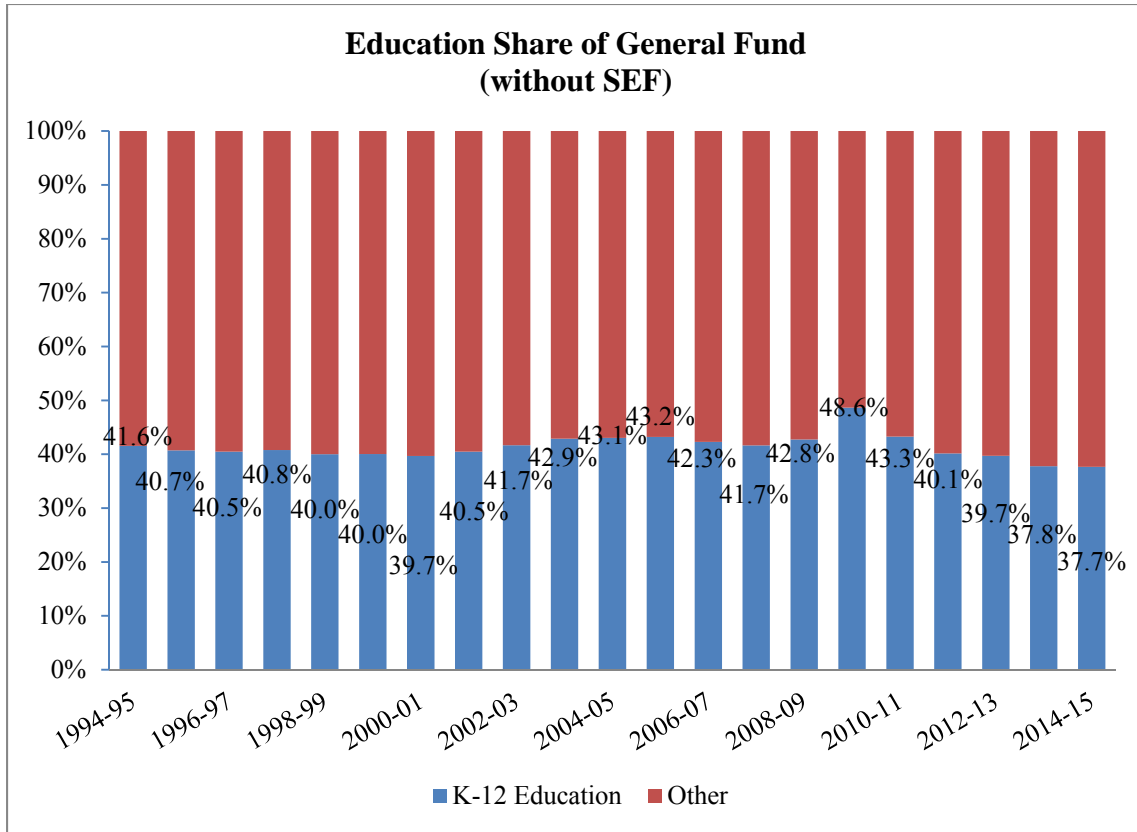
Staff Response: Staff believes this is strictly a policy issue and does not have a specific recommendation. However, given the long-term nature of paying down the negative factor, the General Assembly may wish to consider addressing potential inequities and problems before that time.

3. *General Fund Contribution to K-12:* Some stakeholders continue to express concern about the share of General Fund devoted to education, particularly as revenues have rebounded, and argue that education is not getting its “fair share” of General Fund revenues.

Staff Response: The overall share of General Fund appropriations devoted to K-12 education has varied over time but has generally hovered around 40 percent since FY 1994-95. The graphs on the following page show education’s percentage of annual General Fund appropriations from FY 1994-95 through FY 2014-15. The first graph *excludes appropriations from the SEF*, and under that analysis education has received an average of 41.4 percent of General Fund appropriations over that time period. The second graph *includes SEF appropriations*, and shows education’s percentage of total appropriations from the General Fund and the SEF (starting in FY 2001-02 with the creation of the SEF). Under that analysis, education has received an average of 43.8 percent over the entire time period and an average of 45.4 percent since the creation of the SEF in FY 2001-02.

Staff still does not believe there is an “analytical” response to the idea of a fair share for education but has included the graphs for informational purposes. Please also note that the graphs focus on the share of appropriations rather than revenues.

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Informational Issue: Status of *Dwyer v. State of Colorado* Litigation

In June 2014, a group of parents of public school students, the Colorado Rural Schools Caucus, the East Central Board of Cooperative Educational Services (BOCES), the Colorado PTA, and six individual school districts filed a complaint in Denver District Court asserting that the negative factor violates Amendment 23 and is therefore unconstitutional. The suit asks the Court to enjoin the State from continuing to implement the negative factor as part of the School Finance Act. The Court denied the State's motion to dismiss the case but has not set a trial date. The future timing of the case is uncertain.

SUMMARY:

- Amendment 23 to the State Constitution (Article IX, Section 17), approved by the voters in 2000, requires the General Assembly to annually increase *statewide base per pupil funding* by at least the rate of inflation plus 1.0 percent from FY 2001-02 through FY 2010-11 and by at least the rate of inflation in FY 2011-12 and subsequent years. Since the passage of Amendment 23, the General Assembly has increased statewide base per pupil funding each year through the annual school finance bill.
- The plaintiffs in *Dwyer v. State of Colorado* assert that Amendment 23 requires *total funding levels* for education to grow each year regardless of other funding or revenue needs. The complaint argues that the negative factor, which reduces total program funding by reducing the state share of funding, violates Amendment 23 and is therefore unconstitutional.
- The State, represented by the Department of Law, asserts that Amendment 23 refers specifically to *statewide base per pupil funding*, that the General Assembly has annually increased that component of the school finance formula in accordance with Amendment 23, and that the negative factor has not reduced statewide base per pupil funding and therefore does not violate Amendment 23.
- The State moved to dismiss the case, arguing that the Court does not have jurisdiction, the Plaintiffs do not have standing, and that the State has complied with Amendment 23 by increasing statewide base per pupil funding each year. The Court denied the motion to dismiss. The Court has not set a trial date and the future timing of the case is uncertain.

DISCUSSION:

Background

Amendment 23 and School Finance

The voters passed Amendment 23 (Section 17 of Article IX of the Colorado Constitution) in 2000. Amendment 23 creates the State Education Fund and specifies several requirements related to education funding. Directly related to school finance, Section 17 (1) of Article IX states:

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“In state fiscal year 2001-2002 through state fiscal year 2010-2011, the statewide base per pupil funding, as defined by the Public School Finance Act of 1994, article 54 of title 22, Colorado Revised Statutes on the effective date of this section, for public education from preschool through the twelfth grade and total state funding for all categorical programs shall grow annually at least by the rate of inflation plus an additional one percentage point. In state fiscal year 2011-12, and each fiscal year thereafter, the statewide base per pupil funding for public education from preschool through the twelfth grade and total state funding for all categorical programs shall grow annually at a rate set by the general assembly that is at least equal to the rate of inflation.” [Section 17 (1) of Article IX of the Colorado Constitution]

To comply with this provision, the General Assembly adjusts the statewide base per pupil funding level each year through the annual school finance bill. For example, H.B. 14-1298 (School Finance) specifies that the statewide base per pupil funding amount for FY 2014-15 is \$6,121.00, an increase of \$166.72 (2.8 percent) from the FY 2013-14 level based on the 2.8 percent inflation rate in calendar year 2013.

As discussed in the General Factors Driving the Budget section of this document, statewide base per pupil funding makes up \$5.2 billion (87.2 percent) of the \$5.9 billion in total program funding in FY 2014-15. The School Finance Act formula then adjusts the per pupil funding for each district based on factors that affect the cost of delivering educational services. The formula includes three primary factors.

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

Each of these factors builds on the statewide base per pupil funding to produce a per pupil funding amount for each school district. Total program funding for that school district is the product of multiplying that per pupil funding amount by the school district’s enrollment.¹¹ Thus, prior to the implementation of the negative factor (discussed below), increasing statewide base per pupil funding would impact the entire school finance formula and increase total program funding.

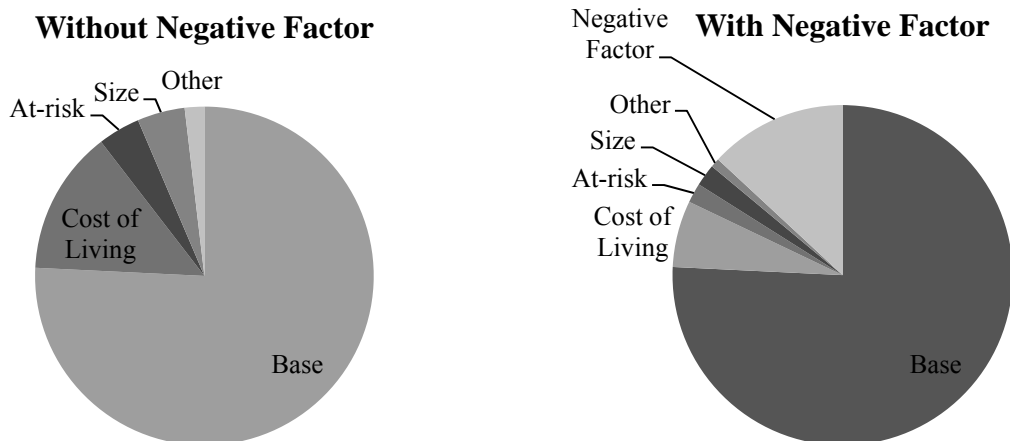
¹¹ As is also discussed in the General Factors Driving the Budget section, this calculation does not apply to multi-district on-line students or students enrolled in the ASCENT Program; both of these groups are funded at a flat per pupil rate statewide (\$6,410 in FY 2014-15, calculated after the application of the negative factor).

The Negative Factor

In response to revenue shortfalls during the recent economic downturn, the General Assembly created the negative factor (originally called the budget stabilization factor) in FY 2010-11 to reduce total program funding to a specified amount based on available revenues. For FY 2014-15, this factor is estimated to be -13.1 percent, requiring an \$894.2 million reduction in the total program funding that would otherwise be provided under the School Finance Act. Thus, the Department is calculating total program funding for each district based on the formula and factors described above (statewide base per-pupil funding modified by cost of living, size, and at-risk factors) and then reducing each district's resulting total program funding by 13.1 percent. Please note that for some districts, this reduction exceeds the state share of total program funding. In such cases, the reduction in total program funding is limited to the state share of funding.

Finally, as is also discussed in the General Factors Driving the Budget section of this document, because Amendment 23 prohibits reductions in base per-pupil funding, the negative factor effectively reduces the funding attributed to the other formula factors discussed above (the following pie charts are reproduced from the General Factors Driving the Budget section).

Total Program Funding by Component: FY 2014-15



Dwyer v. State of Colorado
Plaintiff Complaint

In June 2014, a group of parents of public school students¹², the Colorado Rural Schools Caucus, the East Central Board of Cooperative Educational Services (BOCES), the Colorado PTA, and six individual school districts¹³ filed a complaint in Denver District Court asserting that the negative factor violates Amendment 23 and is therefore unconstitutional. In addition to technical arguments about standing and court jurisdiction, the Plaintiffs make two basic arguments:

¹² Individual plaintiffs reside in the following school districts: Kit Carson, Hanover, and Lewis Palmer.

¹³ Plaintiff school districts include: Boulder Valley, Colorado Springs District No. 11, Mancos, Holyoke, and Plateau Valley District No. 50.

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- *Text and Voter Intent:* The Plaintiffs argue that the intent of Amendment 23 was to increase total per pupil funding on an annual basis, not just to increase statewide base per pupil funding. According to the Plaintiffs, increasing statewide base per pupil funding was the mechanism to guarantee increases in total per pupil funding on an annual basis. As evidence of intent, the Plaintiffs point to the Ballot Title (which refers to increased funding for preschool through twelfth-grade public education) and the Blue Book analysis of Amendment 23 (which stated that the amendment “increases per pupil funding for public schools”).
- *Negative Factor Impact on the Base:* The Plaintiffs also argue that the negative factor inherently reduces statewide base per pupil funding and renders the statewide base per pupil funding amount “essentially meaningless” as a component of the school finance formula [Complaint, ¶38]. In fact, the Plaintiffs argue that the negative factor has completely changed the calculation of school districts’ per pupil and total program funding and that “weighted enrollment” now determines funding levels rather than the statewide base [Complaint, ¶¶ 39-40]. (Please note that both the Department and Legislative Council Staff disagree with the assertion that the negative factor has eliminated statewide base per pupil funding from the formula. Both parties calculate per pupil funding for each district using statewide base per pupil funding, with modifications based on the formula factors, and then reduce the total funding amount using the negative factor.)

Relief Sought

Plaintiffs ask the Court to: (a) declare the negative factor and the funding cap on total program unconstitutional as violations of Amendment 23; (b) enjoin Defendants from implementing the negative factor and require that education funding be made consistently with [Plaintiffs interpretation of] Amendment 23; (c) retain continuing jurisdiction over this matter until such time as the Court has determined that that Defendants have fully and properly fulfilled its orders; (d) award Plaintiffs their costs of this action, including reasonable attorney fees; and (e) grant such other relief as the Court may deem just and proper [Complaint, pages 11-12].

Defense Arguments

The State, represented by the Department of Law, disagrees and is vigorously defending the case. In asking the Court to dismiss the case, the State made three basic arguments:

- *Plain Language:* The State argues that: (1) the plain language of Amendment 23 requires the General Assembly to increase statewide base per pupil funding annually; and (2) that the General Assembly has done so [Motion to Dismiss, page 5]. The State argues that the plain language of amendment 23 does not extend to districts’ total program amounts yielded by the school finance formula [Motion, page 7].
- *Jurisdiction:* The State argues that the Court cannot provide “present, effective relief” (in the current budget year), that this leaves the claim “moot, unripe, and nonjusticiable,” and that the Court therefore does not have subject matter jurisdiction over the issue [Defendants’ Reply to Plaintiffs’ Response to Motion to Dismiss, page 13].

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- *Standing:* Finally, the State argues that the Plaintiffs have not established any “concrete, particularized injury caused by the negative factor to any legally protected interest.” Thus, the State asserts that the Plaintiffs lack standing as a matter of law [Defendants’ Reply to Plaintiffs’ Response to Motion to Dismiss, page 13].

Status of the Case

The Plaintiffs filed the complaint in June 2014 and the State moved to dismiss the case in August 2014. The motion to dismiss was fully briefed during the fall, and the Court denied the motion to dismiss in November 2014. The Court has not set a trial date and the future timing of the case is uncertain.

Issue: State Education Fund Status and Total Program Funding

In FY 2014-15, the General Assembly is spending approximately \$970 million from the State Education Fund (SEF), including appropriations from the SEF and transfers from the SEF to other funds. That level of spending is possible because of the availability of one-time revenues from prior year transfers to the SEF. The FY 2014-15 expenditures include \$670.5 million for school finance, \$136.5 million for categorical programs, and \$162.8 million for other programs. Continuing to spend those amounts outside of school finance will constrain the ability to use the SEF to support school finance when the existing one-time revenues are depleted.

SUMMARY:

- Amendment 23 created the SEF and annually deposits revenues from a tax of one-third of 1.0 percent of federal taxable income (approximately 7.2 percent of State income tax revenues) into the fund. The General Assembly has also made significant year-end transfers of General Fund moneys to the SEF in recent years.
- Amendment 23 also specifies the eligible uses of the SEF. The General Assembly uses SEF moneys to support school finance, various categorical programs (including the inflationary increases in categorical programs required by Amendment 23), and other educational programs.
- The General Assembly has significantly increased the use of the SEF for programs other than school finance and categorical programs in recent years. Increasing use of the SEF to support programs outside of school finance and categoricals will constrain the SEF revenues available to support school finance in the future and will increase pressure on the General Fund.

RECOMMENDATION:

Staff recommends that the Committee discuss the status of the SEF with the Education Committees. Given the increasing pressure on the General Fund for school finance, staff recommends that the General Assembly minimize additional spending from the SEF for programs other than school finance and categoricals if the General Assembly intends for the SEF to continue to provide significant support for total program funding.

DISCUSSION:

Background

State Education Fund

Amendment 23 (Section 17 of Article IX of the State Constitution) created the State Education Fund. As approved by the voters, Amendment 23 annually deposits the revenues from a tax of

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one-third of 1.0 percent of federal taxable income (equating to approximately 7.2 percent of state income tax revenues) into the SEF to support education programs. The Amendment identifies the following eligible uses of SEF moneys (Subsection (4) (b) of Section 17 of Article IX):

- school finance, including the annual increases in statewide base per pupil funding required by Amendment 23;
- categorical programs, including the annual increase in categorical funding required by Amendment 23;
- accountable education reform;
- accountable programs to meet state academic standards;
- class size reduction;
- expanding technology education;
- improving student safety;
- expanding the availability of preschool and kindergarten programs;
- performance incentives for teachers; and
- public school building capital construction.

SEF Revenues

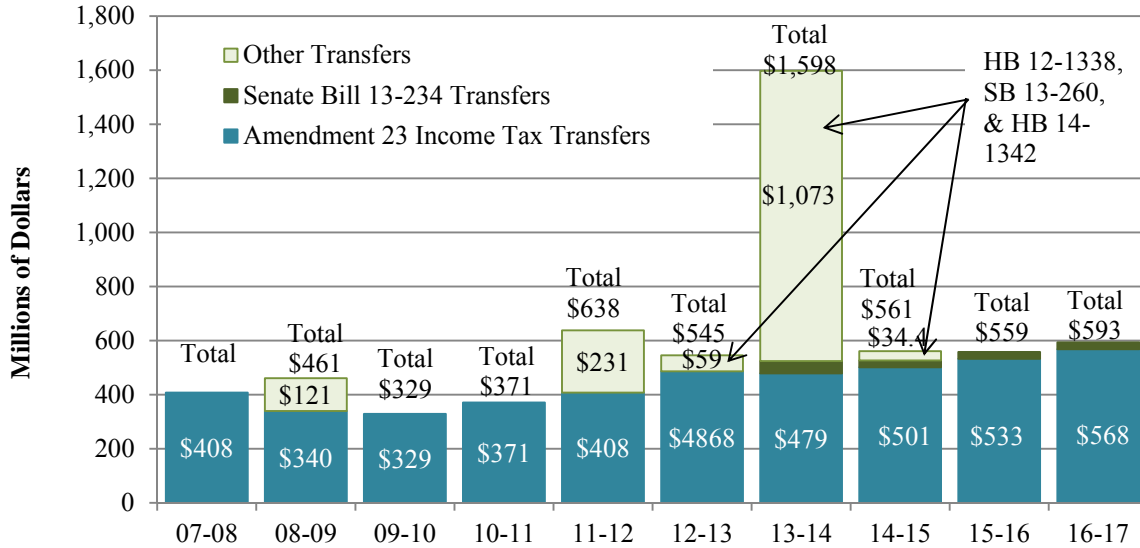
State Education Fund Revenues are from three basic sources:

- *Amendment 23 Income Tax:* Income tax deposits to the SEF pursuant to Amendment 23 fluctuate annually. For example, in FY 2009-10, income tax revenues credited about \$329.3 million to the SEF while the September LCS revenue forecast anticipates \$532.7 million in deposits in FY 2015-16. Over the four-year period from FY 2010-11 through FY 2013-14, income tax deposits averaged \$436.3 million per year.
- *General Fund Transfers:* In recent years, the General Assembly has enacted a variety of additional transfers of General Fund moneys to the SEF, including large transfers of year-end General Fund surplus. For example, H.B. 12-1338 transferred \$1.1 billion in FY 2012-13 General Fund revenues to the SEF in FY 2013-14.
- *Interest Income:* The SEF retains interest income earned on the fund. Interest represents a small portion of SEF revenues on an annual basis.

The chart on the following page (provide by Legislative Council Staff) shows the relative contributions of Amendment 23 income tax revenues and other General Fund transfers for FY 2007-08 through FY 2016-17 based on the Legislative Council Staff September 2014 Revenue Forecast.

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State Education Fund Revenues – LCS September 2014 Forecast



SEF Expenditures

The additional transfers of General Fund moneys to the SEF have enabled SEF appropriations and expenditures far in excess of annual (Amendment 23) revenues. The following table shows SEF revenues and expenditures for FY 2012-13 through FY 2015-16 (using the Governor’s FY 2015-16 request for total program). As shown in the table, the FY 2014-15 appropriation includes a total of \$969.8 million from the SEF (including appropriations from the SEF as well as transfers from the SEF to other funds). Based on the Governor’s request for total program funding, staff would anticipate more than \$1.1 billion in SEF expenditures in FY 2015-16.

State Education Fund Revenues and Expenditures				
Description	FY 2012-13 Actual	FY 2013-14 Actual	FY 2014-15 Appropriation	FY 2015-16 Est./Request
Beginning Fund Balance	\$133,808,802	\$183,358,547	\$1,048,948,892	\$651,384,064
Income Tax Directed to SEF Pursuant to Amendment 23 /1	486,946,305	479,257,143	501,400,000	532,700,000
Transfers of General Fund Pursuant to Other Legislation /2	59,000,000	1,073,491,000	34,400,000	0
FPPA Repayment Pursuant to S.B. 13-234	0	45,321,079	25,321,079	25,321,079
Interest Income /3	<u>2,547,995</u>	<u>7,304,977</u>	<u>11,090,662</u>	<u>9,114,578</u>
Total Funds Available	\$682,303,102	\$1,788,732,746	\$1,621,160,633	\$1,218,519,721
Categorical Programs /4	102,453,788	127,093,954	136,525,196	144,317,315
Various Other Existing Programs and Functions /5	51,000,764	85,268,912	162,769,965	159,769,965
Subtotal: Expenditures for Purposes Other than School Finance Act	153,454,552	212,362,866	299,295,161	304,087,280
Appropriation for the State Share of Districts' Total Program Funding /6	345,490,003	527,420,988	670,481,408	815,228,356

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State Education Fund Revenues and Expenditures				
Description	FY 2012-13 Actual	FY 2013-14 Actual	FY 2014-15 Appropriation	FY 2015-16 Est./Request
Total Expenditures and Appropriations	\$498,944,555	\$739,783,854	\$969,776,569	\$1,119,315,636
Ending Fund Balance	\$183,358,547	\$1,048,948,892	\$651,384,064	\$99,204,085

1/ For FY 2014-15 and FY 2015-16 reflects estimates included in LCS September 2014 revenue forecast.

2/ Includes transfers pursuant to S.B. 11-156, S.B. 11-230, H.B. 12-1338, and S.B. 13-260.

3/ Interest income for FY 2014-15 and FY 2015-16 reflects LCS estimates.

4/ Assumes the full inflationary increase for FY 2015-16 will be from the SEF.

5/ Assumes programs funded in FY 2014-15 are ongoing with the exception of \$3.0 million in one-time funding for financial transparency appropriated in H.B. 14-1292.

6/ For FY 2015-16 indicates the Governor's request for total program funding.

In recent years, the General Assembly has used increasing amounts of SEF moneys to support a growing number of programs outside of school finance and categorical programs. The following table details the programs outside of school finance and categoricals supported with SEF moneys in FY 2014-15 (either through direct appropriations or through transfers from the SEF to other cash funds).

SEF Spending in FY 2014-15	
(\$ in millions)	
School Finance	\$670.5
Categorical Programs	136.5
Other SEF Expenditures	
READ Act	34.0
CSAP	29.1
ELL Programs	27.6
Charter School Cap. Const.	20.0
Facility Schools	17.1
Counselor Corps	8.0
Hold-harmless Full-day K	7.5
BOCES Assistance	3.3
Quality Teacher Recruitment	3.0
Transparency	3.0
Other Education Programs	10.3
Subtotal	\$162.8
Total SEF Spending	\$969.8

As the General Assembly spends down the SEF balance and the SEF again operates on annual (Amendment 23) revenues, this degree of spending from the SEF will increase pressure on the General Fund to support school finance. For example, the September 2014 LCS revenue forecast anticipates \$567.9 million in Amendment 23 SEF revenues in FY 2016-17. Assuming the General Assembly spends \$300 million on programs other than school finance (which is a conservative estimate given that categorical spending must increase), that would leave approximately \$268 million available for school finance (a reduction of approximately \$400 million from the SEF support for total program in FY 2014-15 and roughly \$550 million below

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the Governor's FY 2015-16 proposal for total program spending from the SEF). In other words, the General Fund appropriation would have to increase by that amount in FY 2016-17 just to avoid reductions in the state share of total program funding.

Conclusion

The large transfers of one-time funds to the SEF have allowed SEF spending to grow to levels that will not be sustainable with annual SEF revenues. Increased spending from the SEF on programs other than school finance and categoricals will reduce the role of the SEF supporting school finance and inevitably increase pressure on the General Fund to support total program funding. If the General Assembly wants the SEF to continue to provide significant support for school finance, then staff recommends minimizing the amount of additional spending from the SEF in FY 2015-16 and beyond.

Issue: Eliminating Minimum State Aid

With the enactment of H.B. 10-1318, the General Assembly suspended minimum state aid for FY 2010-11 through FY 2014-15. Current law will reinstate the statutory minimum state aid provision of the school finance formula in FY 2015-16. Reinstating minimum state aid would increase the dollar value of the negative factor at any given level of total program funding as long as the negative factor is in place. The General Assembly should consider eliminating the minimum state aid provision or delaying reinstatement of the provision.

SUMMARY:

- Statute requires that each Colorado school district receive a minimum amount of state funding (minimum state aid), notwithstanding the state and local shares of total program funding determined through the school finance formula. The General Assembly calculates the annual minimum state aid per pupil amount based on anticipated federal mineral lease revenues available for education, certain moneys generated by the state public school lands, and interest and income earned on the Public School (Permanent) Fund.
- In 2010, the General Assembly suspended this requirement for five years (FY 2010-11 through FY 2014-15). Current law would reinstate the minimum state aid provision in FY 2015-16 and requires the Department of Education to submit a report to the General Assembly January 15, 2015, detailing the fiscal impact of restoring minimum state aid.
- Reinstating minimum state aid in FY 2015-16 would increase the dollar value of the negative factor. Based on the Department's current projections, the provision would apply to six school districts in FY 2015-16, with a total cost of \$363,079. Providing that amount of state aid to the affected districts would require reductions to the state funding provided to the remaining 172 school districts.

RECOMMENDATION:

Staff recommends that the Committee sponsor legislation during the 2015 Session to eliminate the minimum state aid provision or, at a minimum, further delay the provision's reinstatement.

DISCUSSION:

Background

Minimum State Aid and H.B. 10-1318

Section 22-54-106 (1) (b), C.R.S., states that "no district shall receive less in state aid than the amount established by the General Assembly in the annual general appropriation act based upon the amount of school lands and mineral lease moneys received pursuant to the provisions of article 41 and Section 34-63-102 (2), C.R.S., multiplied by the district's funded pupil count." The provision ensures a minimum level of state aid per pupil, including for school districts that would otherwise fully fund total program with local revenues. Thus, the provision reduces the

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local share of school finance funding otherwise required by the school finance formula and increases the state share of funding for affected districts.

H.B. 10-1318

During the 2010 Session, the General Assembly enacted H.B. 10-1318 to suspend the minimum state aid provision from FY 2010-11 through FY 2014-15. Relevant to this issue paper, the bill:

- Suspends the minimum state aid provision for FY 2010-11 through FY 2014-15; and
- Requires the Department of Education to submit a report to the Joint Budget Committee and the Education Committees by January 15, 2015, detailing the fiscal impact of reinstating the minimum state aid provision in FY 2015-16.

Because of the suspension, minimum state aid was last funded in FY 2009-10. In that year, the provision required a minimum of \$96.37 per pupil based on the following calculation:

FY 2009-10 Minimum State Aid Calculation

Interest/investment earnings on the Permanent Fund that are credited to the State Public School Fund	\$0
Rental income earned on state public school lands that is credited to the State Public School Fund	11,000,000
Federal mineral lease moneys allocated to the State Public School Fund	<u>65,000,000</u>
Total estimated revenues	\$76,000,000
Divided by: Projected statewide funded pupil count	788,648.3
Minimum per pupil state aid	\$96.37

FY 2015-16 Impact

Based on projected revenues and pupil counts (both of which may change with the December 2014 LCS revenue forecast), staff anticipates that reinstating the minimum state aid provision in FY 2015-16 would set a minimum state investment of \$111.13 per pupil. The following table show's staff's calculations for the minimum state aid amount per pupil.

FY 2015-16 Minimum State Aid Calculation

Interest/investment earnings on the Permanent Fund that are credited to the State Public School Fund	\$16,000,000
Rental income earned on state public school lands that is credited to the State Public School Fund	0
Federal mineral lease moneys allocated to the State Public School Fund	<u>79,082,439</u>
Total estimated revenues	\$95,082,439
Divided by: Projected statewide funded pupil count	855,589.0
Minimum per pupil state aid	\$111.13

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Based on current projections from the Department of Education, six districts would receive additional state funding in FY 2015-16 through minimum state aid, at a total cost of \$363,079. The following table shows the impact of funding minimum state aid for these six districts.

District by District Calculations of FY 2015-16 Minimum State Aid

School District	(A) Projected FY 2015-16 Pupil Count	(B) Projected Per Pupil State Aid (w/o minimum)	(C) Minimum State Aid Per Pupil	(E) = (C) -(B) Required Change Per Pupil	(F) = (A) * (E) Total Cost of Reinstating Minimum State Aid
Clear Creek	862.0	\$0.00	\$111.13	\$111.13	\$95,794
Meeker	646.1	0.00	111.13	111.13	71,801
Cripple Creek	345.0	0.00	111.13	111.13	38,340
Platte Valley	1,141.0	0.00	111.13	111.13	126,799
Pawnee	84.8	0.00	111.13	111.13	9,424
Estes Park	1,071.2	91.60	111.13	19.53	<u>20,921</u>
Total Cost					\$363,079

- Five districts (Clear Creek, Meeker, Cripple Creek, Platte Valley, and Pawnee) that would not otherwise receive any state share in FY 2015-16 would receive minimum state aid. The five districts’ total program funding would not increase with minimum state aid because those districts are projected to fully fund total program with local revenues. Rather, the districts would use the supplanted local revenues to “buy out” that amount of categorical funding from the State. According to the Department and Legislative Council Staff, four of these districts (Clear Creek, Cripple Creek, Platte Valley, and Pawnee) are already expected to buy out all of their categorical funding even without minimum state aid. In that case, those school districts would have to reduce their total program mill levies to account for the additional state funding. Increasing those mill levies in the future would require a vote of the people.
- The remaining district (Estes Park) is projected to receive \$91.60 per pupil in state aid without reinstating minimum state aid. Estes Park would receive an additional \$19.53 per pupil (a total of \$20,921) to reach minimum state aid and would apply that amount of local funds to “categorical buyout.”

Interaction with the Negative Factor

Because the General Assembly suspended the minimum state aid provision beginning in FY 2010-11, which was also the first year of the negative factor, the minimum state aid provision has not operated with the negative factor in place. Based on current law, and discussions with Office of Legislative Legal Services Staff, reinstating minimum state aid would require the State to provide minimum state aid to affected districts even with the negative factor in place. Increasing the State’s cost of total program funding would increase the size of the negative factor in FY 2015-16 and would require additional reductions to the state funding provided to the remaining 172 districts.

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Staff Conclusions

Staff believes that reinstating minimum state aid in FY 2015-16 would increase inequity in the school finance system and should be avoided. Based on current projections, reinstatement would increase state funding for six districts and reduce the state funding for 172 other districts (at any given level of state share appropriations). Doing so would increase the magnitude of the negative factor as a dollar amount (again, at a given level of state share appropriations). In addition, the reinstatement may force reductions in total program mill levies for four districts, which could further increase costs to the state in the future.

Even without the negative factor in place, staff would question the need to provide additional state aid to school districts that are raising sufficient funds to fully support their total program funding pursuant to the school finance formula and staff would recommend eliminating the provision. Reinstating minimum state aid with the negative factor in place is even more problematic based on the concerns discussed above. Thus, staff recommends that the Committee sponsor legislation during the 2015 Session to eliminate the minimum state aid provision or, at a minimum, further delay the provision's reinstatement.

Issue: R3 Field Implementation and Support of Educator Effectiveness and the Colorado Academic Standards

The Department is requesting an increase of \$1.3 million General Fund in FY 2015-16 (annualizing to \$1.8 million General Fund in FY 2016-17) to continue the Department’s support of field implementation of S.B. 10-191 (Educator Effectiveness) and the Colorado Academic Standards adopted pursuant to S.B. 08-212 (CAP4K). The request would continue to fund the following staff and activities that are currently supported with one-time state, federal, and private funding: (1) 7.3 FTE in FY 2015-16 (annualizing to 10.5 FTE in subsequent years) focused on the implementation of educator effectiveness and the statewide standards; (2) ongoing field training and technical assistance provided to local school districts for both initiatives; and (3) ongoing updates and maintenance of educator evaluation systems, including two information technology systems created to support educator effectiveness implementation.

SUMMARY:

- School districts statewide are implementing significant reforms associated with educator effectiveness (S.B. 10-191) as well as the Colorado Academic Standards developed and adopted pursuant to S.B. 08-212 (CAP4K). The Department is supporting the field implementation of both reforms and is requesting an increase of \$1.3 million General Fund and 7.3 FTE in FY 2015-16 (annualizing to \$1.8 million General Fund and 10.5 FTE in FY 2016-17 and beyond) to continue to support those efforts.
- The Department is currently supporting educator effectiveness implementation with a total of 18.5 FTE in the Educator Effectiveness Unit. Within that number, 14.5 FTE are supported by a combination of one-time state funds provided in FY 2012-13 (available through FY 2014-15) and one-time federal funds provided through the Race to the Top Program in FY 2011-12 (available through December 2015).
- The original (FY 2012-13) funding request for educator effectiveness implementation envisioned the 14.5 FTE as time-limited positions to establish the educator effectiveness system and did not expect to retain any of those FTE beyond FY 2014-15. Based on experience over the past three years, the Department is requesting (1) \$1.0 million General Fund and 5.3 FTE in FY 2015-16 (annualizing to \$1.5 million and 8.5 FTE in subsequent years) to sustain 8.5 of the time-limited FTE on an ongoing basis and to continue support for educator effectiveness information technology systems and training programs created with the original one-time funding.
- The request also includes \$0.2 million General Fund and 2.0 FTE in FY 2015-16 (annualizing to \$0.3 million and 2.0 FTE in subsequent years) to fund two content specialists to support statewide implementation of the Colorado Academic Standards. The request proposes to convert two positions currently filled by “employees on loan” from the Colorado Education Initiative (CEI, formerly the Colorado Legacy Foundation), one of which has been supervising the Department’s existing content specialists, into state FTE.

RECOMMENDATION:

Staff recommends that the Committee discuss Request R3 with the Department at the upcoming hearing and with the Education Committees. Staff recommends that the discussions include the following points:

- The request represents an increase in the cost to the State to implement S.B. 10-191 and, to a lesser extent, the Colorado Academic Standards. The original FY 2012-13 appropriation for educator effectiveness implementation was one-time in nature and did not anticipate ongoing support beyond FY 2014-15. Does the General Assembly wish to continue to provide the requested level of support?
- Educator effectiveness implementation is a significant undertaking for school districts, and some school district leaders are concerned about continued funding and staff at the Department without additional funding to support school district implementation efforts.
- Educator effectiveness implementation continues to raise questions about the capacity of school and district administrators, as well as educators, to reliably implement the system. The Department has targeted those areas with both training and the creation of two information technology systems to support implementation. Are schools and districts ready to fully implement the system in FY 2015-16? How should the General Assembly support ongoing implementation?
- The requested standards implementation (content specialist) positions, currently working as “employees on loan” from the Colorado Education Initiative (CEI), highlight the Department’s close relationship with the CEI. Is that relationship, in this case the use of employees on loan, appropriate? Should non-state employees, funded and employed by an external entity, have been leading the Department’s standards implementation work and supervising state employees? If the positions were necessary in FY 2012-13, why did the Department not request approval for the positions from the General Assembly?

DISCUSSION:

Background – Educator Effectiveness

S.B. 10-191 – Educator Effectiveness

Senate Bill 10-191 changed educator evaluation in Colorado. The bill requires the State Board of Education to adopt guidelines for a system to evaluate the effectiveness of teachers, administrators, and other licensed personnel (adopted in November 2011) and requires all school districts and boards of cooperative services (BOCES) to adjust their local performance evaluation systems to meet or exceed the adopted guidelines. The bill requires at least 50.0 percent of educator evaluations to be based on student academic growth, with the remaining percentage based on observations and other data. The General Assembly has delayed the requirement regarding the growth component; S.B. 14-165 gave districts flexibility to give growth less (or no) weight in FY 2014-15 evaluations. However, under current law, the 50.0 percent requirement for student growth will apply in FY 2015-16.

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The legislation and the rules adopted by the State Board of Education require the Department to create and maintain:

- A State Model Evaluation System, including detailed rubrics, for all 11 categories of licensed personnel (the model includes evaluation systems for principals and assistant principals, teachers, and nine categories of specialized service professionals¹⁴);
- Ongoing research and validation of the model system rubrics;
- A resource bank of assessment options for measuring student learning and growth;
- Guidance and user-guides on all parts of the system;
- Assistance in and creation of a data management, collection, and support system for all districts;
- An inter-rater agreement system aligned with the state model evaluation system to ensure consistency among evaluators;
- A process for approving educator evaluator trainers;
- A system to monitor district and BOCES implementation of the law; and
- Ongoing training and communication regarding the law and the state model system.

Progress Update

Using the one-time funding provided through the FY 2012-13 appropriation and federal Race to the Top Grant funds (see the funding history below), the Department has met the requirements of the legislation and the rules approved by the State Board of Education. The Department has:

- Developed the rules for administration of the system (approved by the State Board of Education in 2011);
- Developed the model evaluation system including creation of the rubrics, process guides, training materials, and support tools (2011);
- Pilot tested the model systems for principals (2011-12 school year) and principals and teachers (2012-13 school year) and used the results to refine the model systems;
- Conducted training both in person and on-line to ensure that districts understand the law and its requirements (2011 through 2013);
- Developed and maintained an on-line system (Elevate Colorado) to support and improve inter-rater agreement on the model rubric and evaluation process and provided training to improve inter-rater agreement (2012 and ongoing);
- Developed and maintained an online performance management system (RANDA) that districts can use to manage performance evaluations (2013 and ongoing);
- Approved educator evaluation trainers, including ensuring trainers for the model system are regularly updated on system updates, monitoring approved trainers, and annually reviewing and approving trainers (2013 and ongoing);
- Provided training to districts and new staff regarding the law (ongoing);
- Conducted continuous research to ensure ongoing validity and reliability of the system and to improve the system (ongoing);

¹⁴ The specialized service professionals include the following school employees: audiologists, psychologists, nurses, physical therapists, occupational therapists, counselors, social workers, speech language pathologists, and orientation and mobility specialists.

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- Provided communications assistance to local school districts and stakeholders to foster communications about the law (as well as statewide academic standards discussed below).

Funding History

The original legislation (S.B. 10-191) anticipated potential funding through a Race to the Top (RTTT) grant but provided \$250,000 in annual state funding for FY 2010-11 and FY 2011-12 if the state did not receive RTTT funds. The Department did not receive the initial RTTT funding and relied upon the state funding and one-time external grant funding to establish the Educator Effectiveness Unit in FY 2010-11 and FY 2011-12.

Beginning in FY 2012-13, the State has supported educator effectiveness through two separate line items, one intended to provide ongoing funding (Educator Effectiveness Unit Administration) and one intended to provide one-time funding available through FY 2014-15 to establish the systems required by the bill (Educator Effectiveness Implementation).

- *Educator Effectiveness Unit Administration (ongoing)*: The General Assembly has supported the ongoing administration of the Educator Effectiveness Unit with roughly \$0.5 million (including a mix of General Fund and State Education Fund beginning in FY 2013-14 and 4.0 FTE).
- *Educator Effectiveness Implementation (one-time)*: In FY 2012-13, the General Assembly approved a one-time appropriation of \$6.4 million cash funds from the State Education Fund, to be available for three years (FY 2012-13 through FY 2014-15). In December 2011, the Department was also awarded a RTTT Round 3 grant of \$17.9 million to support the implementation of educator effectiveness and the new Colorado Academic Standards. The Department retained 50.0 percent (\$8.97 million) as the state share and distributed the remaining 50.0 percent directly to local education agencies. The RTTT funding is available for four years and expires in December 2015. Over the past two years, the Department has spent an average of \$3.5 million per year to support approximately 15.5 FTE (in addition to system development, field training, and other implementation costs) using this one-time funding.

The Department's request seeks ongoing funding for 8.5 of the educator effectiveness FTE that are currently supported with one-time funding.

Background – Colorado Academic Standards

The Colorado Academic Standards specify what the state expects students to know in each grade level. Congress first required states to develop and adopt statewide standards and aligned assessments with the 1994 reauthorization of the Elementary and Secondary Education Act. Colorado adopted its first statewide academic standards (the Model Content Standards) in 1995.

As enacted in S.B. 08-212 (CAP4K), Section 22-7-1005 (1), C.R.S., required the State Board to adopt new statewide academic standards aligning preschool through postsecondary education by December 15, 2009. The statute requires new standards in at least the following areas: reading, writing, mathematics, science, history, geography, visual arts, performing arts, physical

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education, world languages, English language competency, economics, civics, and financial literacy. With a focus on creating "fewer, clearer, and higher" standards than had previously been in place, the State Board adopted the new standards as required in December 2009. The new standards detail expectations, by grade level, for what Colorado students should know, building toward a goal of "post-secondary and workforce readiness" upon graduation from high school.

The adopted standards include the national "Common Core" standards, an effort initiated and managed by the National Governor's Association and adopted by 43 states (and the District of Columbia) thus far. However, Colorado's standards also go beyond the Common Core by including additional content areas (the Common Core includes only English language arts and mathematics) as well as additional expectations in English language arts and mathematics.

Funding and Staffing History

The General Assembly approved 5.0 FTE content specialists to implement the standards in the FY 2008-09 Long Bill and has continued to support 5.0 FTE each year, including \$463,652 cash funds from the State Education Fund and 5.0 FTE in FY 2014-15. The content specialists provide leadership, guidance, and support for schools and school districts in specific content areas to improve student achievement: (1) mathematics; (2) science; (3) social studies (history, geography, civics, and economics); (4) arts (visual arts and music); and (5) achievement gaps.

FY 2015-16 Request

Because of the inherent connection between educator effectiveness and the Colorado Academic Standards, the Department submitted R3 as a single item. However, staff sees the request as two distinct but related proposals: (1) continuing educator effectiveness implementation efforts, including retaining existing educator effectiveness FTE (currently supported with one-time State and federal funds) focused on field implementation of educator effectiveness; and (2) the conversion of 2.0 content specialist FTE focused on the implementation of the Colorado Academic Standards from "employees on loan" from CEI to permanent state FTE. Staff analyzes each component of the request separately below.

Educator Effectiveness

The request includes an increase of \$1,019,848 General Fund and 5.3 FTE in FY 2015-16 to provide ongoing support to the educator effectiveness implementation efforts currently supported with the one-time state and federal funds discussed above. Specifically, the request seeks ongoing General Fund support for: (1) personnel-related costs for 8.5 of the 15.5 FTE currently supported by one-time funds (the request only shows 5.3 FTE in FY 2015-16 because federal RTTT funds will support some of the positions until December 2015);¹⁵ and (2) continued non-

¹⁵ Please note that the Department's plans have changed since the request was submitted. The request assumes support for 0.4 FTE in FY 2015-16 that the Department now expects to eliminate at the end of FY 2014-15. Thus, the Department now plans to support 4.9 FTE with State funds in FY 2015-16 although that amount still annualizes to 8.5 FTE in FY 2016-17 and beyond.

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personnel costs for systems licenses, training programs, and other costs.¹⁶ Each component is addressed separately below.

Personnel-related Costs

The request includes a total of \$581,348 General Fund and 5.3 FTE in FY 2015-16 (annualizing to \$921,193 General Fund and 8.5 FTE in FY 2016-17 and beyond) for costs directly associated with the requested educator effectiveness personnel (see table below).

	FY 2015-16 Request		FY 2016-17 Impact	
	GF	FTE	GF	FTE
Request R3 - Educator Effectiveness Personnel-Related Costs				
Educator Evaluation				
Salary	\$324,720	4.1	\$475,200	6.0
PERA	32,959		48,233	
Medicare	4,708		6,890	
AED	14,288		22,810	
SAED	13,801		22,572	
STD	714		1,045	
Health Life Dental	<u>39,636</u>		<u>47,563</u>	
Subtotal, Educator Evaluation	\$430,826	4.1	\$624,313	6.0
Communications/Outreach				
Salary/Personal Services	\$90,557	1.2	\$191,220	2.5
PERA	9,192		19,409	
Medicare	1,313		2,773	
AED	3,985		9,179	
SAED	3,849		9,083	
STD	199		421	
Health Life Dental	<u>15,854</u>		<u>23,782</u>	
Subtotal, Communications/Outreach	\$124,949	1.2	\$255,867	2.5
Subtotal, Personnel Costs	\$555,775	5.3	\$880,180	8.5
Operating Expenses for Personnel				
Supplies (\$500/FTE)	\$2,650		\$4,250	
Telephone (\$450/FTE)	2,385		3,825	
Mobile Device Expenses	3,313		5,313	
Leased Space	<u>17,225</u>		<u>27,625</u>	
Subtotal, Operating Expenses	\$25,573		\$41,013	
Total, Educator Effect. Personnel Costs	\$581,348	5.3	\$921,193	8.5

Based on the Department’s analysis of the necessary ongoing work to support educator effectiveness, the request would provide ongoing funding for 8.5 FTE that are currently

¹⁶ The request also proposes to provide the ongoing funding through the existing Educator Effectiveness Unit Administration line item rather than the Educator Effectiveness Implementation line item currently supporting one-time costs.

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supported with the one-time state and federal educator effectiveness funds, including 6.0 directly related to educator effectiveness implementation and 2.5 FTE that assist local school districts with communicating information to parents, community members, and school staff regarding educator effectiveness, the implementation of the Colorado Academic Standards, and new assessments. A brief description of each position is below.

6.0 Educator Effectiveness FTE

- **1.0 FTE Project Manager:** This position: coordinates the Department's services for all districts statewide; serves as the first point of contact for educators contacting the Educator Effectiveness Unit; and schedules, organizes, and manages logistics for training and professional development programs.
- **1.0 FTE Growth Assessment Specialist:** This position assists school districts with the student growth portion of educator evaluations by: providing training and technical assistance with the development of evaluation systems; and creating model systems and tools for district use. According to the Department, this is currently the area of greatest need in the field.
- **1.0 FTE Evaluation Systems Support on Professional Practices:** This position supports the State Approved Evaluator Training Programs and application process and assists educators with the professional practices side of the evaluation system.
- **1.0 FTE Research/Validation/Data Analyst:** This position collects, creates, cleans, and analyzes statewide evaluation data on educator evaluation systems. The position also collects and analyzes research from pilot districts to improve the system and supports and conducts the analyses necessary to ensure ongoing validity of the 11 model rubrics.
- **1.0 FTE Evaluation Systems Support/Online Systems Support:** This position provides online technology systems maintenance and support for the Department's two online systems (Elevate Colorado and RANDA). The position also supports the data collection and reporting process for educator effectiveness data and assists school districts with the growth portion of their systems through trainings, webinars, and technical assistance.
- **1.0 FTE Strategic Data Analyst:** This position supports the analysis of educator effectiveness data.

1.5 Communications and Outreach FTE

- **1.0 FTE Communications Director:** This position plays a lead role in supporting school district communications regarding the state model evaluation system and supports communications efforts regarding standards and assessments. The position also provides communications training and consultation for school district leaders and community groups.
- **1.0 FTE Communications and Social Media Manager:** This position assists the communications director, supports the editing and formatting of all resource guides and related support materials, and manages the Department's social media.
- **0.5 FTE Graphic Designer:** This half-position provides graphic design support for educator effectiveness, standards implementation, and related work.

Non-Personnel Costs

The request also includes a total of \$438,500 General Fund in FY 2015-16 (annualizing to \$536,000 General Fund in FY 2016-17 and beyond) for costs that are not directly associated with the requested personnel. The majority of the requested funding (\$368,500 in FY 2015-16) would

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support ongoing license fees and maintenance of two information technology systems that the Department developed to support educator effectiveness efforts for school districts using the state model system: Elevate Colorado and the RANDA Performance Management System.

- *Elevate Colorado:* The Department developed this system to improve inter-rater agreement in districts using the state model system. The program allows evaluators and educators to view short videos of practicing teachers, rate the videos according to the State Model Evaluation System rubric, and then compare their scoring to ratings from “master scorers.”
- *RANDA Performance Management System:* This is an optional online tool to support school districts’ data collection and use of the State Model Evaluation System. The program provides electronic interfaces and data collection tools for the model rubrics, measures of student growth, effectiveness ratings, and evidence in support of evaluations. The Department reports that 90 school districts have opted to use the RANDA system..

The following table shows the requested ongoing costs not directly related to the requested personnel.

Request R3 - Educator Evaluation Non-Personnel Costs		
	FY 2015-16 Request GF	FY 2016-17 Impact GF
Educator Evaluation		
IT Systems - Licensing and Development		
Licensing Fees	\$338,500	\$323,500
Contracts for Coding	30,000	30,000
Video Development	<u>0</u>	<u>50,000</u>
Subtotal, Licensing and Development	\$368,500	\$403,500
Training and Technical Assistance		
Regional Trainings (4 per year)	\$40,000	\$80,000
Staff Travel for Trainings	<u>12,000</u>	<u>16,500</u>
Subtotal, Training and Tech. Assist.	\$52,000	\$96,500
Subtotal, Educator Evaluation	\$420,500	\$500,000
Communications/Outreach		
Training and Technical Assistance	\$1,500	\$3,000
Printing	6,000	12,000
Digital Communications	6,500	13,000
Video	<u>4,000</u>	<u>8,000</u>
Subtotal, Communications/Outreach	\$18,000	\$36,000
Total, Educator Effectiveness Non-Personnel Costs	\$438,500	\$536,000

Staff Analysis and Concerns – Educator Effectiveness

Staff has two concerns about the requested ongoing state funding for educator effectiveness implementation: (1) the one-time nature of the original funding; and (2) district and school capacity to implement the system.

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One-time Funding

First, staff is concerned that the Department is seeking ongoing funding for a program that was clearly funded on a one-time basis. In repeated discussions with staff and the Committee, the Department confirmed the one-time nature of the funding and the staff. In addition, the Department's FY 2012-13 budget request for the one-time state funding for educator effectiveness implementation said:

“All FTE associated with this funding will be at-will employees, hired only for the duration of the funding period (maximum 3 years), subject to effective performance.”¹⁷

The Department argues that the landscape has changed since FY 2012-13 and that although the original funding was one-time in nature, ongoing support is necessary to maintain the overall system. Specifically, the Department points to the fact that 160 school districts are using part or all of the State Model Evaluation System, requiring intensive ongoing support from the Department; the Department did not anticipate that level of use of the State Model System. The Department has determined that maintaining a valid and reliable model system, in addition to providing technical assistance and monitoring school district implementation of educator evaluation systems requires ongoing funding. Finally, maintaining the information technology systems that the Department has created (and which many districts are using) requires ongoing funding. In general terms, the Department has stated that ensuring valid implementation in the field requires more state involvement than originally anticipated.

Staff does not dispute the need for ongoing support to maintain the system that the General Assembly and the Department have established. Based on the degree of use of the State Model System and the accompanying information technology systems, as well as the inherently complicated nature of the educator evaluation systems, staff suspects that ongoing support is particularly necessary for rural districts. Staff notes that the Colorado Association of School Boards (CASB) supports the Department's request as necessary to sustain implementation of the current system. Without the state support, school districts would likely have to undertake all of that work themselves. Staff suspects that doing so would not be possible for many of the 160 school districts using the State Model Evaluation System.

All of that said, staff is concerned about the request to convert funding that was clearly one-time in nature to ongoing support of the program. In recent years, the Department has submitted a series of decision items seeking increased or ongoing funding for legislation that was not expected (based on fiscal notes) to have significant cost.

District and School Capacity

The basis of the Department's request is that implementing the educator evaluation systems required by S.B. 10-191 is complicated and requires ongoing state assistance. Even with state assistance, staff has concerns about the capacity of schools and school districts to reliably implement the required systems. For example, the systems add significant workload for educators and administrators, particularly those conducting evaluations but also educators being

¹⁷ Submitted as FY 2012-13 Budget Amendment #2.

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evaluated. Staff notes that based on pilot implementation of the state model system, the Department reduced the length of rubrics to streamline the system and reduce the required complexity and workload.

In addition to the increased workload, the system requires evaluators (often school administrators) to have a high level of instructional expertise that staff is concerned may not be available in some schools and districts. If the necessary expertise is not available or present, ongoing state support may not be sufficient.

FY 2015-16 Request – Colorado Academic Standards

The request includes an increase of \$246,686 General Fund and 2.0 FTE in FY 2015-16 (annualizing to \$338,339 General Fund and 2.0 FTE in subsequent years) to fund two content specialist positions supporting statewide implementation of the Colorado Academic Standards. Specifically, the request seeks state funding for the following positions:

- *1.0 FTE Director of Standards and Instructional Support:* This position oversees the Department’s content specialists and has focused the group’s work on providing direct support to districts implementing the Colorado Academic Standards and educator evaluation systems. This position created and manages the District Sample Curriculum Project, which, according to the Department, “has engaged 116 districts and thousands of teachers in creating teacher-developed, district sample curriculum that other districts can use.”
- *1.0 FTE Literacy Specialist:* This position serves as the State’s lead on the “reading, writing, and communicating” standards and assists the educator effectiveness team with literacy components of the teacher evaluation rubric. The position also works with school districts to develop sample curricula for literacy and serves as a point of connection between the reading, writing, and communicating standards and the staff implementing the READ Act (H.B. 12-1238).

In contrast to the requested educator effectiveness positions, the standards implementation positions are not currently supported with state or federal funds or even state employees. Instead, since FY 2012-13, these positions have been filled with “employees on loan” from the Colorado Education Initiative (CEI, formerly the Colorado Legacy Foundation). For the past three years, the employees have remained employees of CEI and have not been hired as state employees, while effectively functioning as state employees. According to the Department, CEI does not intend to fund the positions beyond FY 2014-15. The Department is therefore requesting funds to convert the positions to state FTE supported with General Fund appropriations.

The tables on the following page show the personnel and non-personnel costs associated with the standards implementation portion of the request.

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Request R3 - Standards Implementation Personnel Costs				
	FY 2015-16 Request		FY 2016-17 Impact	
	GF	FTE	GF	FTE
Standards Implementation Personnel				
Salary/Personal Services	\$183,600	2.0	\$183,600	2.0
PERA	18,635		18,635	
Medicare	2,662		2,662	
AED	8,078		8,813	
SAED	7,803		8,721	
STD	404		404	
Health Life Dental	<u>15,854</u>		<u>15,854</u>	
Subtotal, Standards Implementation	\$237,036	2.0	\$238,689	2.0
Operating Expenses for Personnel				
Supplies (\$500)	\$1,000		\$1,000	
Telephone (\$450/FTE)	900		900	
Mobile Device Expenses	1,250		1,250	
Leased Space	<u>6,500</u>		<u>6,500</u>	
Subtotal, Operating Expenses	\$9,650		\$9,650	
Total, Standards Implementation Personnel Costs	\$246,686	2.0	\$248,339	2.0

Request R3 – Standards Implementation Non-Personnel Costs			
	FY 2015-16 Request		FY 2016-17 Impact
	GF		GF
Standards Implementation Non-Personnel Costs			
Training and Technical Assistance			
Regional Trainings (4 per year)		\$0	\$80,000
Staff Travel		<u>0</u>	<u>10,000</u>
Subtotal, Standards Implementation Non-Personnel		\$0	\$90,000

Staff Analysis and Concerns – Standards Implementation

The additional content specialists may be necessary, and stakeholder input to staff indicates that ongoing support for standards implementation is needed. Staff also does not dispute the connection to educator effectiveness, given that the educator evaluation system is designed to evaluate how well educators teach the standards. Finally, staff has been impressed with the sample curriculum project, in which the Department works with local school district educators (throughout the State) to facilitate the teachers' development of sample curricula that are aligned to Colorado Academic Standards. Given the limited resources and lack of curricula in many school districts, the sample curriculum project appears to be an innovative and popular effort to assist school districts, schools, and educators. The Department reports that demand for additional sample curricula is outstripping the Department's capacity to produce them even with the existing staff (including the positions in this request).

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However, staff is not comfortable with this request. Staff raises four major points for the Committee's consideration:

- First, staff is concerned about the previous and current use of “employees on loan” from CEI in these roles. Staff is not comfortable with the use of non-employees to directly perform the Department's work implementing the standards. CEI did *not* give the Department a grant of funds to hire the employees; rather, CEI employees have conducted the work as though they were state employees. These positions do not appear anywhere in the Department's appropriation, limiting the transparency of the program to the General Assembly and the public. If the Department and CEI wanted to support these positions, then staff believes that CEI should have given the Department a monetary grant to hire state employees and the Department should have requested the authority to use the funds from the General Assembly. Staff is concerned that the Department created and staffed the positions for at least three years and is just now asking the General Assembly to approve the positions.
- Second, staff is particularly uncomfortable with the use of a non-employee as the Director of Standards and Instructional Support. This position leads the State's implementation of the standards and supervises all of the content specialists, including conducting performance evaluations for the 5.0 FTE funded in the Long Bill (with State Education Fund moneys) as well as the 1.0 FTE Literacy Specialist included in this request and also currently working for CEI. Staff is highly concerned about the use of a non-employee to supervise state employees and the use of an employee of an external entity to lead and oversee the standards implementation effort. The Office of Legislative Legal Services (OLLS) Staff is not aware of any legal authority that would allow for this arrangement.
- Third, when the Department requested the original appropriation for the 5.0 content specialist positions in FY 2008-09, the Department specifically indicated that a literacy specialist was not needed at that time because of the existing expertise within the Department. Staff does not dispute that circumstances have changed with the actual implementation of the standards and the State's increasing focus on literacy (including the READ Act). That said, if circumstances required the addition of a literacy specialist, then staff believes that the Department should have submitted a request to the General Assembly.
- Fourth, staff notes that Section 24-75-1305, C.R.S., prohibits the Department from requesting, and the General Assembly from funding, “a program, service, study, or other function of state government that was previously funded through grant moneys and that has not received adequate grant moneys to support the program, service, study, or other function of state government for the applicable fiscal year.” Based on discussions with OLLS Staff, the Department's request may conform with this statute because the State does support portions of the Content Specialist program with state moneys. Still converting these positions to state employees requires effectively backfilling the CEI's “in-kind” grant to the Department.

As a final note, staff and the Department both agree that, if the General Assembly elects to fund the requested positions, they should be funded within the Content Specialists line item rather

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than as part of the Educator Effectiveness Unit. In addition, all of the existing content specialists are supported with cash funds from the State Education Fund (SEF) rather than General Fund, and the Department would prefer to support the requested positions with SEF moneys as well.

Staff Conclusion

With respect to educator effectiveness, as noted above, staff is particularly concerned about the requested conversion from one-time to ongoing funding. Staff is also concerned about the capacity of schools and school districts to implement the system statewide in FY 2015-16, when current law requires full implementation of both the observation and student growth portions of the system.

With respect to the standards implementation portion of the request, staff is uncomfortable with several aspects of the request to convert two “employee on loan” positions from CEI to state FTE. Staff recommends that the Committee discuss these issues with the Department at the upcoming hearing and with the Education Committees.

Issue: R5 CSDB Strategic Plan Implementation

The Department is requesting an increase of \$1.1 million General Fund and 11.5 FTE in FY 2015-16 (annualizing to \$1.2 million and 12.6 FTE in subsequent years) for the Colorado School for the Deaf and the Blind (CSDB) to enhance school services in accordance with the school's strategic plan. The request includes three major components: (1) \$304,489 and 5.9 FTE (annualizing to \$439,438 and 6.0 FTE) to extend the CSDB school year by 10 days (this component does not include new staff but reflects increased work time for the existing staff); (2) \$501,846 and 5.6 FTE (annualizing to \$521,269 and 6.2 FTE) to add *additional* CSDB staff; and \$275,844 (annualizing to \$245,124) to support increased operating expenses, including technology updates and general operating expenses increases.

SUMMARY:

- The CSDB is a state-funded school established to provide comprehensive educational services for children who are blind and/or deaf. Colorado students with a documented hearing and/or vision loss from the ages of birth through twenty-one are eligible to receive services either at or through the CSDB. Students whose parents or legal guardians live in Colorado but outside of the El Paso County area are eligible to reside on campus during the week. In addition, the CSDB provides a variety of services to school districts, state institutions, and other educational programs.
- The Department's FY 2015-16 request includes an increase of \$1.1 million General fund and 11.5 FTE (annualizing to \$1.2 million and 12.6 FTE in FY 2016-17 and beyond) to enhance school services and implement the school's strategic plan.
- The request would extend the CSDB's school year by 10 student contact days, from 174 to 184 days, in an effort to reduce students' learning regression over the summer. According to the Department, increasing the length of the school year requires an increase of \$384,489 General Fund and 5.9 FTE in FY 2015-16 (annualizing to \$439,438 and 6.0 FTE in subsequent years). This portion of the request does not require new staff at the school but reflects increased work time for the existing staff.
- The request also includes the following increases: (1) \$501,846 and 5.6 FTE (annualizing to \$521,269 and 6.2 FTE) to add *additional staff* to the school, primarily focused on additional outreach services provided to local school districts, schools, and families; and (2) 275,844 (annualizing to \$245,124) for additional operating expenses, including technology infrastructure updates and enhancements and a general operating expenses increase.

RECOMMENDATION:

Staff recommends that the Committee discuss this request with the CSDB at the upcoming hearing. The request represents a significant change to the school's operations as well as a significant increase in the school's overall budget. Specifically, staff recommends discussing the

anticipated outcomes of extending the school year and staff's proposal to use fee revenue to offset a portion of the General Fund request for additional outreach services staff.

DISCUSSION:

Background

The Colorado School for the Deaf and the Blind (CSDB) is a state-funded school that was established for the purpose of providing comprehensive educational services for children under the age of twenty-two who are blind and/or deaf. Originally named the "Colorado Institute for the Education of Mutes", the School opened in a rented house in April 1874 with an appropriation from the Territorial Legislature. The student population rapidly outgrew the space available and in 1876 the School moved to its current campus, made possible with a donation of ten acres by the founder of the city of Colorado Springs. Today, the CSDB occupies 18 buildings on 37 acres. The CSDB received its initial accreditation from the Department of Education in 1961, and in 1977 the CSDB was transferred from the Department of Institutions to the Department of Education.

Colorado students from the ages of birth through twenty-one are eligible to receive services either at or through the CSDB. Students enrolled at CSDB must have a documented hearing and/or vision loss and meet the enrollment criteria established by the Board of Trustees. Students may also be enrolled on a diagnostic basis in order to make an accurate determination of the student's eligibility status. A staffing team, including a CSDB staff member, the student's parents, and a local school district representative, determines if the CSDB is the appropriate learning environment based on the educational needs of the student. If a student's parents or legal guardians reside within Colorado and outside the El Paso County area, the student is eligible to participate in the residential living program during the week. There is no tuition for room and board. Out-of-state students are considered on a space available basis and are required to pay tuition.

In addition, pursuant to Section 22-80-102 (2), C.R.S., the CSDB is to "be a resource to school districts, state institutions, and other approved education programs." In this capacity, the CSDB is to provide the following services:

1. Assessment and identification of educational needs;
2. Special curricula;
3. Equipment and materials;
4. Supplemental related services;
5. Special short-term programs;
6. Program planning and staff development;
7. Programs for parents, families, and the public; and
8. Research and development to promote improved educational programs and services.

Enrollment

As summarized in the table below, the CSDB had an on-campus enrollment of 215 students (ages 3 to 21) in the 2013-14 school year, an increase of fifteen students from the 2012-13 school

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year. The CSDB's total enrollment was 504 students for the 2013-14 school year, including 289 children under age three. That total enrollment included 407 deaf/hearing impaired children and 97 blind/visually impaired children. Compared to FY 2012-13, the CSDB's total enrollment increased by 41 students (8.9 percent). Of the total number of students receiving on-campus services, 84 resided at the CSDB (returning home on weekends) and the remaining 131 students only attended classes during the day.

Of the total number of students enrolled, 315 were infants, preschool students, attending classes part-time in local public schools, or in the community-based transition program, and were thus not eligible for per pupil funding. As a result, the CSDB only received per pupil revenue for 189 students. The CSDB indicates that the per pupil operating revenue covered about 10 percent of the average costs per student (including both residential and non-residential students).

Colorado School for the Deaf and the Blind: FY 2013-14 Enrollment						
Description	Children Under 3		On-campus Students		Total Enrollment	
	Number	Annual % Change	Number	Annual % Change	Number	Annual % Change
Deaf/ Hearing Impaired	256	14.3%	151	7.9%	407	11.8%
Blind/ Visually Impaired	<u>33</u>	-15.4%	<u>64</u>	6.7%	<u>97</u>	-2.0%
Total Enrollment	289	9.9%	215	7.5%	504	8.9%
Number of Residential Students	0	0.0%	84	5.0%	84	5.0%
Number of FTE for Whom Facility School Funding is Received	0	0.0%	189	3.8%	189	3.8%
<i>Percent of FTE for Whom Per Pupil Operating Revenues are Transferred from Districts</i>	<i>0.0%</i>		<i>87.9%</i>		<i>37.5%</i>	

In addition, the CSDB provides in-home support services for eligible children under age five and their families across the state. The CSDB reports that these programs served 387 children and their families in FY 2013-14.

FY 2015-16 Request and Staff Analysis

The Department's request includes an increase of \$1,087,179 General Fund and 11.5 FTE in FY 2015-16 (annualizing to \$1,205,831 and 12.6 FTE in subsequent years) for the CSDB to enhance school services in accordance with the school's strategic plan (completed in 2013). The request includes three major components (each component is discussed in greater detail on the following pages):

- \$304,489 and 5.9 FTE (annualizing to \$439,438 and 6.0 FTE) to extend the CSDB school year by 10 days (this component does not include new staff but reflects increased work time for the existing staff);
- \$501,846 and 5.6 FTE (annualizing to \$521,269 and 6.2 FTE) to add *additional staff* to the school; and

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- \$275,844 (annualizing to \$245,124) to support increased operating expenses, including technology updates and enhancements as well as general operating expenses increases.

Extended School Year

Request

The CSDB is requesting funds to extend the school year by ten days, from 174 student contact days to 184.¹⁸ The school has found that its students often experience regression in their learning during extended breaks from school, such as the summer break. In an effort to minimize that regression, the school has already adjusted the schedule to include more short breaks and to shorten the long breaks from school. The school is now seeking the resources to extend the school year. The CSDB has not finalized a proposed school year calendar including the 10 day extension but staff assumes the calendar would extend farther into June (the CSDB’s 2014-15 school year started August 11, 2014, and will end June 4, 2015).

This component of the request includes an increase of \$309,489 General Fund and 5.9 FTE (annualizing to \$439,438 and \$6.4 FTE) to support the 10 additional days. Please note that this component of the request does not include any *additional* staff; instead, the cost and FTE increase reflect additional work time for the existing staff. The first table below outlines the FTE impact by job type, while the second table shows the total costs for all of the requested changes.

Request R5 - CSDB School Year Extension FTE Impact		
	FY 2015-16	FY 2016-17
	FTE Change	FTE Change
Interpreters	0.1	0.1
Program Coordinators	0.4	0.4
Health Care Technicians	1.4	1.5
Nursing	0.1	0.1
Dining Services	0.3	0.3
Teacher Aides	0.5	0.5
Administrative Assistant	0.1	0.1
Teachers	3.0	3.3
Police Officer	<u>0.1</u>	<u>0.1</u>
Total FTE Change*	5.9	6.4

*Table sums to 6.0 FTE in FY 2015-16. Difference is due to rounding.

Request R5 - CSDB School Year Extension Costs				
	FY 2015-16 Request		FY 2016-17 Impact	
	GF	FTE	GF	FTE
Personnel Costs				
Salary/Personal Services	\$256,901	5.9	\$277,157	6.4
PERA	26,076		28,132	
Medicare	3,725		4,019	
AED /1	11,304		13,303	
SAED /1	10,918		13,165	
STD /1	565		609	

¹⁸ The CSDB staff has 11 additional staff days, so the staff school year would increase from 185 days to 195 days.

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Request R5 - CSDB School Year Extension Costs				
	FY 2015-16 Request		FY 2016-17 Impact	
	GF	FTE	GF	FTE
Health Life Dental /2	0		103,052	
Total	\$309,489	5.9	\$439,437	6.4

1/ These amounts would be funded through centrally appropriated line items rather than the CSDB Personal Services line item.

2/ The Health, Life, and Dental costs in FY 2016-17 appear to be higher than necessary. Because these are existing employees, the CSDB is already paying for these benefits for these employees.

Staff Analysis

Statute (Section 22-32-109 (1) (n), C.R.S.) requires at least the following *minimum* levels of contact time per school year statewide: (1) 450 hours for half day kindergarten students; (2) 990 hours for elementary students; and (3) 1,080 hours for secondary students (junior high, middle, or high school). The current CSDB calendar provides 1,131 hours (174 days at 6.5 hours per day) for all students. The proposed calendar would provide 1,196 hours for all students.

The CSDB offers three related justifications for the additional time:

- *Summer Learning Loss:* Over the past four years, the CSDB has found that roughly half of CSDB students show summer learning loss as measured by spring and fall assessments, particularly with respect to literacy. The CSDB has already adjusted the school year calendar to increase the number of shorter breaks (such as periodic four day weekends) and limit the length of longer breaks in an attempt to minimize summer learning loss. The school feels that it has maximized the use of that flexibility within a 174 student contact day calendar and needs to add days to the school year.
- *Overall Reading Delays:* Regardless of summer learning loss, many CSDB students have significant delays in English language and literacy skills (as measured by annual administration of the Developmental Reading Assessment (DRA)), especially students that come to CSDB at later ages. For example, in spring 2014:
 - 47 percent (25/55) of CSDB high school students (grades 9 through 12) had reading delays greater than 6 grades, with an average delay of 8.5 grades among those students;
 - 71 percent (22/31) of CSDB middle school students (grades 6 through 8) had delays greater than 4 grades, with an average delay of 4.4 grades among those students; and
 - 74 percent (29/39) of CSDB elementary students (grades 1 through 5) had delays greater than 1 grade, with an average delay of 2.6 grades among those students.
- *Inherent Special Education Needs:* The Department notes that *every* CSDB student has at least one identified disability and an Individual Education Program, contributing to both summer learning loss and the number of students below grade level regardless of summer learning loss.

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The Department does not track school districts’ student contact time, and the contact time can vary among schools within a given district. As a result, staff is unable to compare the CSDB calendar to most school districts. However, staff has reviewed a sampling of other facility school calendars (which may be a better frame of reference for the CSDB) and found school years ranging from 175 to 184 student contact days (with no information about the hours per day). The majority of schools sampled showed 176 student contact days. Facility school models vary significantly, however, and many serve as short term facilities rather than serving individual students for multiple years like the CSDB, making any comparisons difficult.

Staff notes that summer learning loss and literacy delays are concerns for many schools and school districts. However, staff also notes that the CSDB’s unique student population is particularly susceptible to such delays in language development. Staff’s research indicates that extended school years can be an effective means of reducing both learning loss and overall delays, as long as the extra time is used well and efficiently.

Particularly given the CSDB’s unique student population, staff anticipates recommending providing resources to extend the school year during the figure setting process and will work with the school and the Department to refine cost estimates.

Facility School Funding Impact

Staff notes that the CSDB is a “facility school” and receives a share of its funding through the facility schools funding mechanism (amounting to \$1.5 million in FY 2014-15). That mechanism incorporates the number of student contact days when calculating distributions to schools; thus, extending the school year would increase the CSDB’s facility school funding (the Department estimates that it would have increased by roughly \$90,000 in FY2014-15). Because the State Education Fund supports Facility Schools Funding, that mechanism would reduce the direct General Fund impact of the Department’s proposal.

Additional Staff Request

The request includes an increase of \$469,980 General Fund and 5.6 FTE in FY 2015-16 (annualizing to \$515,379 and 6.2 FTE in subsequent years) to add *new* staff to the CSDB. The request includes 1.0 FTE for additional interpreter services for deaf students and a total of 4.6 FTE focused on additional outreach services for local schools and school districts. The following table shows the requested FTE by position type.

Request R5 - CSDB New Staff FTE Impact			
	FY 2014-15 FTE	FY 2015-16 FTE Change	FY 2016-17 FTE Change
Interpreter	1.0	0.7	0.8
Distance Learning Teachers (Outreach)	0.8	2.3	2.5
Teacher of the Deaf (Outreach)	0.7	0.7	0.8
Teacher of the Visually Impaired (Outreach)	0.7	0.7	0.8
American Sign Language Instructor (Outreach)	0.0	0.5	0.5
Educational Liaison for Deaf/Hard of Hearing (Outreach)	<u>0.0</u>	<u>0.7</u>	<u>0.8</u>
Total FTE Change	3.2	5.6	6.2

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The following table shows the requested costs directly associated with the new staff.

Request R5 - CSDB New Staff Costs				
	FY 2015-16 Request		FY 2016-17 Impact	
	GF	FTE	GF	FTE
Personnel Costs				
Salary/Personal Services	\$337,477	5.6	\$372,383	6.2
PERA	34,255		37,797	
Medicare	4,894		5,399	
AED /1	14,850		17,874	
SAED /1	14,343		17,688	
STD /1	743		819	
Health Life Dental /1	<u>63,417</u>		<u>63,417</u>	
Subtotal, Personal Services Costs	\$469,979	5.6	\$515,377	6.2
Operating Expenses for Personnel				
Supplies (\$500/FTE)	\$2,819		\$3,100	
Telephone (\$450/FTE)	2,537		2,790	
Personal Computer (\$1,230 per FTE)	6,934		0	
Office Furniture (\$3,473 per FTE)	<u>19,578</u>		<u>0</u>	
Subtotal, Operating Expenses	\$31,868		\$5,890	
Total, New Staff Costs	\$501,847	5.6	\$521,267	6.2

1/ These amounts would be funded through centrally appropriated line items rather than the CSDB Personal Services line item and, pursuant to JBC common policy would not generally be funded in the first year.

Staff Analysis

The Department justifies the request for additional staff based on unmet need for each service. Below is a discussion of each position type, including the FY 2015-16 personal services cost (including salary, PERA, and Medicare costs) for each job type.

- *Interpreter (\$64,444 and 0.7 FTE):* The CSDB currently employees 1.0 FTE interpreter for the deaf, although the FTE actually consists of two part-time employees. The school also contracts out for some interpreter services but states that it is increasingly difficult and costly to secure contract interpreter services. The request seeks to ensure that interpreter services are available when needed and emphasizes the importance of having interpreters present in all workshops and classes where there may be mix of students who do and do not sign.
- *Distance Learning Teachers (\$131,805 and 2.3 FTE):* The CSDB has increasingly used distance learning activities to reach education professionals and families. The CSDB currently utilizes 0.8 FTE for distance learning purposes but reports an inability to meet the demand. For example, families and educators from throughout the State have requested on-line American Sign Language classes that the school has been unable to provide to date. The school also reports an inability to meet the demand for professional development services for educators working with students who are deaf/hard of hearing, blind/visually impaired, or deaf/blind. Requests include professional development regarding teaching mathematics and reading, the appropriate use of assessments, and instructional strategies for teaching these

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students. In addition, the CSDB intends to provide additional information for parents of children who are deaf, blind, or both, including emotional development, behavior support, technology recommendations, and educational strategies. Finally, the CSDB reports that families have asked CSDB to facilitate opportunities for students living in rural areas or who attend schools where there are no other students with hearing or vision needs to have social interactions through on-line technology.

- *Teacher of the Deaf (\$43,395 and 0.7 FTE):* The CSDB has tried to contract for teacher of the deaf outreach services but has been unable to meet requests because of the limited availability of qualified contract staff. A CSDB teacher has provided services on a limited basis to the San Luis Valley for many years because of the lack of available staff in that region. The school reports that it is unable to meet requests for services in many other regions (including specifically Fort Collins, the Pikes Peak Region, the East Central BOCES, South Central BOCES, and Western Slope regions) because of the shortage of contract staff.
- *Teacher of the Visually Impaired (\$43,395 and 0.7 FTE):* Similar to the situation with teachers of the deaf (above), the CSDB is unable to find sufficient contract staff to respond to requests for services. The school reports particular difficulty finding staff to respond to requests in Craig, the Mountain BOCES, El Paso County area charter schools, Pueblo, Colorado Springs, and Canon City.
- *American Sign Language (ASL) Instructor (\$31,455 and 0.5 FTE):* The CSDB reports that requests for teachers to teach ASL to parents, educational staff, and community members, as well as to students who need such instruction are frequent. The school is unable to meet the requests (including more than 50 unmet requests over the past year and a half). The CSDB also reports an inability to support advanced ASL classes for family members in need of such classes. CSDB has used contractors for this purpose in the past but is unable to train the contractors under federal personnel rules. The request would allow the school to hire staff, train them, improve monitoring, and provide materials to enhance instruction.
- *Educational Liaison for Deaf/Hard of Hearing (\$62,132 and 0.7 FTE):* The CSDB is proposing this position to improve collaboration between school districts, BOCES, charter schools, parents who choose to home school, and agencies in Colorado who serve students who are deaf/hard of hearing, blind/visually impaired, or deaf/blind. The school believes that improved collaboration will make better use of the limited resources available to serve these populations of students, and the request seeks to build partnerships among the various stakeholders. The proposed position would: (1) provide both face-to-face and distance communication with special education directors and parents across the State to assess needs and gaps in services; (2) work to identify creative solutions to fill gaps in services; (3) work with other stakeholders and agencies to implement solutions statewide; (4) provide leadership in seeking grant funding to provide services; and (5) improve communication to and between stakeholders.

It appears that the CSDB is unable to meet the demand for outreach services throughout the State, in part because of the lack of available contract staff to fill the need in many regions.

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Given the school's outreach responsibilities, staff agrees that there appears to be a problem and a potential need for additional staff.

Potential Fee Revenue: The request seeks to fill that need with new FTE supported by General Fund. The Department currently conducts outreach activities with funds from two line items: the schools main personal services line item and the outreach services line item. The outreach FTE within the personal services line item are supported by General Fund. The outreach services line item is supported in large part by fees paid by school districts for services provided by the CSDB. Given the described demand for additional services, staff argues that fee revenues should be able to support at least a portion of the funding for the requested additional positions, which would reduce the General Fund impact of the request. Staff will work with the Department and the CSDB staff prior to figure setting to consider the potential to reduce the General Fund impact of the outreach positions.

Operating Expenses

The request includes an increase of \$275,844 General Fund in FY 2015-16 (annualizing to \$245,124 in FY 2016-17) for additional operating expenses over and above the operating expenses associated with the requested FTE (discussed above). The operating expenses request includes two components: (1) information technology updates and enhancements; and (2) general operating expenses.

Information Technology Lifecycle (\$225,778 in FY 2015-16): The school's strategic plan calls for students to demonstrate the core knowledge and 21st century skills required to be college and/or career ready. The CSDB argues that the technology environment provided to students is critical to achieving that outcome.

The request includes funding to implement a "lifecycle" system for information technology replacement and to enhance information technology equipment at the school, including transitioning to an electronic curriculum to improve student engagement as well as updating filter systems, firewalls, and software to improve security. The CSDB does not currently operate on a lifecycle system but works to replace equipment as needed. The table on the following page, included in the request, details the school's proposed lifecycle.

In recent years, the Committee has encouraged agencies to plan for information technology replacements, and the request reflects the CSDB's intention to do so. (Please note that the Governor's Office of Information Technology does not support the CSDB technology infrastructure and has not reviewed the request.

General Operating Expenses (\$50,066 in FY 2015-16 and beyond): The request also includes an increase to cover general increases in operating expenses. The school last received an increase for general operating expenses (to the current level of \$417,277) in FY 2007-08 and is requesting an inflationary increase to support the purchase of supplies, materials, equipment, and additional maintenance costs.

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CSDB Proposed Information Technology Lifecycle

Item	A	B	A x B	Estimated Costs by Year						Average Cost
	Count	Est. Cost	Total Cost	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	
Desktop Computers	156	900	140,400	23,400	23,400	23,400	23,400	23,400	23,400	
Laptop Computers	191	1,450	415,425	69,238	69,238	69,238	69,238	69,238	69,238	69,235
Tablet Computers	57	600	68,400	22,800		22,800		22,800		
Monitor	243	140	34,020	11,340	0	11,340	0	11,340		
Network Switches	33	4,000	132,000	92,000	40,000					
Servers	13	7,500	97,500				48,750		48,750	
Firewall	2	5,000	10,000						10,000	
Email filter	1	6,000	6,000				6,000			
Webfilter	3	5,000	15,000				15,000			
TV's - display monitor	32	1,400	44,800			22,400		22,400		
Mimio's and other writeboards	55	750	61,875				31,000		30,875	
Cameras	9	3,000	27,000					27,000		
Wireless Access Points	70	900	63,000		63,000					
Wireless controllers	2	3,500	7,000	7,000						
Multipoint servers	10	2,300	34,500			17,250		17,250		
ThinClients	40	200	12,000			6,000			6,000	
Printers	15	250	3,750			3,750				
Tape Backup tape drive	2	4,000	8,000			8,000				
Tapes - For backups	34	300	20,400			10,200			10,200	
TOTAL			1,201,070	225,778	195,638	194,378	193,388	193,428	198,460	195,058

Issue: Standardized Assessment Update and Options

The Department has not submitted a change request associated with standardized assessments in FY 2015-16. The Department's request assumes a continuation of the current assessment system. However, in light of ongoing public and legislative discussions of the State's standardized assessment system (including the Standards and Assessment Task Force established pursuant to H.B. 14-1202), staff has included a discussion of the assessment system under current law and the anticipated budgetary changes associated with a variety of illustrative options to change the system of assessments that the General Assembly may consider during the 2015 Session to change the system of assessments.

SUMMARY:

- Colorado is administering new statewide standardized assessments in mathematics and English language arts in FY 2014-15, after deploying new assessments in science and social studies in FY 2013-14. Pursuant to the General Assembly's decisions in prior years, the state is using assessments developed by the PARCC consortium for mathematics and English language arts, with augmentations to cover statewide academic standards that are unique to Colorado. The science and social studies assessments are unique to Colorado. All of the new assessments are designed to be administered on-line although paper-based versions will be available.
- The Department's FY 2015-16 budget request does not include a decision item for assessments and assumes continuation of the current assessment system. However, in light of ongoing public and legislative discussions regarding the State's assessment system (including the Standards and Assessment Task Force established in H.B. 14-1202), the General Assembly may consider a variety of options to modify the assessment system for FY 2015-16 during the 2015 Session. This issue paper briefly discusses a range of illustrative options the Department's estimates of the budgetary impacts of those options.

RECOMMENDATION:

Staff is not recommending specific changes to the statewide standardized assessment system at this time. Barring statutory change prior to figure setting, staff anticipates recommending the continuation of the existing system (including assessments, grade levels, etc.).

Should the General Assembly elect to make changes to the existing system of assessments to reduce testing time, staff recommends working within the existing (CMAS/PARCC) assessments to reduce the length and/or number of assessments rather than moving away from PARCC based on both the budgetary impact of developing new assessments and the time and resources already invested by the State, school districts, and schools in preparing for the current set of assessments. Staff also recommends working to retain the incentive for schools to teach social studies, although that may be possible while administering the social studies assessment on a sampling basis.

DISCUSSION:

Background - Statewide Academic Standards and Assessments

Colorado's academic standards (discussed in the previous issue paper addressing Request R3) specify what the state expects students to know at each grade level. Standardized assessments measure students' knowledge with respect to the standards. Colorado adopted its first statewide academic standards (the Model Content Standards) in 1995 and began phasing in the Colorado Student Assessment Program (CSAP) with fourth grade reading and writing tests in 1997. The state continued the use of the CSAP, adding grade levels and content areas over time, through the spring of 2011.

Colorado's adoption of the Colorado Academic Standards in 2009 (as required by CAP4K) has required a transition to new assessments that are aligned to the new standards. Section 22-7-1006 (1) (a), C.R.S., requires the State Board to adopt a new systems of assessments "on or before December 15, 2010, or as soon thereafter as fiscally practicable." After an extensive public participation process, the State Board adopted a framework of assessment attributes on December 6, 2010.

The Department administered a transitional set of assessments (the Transitional Colorado Assessment Program or TCAP) in spring 2012, 2013, and 2014 to allow time for: (1) the development of new assessments and (2) local education providers to fully transition to the new standards before being held accountable for teaching the new standards. The TCAP only assessed areas of overlap between the "old" and "new" standards and therefore covered only a subset of both sets of standards.

Current System – FY 2012-13 Appropriation

For FY 2012-13, the State Board of Education (State Board) requested \$25.9 million to support the development of a suite of Colorado-specific assessments in mathematics, English language arts, science, and social studies. The Governor did not approve the request but the State Board submitted the request separately as a "side-by-side" request.

In response, the General Assembly took the following actions related to the requested assessments during the 2012 Session:

- Appropriated \$6.4 million, primarily to support the development of Colorado-specific assessments in science (to replace the science CSAP/TCAP) and social studies (Colorado's first statewide standardized social studies assessment). The State began administering these new assessments in the 2013-2014 school year. The FY 2012-13 appropriation also included funds to update Colorado's alternate assessments for students with significant cognitive disabilities and to update the English Language Proficiency Assessment.
- Enacted H.B. 12-1240 which required the State to join one of two national multi-state assessment consortia as a governing member, effectively committing the State to use consortium-developed tests in mathematics and English language arts. The State became a governing member of the Partnership for Assessment of Readiness for College and Careers

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(PARCC) in August 2012 and will administer the consortium assessments statewide for the first time in spring 2015.

The following table shows the existing schedule of statewide assessments by grade in comparison to the federal requirements (often known as the “federal minimum”). Please note that the table does not include school readiness assessments administered to younger students or early literacy assessments associated with the READ Act, both of which the General Assembly may consider modifying during consideration of the overall assessment system. The table also does not include local assessments administered at the discretion of local school districts. In addition, please note that while the table shows the federal requirement for high school mathematics and reading/language arts in 10th grade, the requirement is administration at least once in high school (not necessarily in 10th grade).

Anticipated FY 2014-15 Statewide Assessment Schedule			
Grade	Colorado Measures of Academic Success*	Federal Requirements	Existing/Planned Assessments <u>Not</u> Required by Federal Law
3	English language arts math	reading/language arts math	
4	English language arts math social studies	reading/language arts math	social studies
5	English language arts math science	reading/language arts math science (in grades 3,4, or 5)	
6	English language arts math	reading/language arts math	
7	English language arts math social studies	reading/language arts math	social studies
8	English language arts math science	reading/language arts math	social studies
9	English language arts math		English language arts math
10	English language arts math	reading/language arts and math (each once in high school)	
11	English language arts math ACT		English language arts math ACT
12	science social studies	science (in grades 10, 11, or 12)	social studies

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

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H.B. 14-1202 Task Force

In response to a variety of concerns about the assessment system, including impacts on instructional time and the number and type of assessments administered by school districts (including both statewide and local assessments), the General Assembly enacted H.B. 14-1202 to establish the Standards and Assessment Task Force (Task Force). The Task Force, consisting of a variety of stakeholders including district administrators, educators, parents, business representatives, and education advocates, has been meeting throughout the summer and fall to investigate the current assessment system, analyze potential changes, and develop recommendations for the General Assembly to consider during the 2015 Session. The Task Force report is due to the General Assembly by January 31, 2015.

FY 2015-16 Request

The Department’s FY 2015-16 budget request includes \$36.8 million total funds (including \$29.1 million cash funds from the State Education Fund and \$7.7 million federal funds) for the Colorado Student Assessment Program line item. For the first time since FY 2012-13, the request does not include a change request associated with assessments. Although the cost estimates will likely change for figure setting based on additional contract negotiations and new information as well as changes in anticipated student counts, the November 1 request does not include any changes in actual assessment costs. Rather, the only change from the FY 2014-15 appropriation is the annualization of salary survey and merit pay for the Department staff administering the assessment program. The following table shows the components of the FY 2014-15 appropriation and FY 2015-16 request, which aligns with current law regarding the statewide assessment system. These amounts provide the starting point for discussions of the budgetary impacts of potential changes to the system.

Summary of FY 2015-16 Request for CSAP Line Item			
Description	FY 2014-15 Appropriation	FY 2015-16 Request	Annual Change
<u>I. CMAS:</u> Contract for developing, scoring, and reporting CMAS (not including alternate assessments) - math and English.	<u>\$19,012,088</u>	<u>\$19,012,088</u>	<u>\$0</u>
Cash Funds - State Education Fund	16,854,070	16,854,070	0
Federal Funds	2,158,018	2,158,018	0
<u>II. Alternate Math and English Assessments:</u> Contract for developing, scoring, and reporting Alternate CMAS in FY 2014-15.	<u>\$1,033,000</u>	<u>\$1,033,000</u>	<u>\$0</u>
Federal Funds	1,033,000	1,033,000	0
<u>III. Science and Social Studies:</u> Contract for developing, scoring, and reporting science and social studies assessments	<u>\$6,087,908</u>	<u>\$6,087,908</u>	<u>\$0</u>
Cash Funds - State Education Fund	5,208,292	5,208,292	0
Federal Funds	879,616	879,616	0
<u>IV. Alternate Science and Social Studies:</u> Contract to develop, score, and report Alternate assessments for science and social studies.	<u>\$1,792,372</u>	<u>\$1,792,372</u>	<u>\$0</u>
Cash Funds - State Education Fund	983,600	983,600	0
Federal Funds	808,772	808,772	0
<u>V. English Language Proficiency:</u> Contract for developing, scoring, and reporting the Colorado English Language Assessment / (ACCESS)	<u>\$2,949,175</u>	<u>\$2,949,175</u>	<u>\$0</u>
Cash Funds - State Education Fund	1,022,357	1,022,357	0

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Summary of FY 2015-16 Request for CSAP Line Item			
Description	FY 2014-15 Appropriation	FY 2015-16 Request	Annual Change
Federal Funds	1,926,818	1,926,818	0
VI. ACT: ACT test for 11th grade students - Cash Funds (State Education Fund)	\$2,146,000	\$2,146,000	0
VII. Spanish Language Arts:	<u>\$2,333,890</u>	<u>\$2,333,890</u>	<u>\$0</u>
Cash Funds - State Education Fund	2,302,780	2,302,780	0
Federal Funds	31,110	31,110	0
VIII. Administration: Staff and operating expenses	\$1,416,577	\$1,483,646	\$67,069
FTE	<u>11.8</u>	<u>11.8</u>	<u>0</u>
Cash Funds - State Education Fund	541,090	556,900	15,810
Federal Funds	875,487	926,746	51,259
Total	\$36,771,010	\$36,838,079	\$67,069
FTE	<u>11.8</u>	<u>11.8</u>	<u>0.0</u>
Cash Funds - State Education Fund	29,058,189	29,073,999	15,810
Federal Funds	7,712,821	7,764,080	51,259

Menu of Options

The General Assembly has a variety of options available if it wishes to modify the assessment system. Potential alternatives include changes to four basic variables: (1) the number of grades assessed (e.g., eliminating assessments for certain grades); (2) the number of subjects assessed (e.g., eliminating or scaling back social studies, as the other subjects are required by federal law); (3) the specific tests given (e.g., changing from PARCC assessments in English language arts and mathematics to another option); and (4) the length of assessments (e.g., working to reduce the time required for testing).

In an effort to foster discussion of potential alternatives, staff has worked with the Department to identify a range of illustrative alternatives and estimates of the budgetary implications (cost increases or savings) of each option. The Department has provided cost estimates based on the best available information. The list of options is not exhaustive but represents a variety of options addressed in previous legislative discussions as well as the ongoing deliberations of the H.B. 14-1202 Task Force. Based on information provided by the Department, the table on the following page shows the various alternatives and the Department’s estimate of the cost implications of each alternative.

Please note that all cost estimates are adjustments to the estimates shown in the table above (with a starting point of \$36.8 million total funds in FY 2015-16). In addition, please note that the options only address statewide assessments included in the table above and do not include school readiness, early literacy (READ Act), or local assessments. The list also does not include options considering shortening assessments to reduce testing time as the budgetary impacts would be minimal, although shortening the assessments may be an attractive option for non-budgetary reasons.

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Illustrative Menu of Statewide Standardized Assessment Options		
Option	Description	FY 2015-16 Estimated Cost/ (Savings)
Current System	Maintain current systems of assessments and grades.	No change from request (total cost is \$36.8 million)
Federal Minimum Requirements	Eliminate two high school assessments in ELA and math	(\$2,866,705)
	Eliminate mandatory ACT	(2,146,000)
	Eliminate social studies assessments entirely*	<u>(1,850,000)</u>
	Total Estimated Savings	(\$6,862,705)
Federal Minimum Requirements plus social studies (State Board of Education recommendation)	Eliminate two high school assessments in ELA and math	(\$2,866,705)
	Eliminate mandatory ACT	<u>(2,146,000)</u>
	Total Estimated Savings	(\$5,012,705)
Federal Minimum Requirements - use ACT as only high school assessment (requires augmentation of the ACT to align with Colorado Academic Standards in English language arts, math, and science)	Eliminate 3 PARCC high school assessments in ELA and math	(\$4,297,484)
	Eliminate CMAS science and social studies in high school*	(2,000,000)
	Augment ACT to align with Colorado standards for ELA/math/science	<u>5,266,000</u>
	Total Estimated Savings	(\$1,031,484)
Eliminate social studies - maintain rest of system	Eliminate social studies assessments entirely*	(\$1,850,000)
Administer social studies on a sampling basis	Assess social studies on a sampling basis (not all students in affected grades)*	Potential cost savings unknown without known sampling strategy.
Maintain current system of subjects and grades but do not use PARCC assessments	Develop Colorado-specific assessments (requires two years and use of an interim assessment)	Estimated cost of \$13.0 million to \$15.0 million for development (above administration costs).
	Buy off-the-shelf assessment or license from another state (may require augmentation to align with Colorado standards)	Likely increased cost above current system but cost impact is unknown.
Rely on local assessments	Allow districts to use local assessments to satisfy state and federal requirements	This option violates federal law and is not available.

* Options would require contract negotiations and the potential savings are uncertain. Estimates shown are based on best available information.

Federal Minimum Requirements: Much of the current public discussion focuses on scaling back testing to align with the federal requirements. As shown in the table above, alignment with the federal requirements actually presents a variety of alternatives, depending on the assessments

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used to comply with the federal requirements. Regardless of the specific option selected, reducing to the federal requirements would impact the calculation of student growth in high school because there would be only one statewide assessment in each subject in high school. Such a change would also affect the statewide accountability system under S.B. 09-163 (Accountability). Based on a purely informational simulation conducted by the Department, accountability impacts would vary significantly by district and school, with some ratings increasing and some decreasing depending the district- and school-specific circumstances. Reducing the federal minimum requirements would likely warrant changes to the accountability system.

Social Studies: The social studies CMAS, first administered in FY 2013-14, is Colorado’s first social studies assessment. However, federal law does not require social studies assessments. Thus, the General Assembly could eliminate the assessment and still comply with federal law. Doing so would save some money (an estimated \$1.9 million although the amount is uncertain because it would require contract negotiations to modify the current contract for science and social studies assessments) but would eliminate the additional incentive for school districts to teach social studies, including civics, history, geography, and economics. The General Assembly could also support the assessment on a sampling basis. Please note that the State Board of Education sent a letter to the H.B. 14-1202 Task Force recommending scaling back to the federal minimum requirements for English language arts and mathematics but keeping the social studies assessments.

PARCC Assessments: With or without scaling back to the federal minimum requirements, the General Assembly could transition away from the PARCC assessments. Moving away from PARCC for the current year (FY 2014-15) does not appear to be possible but the State could consider doing so for future years. However, as shown in the table, transitioning to Colorado-specific assessments would likely cost between \$13.0 million and \$15.0 million to develop new assessments and the development would require two years, requiring the use of an interim assessment during development of the new tests. The State may also be able to purchase and augment an “off-the-shelf” test to align with the Colorado Academic Standards, or may be able to license and augment assessments from another State, but the costs of those options are unknown.

Use Local Assessments: There has been some discussion of moving away from single statewide assessments and allowing districts to rely upon local assessments. However, doing so would violate federal law and does not appear to be a viable option.

Conclusion

The General Assembly has a variety of options available to modify the existing assessment system should it choose to do so. The utility of the options varies depending on the goal of the modification (e.g., reducing the number of assessments, reducing testing time, moving away from PARCC, etc.). Staff is not recommending changes to the assessment system at this time and recommends that the Committee defer to the Education Committees regarding potential changes. Based on the likely cost of moving away from the PARCC assessments, particularly to develop new Colorado-specific assessments, staff does not recommend eliminating the PARCC

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assessments. Staff also recommends working to retain the incentive for schools to teach social studies, although that may be possible with a sampling system.

Issue: Eliminating Double Line Item Appropriations

The Department's FY 2014-15 appropriation includes six programs with dual appropriations (which first appropriate funds into a cash fund in one line item and then appropriate the same funds out of the cash fund as reappropriated funds in a separate line item), four of which were created during the 2014 Session. The use of such dual appropriations is inflating the Department's FY 2014-15 appropriation by \$33.6 million and creating other budgetary complications. The General Assembly should consider eliminating the structure in most cases.

SUMMARY:

- The Department's FY 2014-15 appropriation includes six programs with dual appropriations, in which the General Assembly appropriates either General Fund or State Education Fund (SEF) moneys into a cash fund and then reappropriates those moneys back out of the cash fund to support a program. The General Assembly created four of those six programs through 2014 Session legislation.
- The use of dual appropriations inflates the Department's budget by double counting the same moneys. In FY 2014-15, a total of \$33.6 million is duplicated through dual appropriations, overstating the Department's appropriation by that amount.
- In limited cases, such as when the General Assembly wishes to retain moneys in a cash fund for an extended period or wishes to make a consistent appropriation to smooth out changes in caseload, the dual appropriation may make sense. In most cases, however, the structure overstates the budget and complicates budgeting to support a given program without providing additional benefits.

RECOMMENDATION:

Staff recommends that the Committee sponsor legislation in the 2015 Session to:

- eliminate the dual appropriation structure from five of the six programs using that structure in FY 2014-15 (all of the programs except for the Start Smart Nutrition Program); and
- eliminate the following three cash funds: (1) the English Language Learners Professional Development and Student Support Fund; (2) the [English Language Proficiency Act] Excellence Awards Fund; and (3) the School Turnaround Leaders Development Fund. The Committee may wish to repeal the funds after all funds appropriated in FY 2014-15 are spent or transfer any remaining funds back to the "source" fund (General Fund or SEF).

If the General Assembly intends to continue the relevant programs, staff recommends appropriating funds directly from the General Fund or the SEF (based on the current "original" fund source for each program) to support the program(s). Finally, staff recommends that the General Assembly avoid creating additional dual line item appropriations except in cases where

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doing so improves the Department’s (or the General Assembly’s) ability to manage or oversee a program.

DISCUSSION:

Dual Appropriation Programs

The Department’s FY 2014-15 appropriation, including the Long Bill and 2014 Session legislation, includes six programs with dual appropriations in which the General Assembly first appropriates either General Fund or State Education Fund moneys into a separate cash fund and then appropriates those moneys back out of the cash fund as reappropriated funds. The number of such programs tripled this year; four of the six programs were created through 2014 Session legislation. The following table shows the six programs funded through dual appropriations, as well as the FY 2014-15 appropriation and the Department’s FY 2015-16 request for each program.

Department of Education Programs with Dual Appropriations				
Program	Bill Providing FY 2014-15 Funding	Original Fund Source	FY 2014-15 Approp.	FY 2015-16 Request
English Language Learners Professional Development and Student Support Program	H.B. 14-1298	SEF	\$27,000,000	\$27,000,000
State Grants to Publicly-Supported Libraries Program	Long Bill	General Fund	2,000,000	2,001,576
School Turnaround Leaders Development Program	S.B. 14-124	SEF	2,000,000	2,000,000
Start Smart Nutrition Program	Long Bill	General Fund	1,097,983	1,370,721
Adult Education and Literacy Grant Program	H.B. 14-1085	General Fund	960,000	960,000
English Language Proficiency Act Excellence Awards Program	H.B. 14-1298	SEF	<u>500,000</u>	<u>500,000</u>
Total - Original Funds			\$33,557,983	\$33,832,297
Total Funds - Including Duplication			\$67,115,966	\$67,664,594

Staff Concerns

Staff notes two concerns about the use of dual appropriations:

- First, the structure overstates the Department’s budget by double counting each program’s appropriation. The six programs include a total of \$33.6 million in funding in FY 2014-15 and \$33.8 million in the Department’s FY 2015-16 request. However, the dual appropriation structure doubles those amounts to \$67.1 million in FY 2014-15 and \$67.7 million in the FY 2015-16 request. The FY 2014-15 Long Bill duplicated a total of \$3.1 million in two programs but the legislation enacted in the 2014 Session dramatically increased that amount.
- Second, the use of dual appropriations unnecessarily complicates budgeting for the programs. As drafted, the separate cash funds supporting each program are generally established to support the direct and indirect costs of operating the program. If the program includes

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departmental staff (the School Turnaround Leaders Development Program and the Adult Education and Literacy Grant Program both include FTE), then the appropriation into the cash fund should account for *all* costs associated with that program, including the centrally appropriated line items. Adjusting the first appropriation (into the cash fund) to accommodate changes in centrally appropriated line items would introduce: (1) confusion because the funding amounts in the program's line items would no longer align; and (2) additional opportunity for error as the common policies driving centrally appropriated line items change.

Staff believes that the dual appropriation structure could be beneficial in two situations:

1. If the General Assembly wishes to provide funding in one year to be spent over a period of multiple years, then setting money aside in a separate fund may be practical. Staff does not believe any of the programs discussed above fall into this category, with the possible exception of Start Smart (discussed in the next point).
2. If the General Assembly wishes to make a consistent annual appropriation but allow the use of fund balances to “smooth out” changes in caseload, the dual appropriation can serve that purpose. Of the programs addressed in this issue, staff believes that this description only applies to the Start Smart Nutrition Program. Start Smart spending varies annually based on students' eligibility for reduced price meals and participation in the school breakfast program. The State has historically provided consistent annual appropriations into the Start Smart Nutrition Fund over a period of years. In years with lower participation, the cash fund balance increases; the program spends those balances in years of higher participation. The structure allows the program to maintain a consistent appropriation of General Fund for multiple years and accommodate changes in variations in caseload.

Outside of those two situations, however, staff does not see a benefit to using dual appropriations.

Staff Conclusions and Recommendations

With the exception of the Start Smart Nutrition Program, staff believes that the dual appropriations in the Department's FY 2014-15 budget unnecessarily overstate the Department's budget and complicate the budgeting process. Thus, staff recommends that the Committee sponsor legislation during the 2015 Session to eliminate the dual appropriations for the remaining five programs and allow for direct appropriation of either General Fund or State Education Fund moneys to support the programs.

Staff also recommends that the legislation eliminate the following three cash funds: (1) the English Language Learners Professional Development and Student Support Fund; (2) the [English Language Proficiency Act] Excellence Awards Fund; and (3) the School Turnaround Leaders Development Fund. The Committee may wish to repeal the funds after all funds appropriated in FY 2014-15 are spent or transfer any funds remaining at the end of FY 2014-15 back to the original source (General Fund or SEF as appropriate).

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Staff is not recommending the elimination of the State Grants to Publicly-Supported Libraries Fund or the Adult Education and Literacy Grant Fund. The statutes creating those two funds anticipate potential external gifts, grants, and donations to support the relevant programs. While the separate cash funds are not necessary to accept external funds, staff recommends retaining those cash funds to house potential external grant funds dedicated specifically to those programs.

Issue: Consolidating Leased Space Appropriations

The Department is currently leasing private space to support a wide variety of programs, and the use of leased space has grown as the General Assembly and the Department have added programs and staff. However, unlike nearly every other state agency, the Department's Long Bill does not include a "Leased Space" line item. Rather, lease costs are included in the line item supporting each program, reducing transparency regarding the Department's leased space expenditures. Staff recommends that the Committee add a "Leased Space" line item to the FY 2015-16 Long Bill to consolidate the Department's private leased space funding in one line item.

RECOMMENDATION:

Staff recommends that the Committee add a "Leased Space" line item to the FY 2015-16 Long Bill and consolidate all of the Department's private leased space funding in that line item. The recommendation would reduce funding shown for 15 programmatic line items that currently include leased space costs and consolidate that funding into a single line item. If the Committee approves the recommendation, then staff will work with the Department to include the change for the FY 2015-16 figure setting process.

DISCUSSION:

The Department's primary building at 201 East Colfax is part of the Capitol Complex and funded through the Capitol Complex Leased Space line item. However, that space is not sufficient to support all of the Department's staff, and the Department is increasingly using private leased space to support new programs and staff. In FY 2014-15, the Department is locating a variety of programs, including a total of approximately 140 employees (roughly 25 percent of the Department's total FY 2014-15 FTE appropriation), in private leased space.

Unlike most other state departments, the Department's Long Bill appropriation does not centralize private leased space costs in a single line item.¹⁹ Rather, the Department supports lease costs from each program's line item appropriation. As a result, the Department's private lease costs are not apparent in the Long Bill and not transparent to the General Assembly.

The Department's total staffing and need for leased space have increased in recent years with the addition of new programs and staff. Based on the Department's increasing use of private leased space and associated increasing costs, staff recommends that the Committee include a Leased Space line item in the FY 2015-16 Long Bill to centralize leased space funding in a single line item. The recommendation will require reductions to programmatic line items and the movement of funds to the newly created Leased Space line item. If the Committee approves the recommendation, then staff will work with the Department to include the necessary changes for the FY 2015-16 figure setting process.

¹⁹ The Long Bill did include a leased space line item for the Department in FY 2009-10 and FY 2010-11 (appropriating \$11,500 reappropriated funds per year) specifically to support some school finance administration costs. However, the General Assembly has not included such a line item since FY 2010-11.

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Appendix A: Number Pages

	FY 2012-13 Actual	FY 2013-14 Actual	FY 2014-15 Appropriation	FY 2015-16 Request	Request vs. Appropriation
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DEPARTMENT OF EDUCATION
Robert Hammond, Commissioner

(1) MANAGEMENT AND ADMINISTRATION

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

(A) Administration and Centrally-Appropriated Line Items

State Board of Education	<u>285,385</u>	<u>290,566</u>	<u>297,258</u>	<u>307,789</u>
FTE	2.0	2.0	2.0	2.0
General Fund	285,385	290,566	297,258	307,789
 General Department and Program Administration	 <u>3,646,974</u>	 <u>3,630,448</u>	 <u>4,001,300</u>	 <u>4,145,763</u>
FTE	31.5	33.4	34.6	34.6
General Fund	1,562,392	1,589,218	1,715,093	1,777,040
Cash Funds	124,496	167,868	171,853	175,090
Reappropriated Funds	1,960,086	1,873,362	2,114,354	2,193,633
 Office of Professional Services	 <u>2,037,693</u>	 <u>2,475,697</u>	 <u>2,748,802</u>	 <u>2,802,445</u>
FTE	24.6	23.3	25.0	25.0
Cash Funds	2,037,693	2,475,697	2,748,802	2,802,445

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	FY 2012-13 Actual	FY 2013-14 Actual	FY 2014-15 Appropriation	FY 2015-16 Request	Request vs. Appropriation
Division of On-line Learning	<u>329,738</u>	<u>317,360</u>	<u>392,042</u>	<u>399,932</u>	
FTE	3.3	2.5	3.3	3.3	
General Fund	0	0	47,659	47,659	
Cash Funds	329,738	317,360	344,383	352,273	
Reappropriated Funds	0	0	0	0	
Federal Funds	0	0	0	0	
Health, Life, and Dental	<u>3,284,917</u>	<u>3,946,296</u>	<u>4,061,167</u>	<u>4,367,056</u>	
General Fund	1,442,412	1,658,677	1,448,863	1,568,597	
Cash Funds	288,278	231,526	539,321	510,444	
Reappropriated Funds	248,740	469,931	420,606	477,435	
Federal Funds	1,305,487	1,586,162	1,652,377	1,810,580	
Short-term Disability	<u>45,817</u>	<u>63,088</u>	<u>84,446</u>	<u>88,073</u>	
General Fund	19,713	22,532	25,289	26,369	
Cash Funds	5,786	2,152	10,760	11,813	
Reappropriated Funds	0	7,763	9,434	10,203	
Federal Funds	20,318	30,641	38,963	39,688	
S.B. 04-257 Amortization Equalization Disbursement	<u>953,460</u>	<u>1,339,263</u>	<u>1,732,464</u>	<u>1,886,396</u>	
General Fund	376,311	465,616	521,864	567,889	
Cash Funds	104,605	88,715	220,397	252,470	
Reappropriated Funds	0	145,774	193,166	218,092	
Federal Funds	472,544	639,158	797,037	847,945	

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	FY 2012-13 Actual	FY 2013-14 Actual	FY 2014-15 Appropriation	FY 2015-16 Request	Request vs. Appropriation
S.B. 06-235 Supplemental Amortization Equalization					
Disbursement	<u>694,989</u>	<u>1,044,791</u>	<u>1,624,185</u>	<u>1,822,085</u>	
General Fund	186,314	418,860	489,247	548,529	
Cash Funds	89,895	48,913	206,622	243,862	
Reappropriated Funds	12,688	0	181,094	210,657	
Federal Funds	406,092	577,018	747,222	819,037	
Salary Survey	<u>0</u>	<u>735,578</u>	<u>1,206,532</u>	<u>468,386</u>	
General Fund	0	220,235	373,619	140,238	
Cash Funds	0	70,526	151,526	62,820	
Reappropriated Funds	0	0	136,010	54,263	
Federal Funds	0	444,817	545,377	211,065	
Merit Pay	<u>0</u>	<u>394,216</u>	<u>409,766</u>	<u>428,311</u>	
General Fund	0	87,546	121,109	129,223	
Cash Funds	0	40,248	57,967	58,648	
Reappropriated Funds	0	0	45,964	51,096	
Federal Funds	0	266,422	184,726	189,344	
Workers' Compensation	<u>353,662</u>	<u>630,906</u>	<u>633,501</u>	<u>430,177</u>	
General Fund	163,874	241,762	242,122	173,425	
Cash Funds	35,588	60,466	55,434	60,255	
Reappropriated Funds	39,924	70,912	77,794	41,226	
Federal Funds	114,276	257,766	258,151	155,271	
Legal Services	<u>222,428</u>	<u>398,293</u>	<u>505,149</u>	<u>463,099</u>	
General Fund	133,151	187,967	295,446	262,927	
Cash Funds	78,606	193,871	189,901	181,270	
Reappropriated Funds	10,671	16,455	19,802	18,902	

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Administrative Law Judge Services	<u>65,353</u>	<u>78,573</u>	<u>150,313</u>	<u>178,438</u>	
Cash Funds	54,073	65,011	124,368	147,639	
Reappropriated Funds	11,280	13,562	25,945	30,799	
Payment to Risk Management and Property Funds	<u>83,183</u>	<u>92,314</u>	<u>75,598</u>	<u>67,845</u>	
General Fund	83,183	92,314	75,598	67,845	
Cash Funds	0	0	0	0	
Reappropriated Funds	0	0	0	0	
Capitol Complex Leased Space	<u>536,071</u>	<u>673,113</u>	<u>527,813</u>	<u>818,280</u>	
General Fund	80,400	117,167	81,599	180,785	
Cash Funds	110,601	69,937	69,250	97,793	
Reappropriated Funds	87,067	113,485	102,924	137,453	
Federal Funds	258,003	372,524	274,040	402,249	
Reprinting and Distributing Laws Concerning Education	<u>29,009</u>	<u>32,520</u>	<u>35,480</u>	<u>35,480</u>	
Cash Funds	29,009	32,520	35,480	35,480	
Emeritus Retirement	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	
General Fund	0	0	0	0	
Cash Funds	0	0	0	0	
Reappropriated Funds	0	0	0	0	
Federal Funds	0	0	0	0	

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	FY 2012-13 Actual	FY 2013-14 Actual	FY 2014-15 Appropriation	FY 2015-16 Request	Request vs. Appropriation
SUBTOTAL - (A) Administration and Centrally-Appropriated Line Items	12,568,679	16,143,022	18,485,816	18,709,555	1.2%
<i>FTE</i>	<u>61.4</u>	<u>61.2</u>	<u>64.9</u>	<u>64.9</u>	(0.0%)
General Fund	4,333,135	5,392,460	5,734,766	5,798,315	1.1%
Cash Funds	3,288,368	3,864,810	4,926,064	4,992,302	1.3%
Reappropriated Funds	2,370,456	2,711,244	3,327,093	3,443,759	3.5%
Federal Funds	2,576,720	4,174,508	4,497,893	4,475,179	(0.5%)

(B) Information Technology

Information Technology Services	<u>2,936,124</u>	<u>3,116,328</u>	<u>3,959,533</u>	<u>4,010,932</u>	
FTE	16.7	17.9	27.8	28.2	
General Fund	2,324,057	2,492,009	3,334,439	3,384,893	
Cash Funds	0	0	0	0	
Reappropriated Funds	612,067	624,319	625,094	626,039	
Federal Funds	0	0	0	0	
Purchase of Services from Computer Center	<u>189,795</u>	<u>175,252</u>	<u>0</u>	<u>0</u>	
General Fund	189,795	175,252	0	0	
Multiuse Network Payments	<u>103,502</u>	<u>266,324</u>	<u>0</u>	<u>0</u>	
General Fund	103,502	266,324	0	0	
COFRS Modernization	<u>197,914</u>	<u>197,914</u>	<u>197,914</u>	<u>197,914</u>	
General Fund	61,100	61,100	61,100	61,100	
Cash Funds	89,496	89,496	89,496	89,496	
Reappropriated Funds	47,318	47,318	47,318	47,318	

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	FY 2012-13 Actual	FY 2013-14 Actual	FY 2014-15 Appropriation	FY 2015-16 Request	Request vs. Appropriation
Information Technology Security	0	4,658	0	0	
General Fund	0	4,658	0	0	
Federal Funds	0	0	0	0	
Information Technology Asset Maintenance	298,564	303,439	2,284,180	862,146	
General Fund	298,564	303,439	2,284,180	862,146	
Disaster Recovery	17,758	15,498	19,722	19,722	
General Fund	17,758	15,498	19,722	19,722	
Payments to OIT	0	0	631,873	593,493	
General Fund	0	0	631,873	593,493	
School Accountability Reports and State Data Reporting System	0	0	0	0	
FTE	0.0	0.0	0.0	0.0	
General Fund	0	0	0	0	
Cash Funds	0	0	0	0	
Reappropriated Funds	0	0	0	0	
Federal Funds	0	0	0	0	
SUBTOTAL - (B) Information Technology	3,743,657	4,079,413	7,093,222	5,684,207	(19.9%)
FTE	16.7	17.9	27.8	28.2	1.4%
General Fund	2,994,776	3,318,280	6,331,314	4,921,354	(22.3%)
Cash Funds	89,496	89,496	89,496	89,496	0.0%
Reappropriated Funds	659,385	671,637	672,412	673,357	0.1%
Federal Funds	0	0	0	0	0.0%

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	FY 2012-13 Actual	FY 2013-14 Actual	FY 2014-15 Appropriation	FY 2015-16 Request	Request vs. Appropriation
(C) Assessments and Data Analyses					
Colorado Student Assessment Program	<u>26,587,994</u>	<u>28,950,144</u>	<u>36,771,010</u>	<u>36,838,079</u>	
FTE	16.5	17.1	11.8	11.8	
General Fund	0	0	0	0	
Cash Funds	22,243,106	23,347,003	29,058,189	29,073,999	
Reappropriated Funds	0	0	0	0	
Federal Funds	4,344,888	5,603,141	7,712,821	7,764,080	
Development of New Science and Social Studies Assessments and Updating Existing Assessments	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	
Cash Funds	0	0	0	0	
Federal Grant for State Assessments and Related Activities	<u>2,247,224</u>	<u>2,247,224</u>	<u>2,247,224</u>	<u>2,247,224</u>	
FTE	5.7	5.7	5.7	5.7	
Federal Funds	2,247,224	2,247,224	2,247,224	2,247,224	
Longitudinal Analyses of Student Assessment Results	<u>8,018,084</u>	<u>4,003,875</u>	<u>665,420</u>	<u>601,465</u>	
FTE	2.3	4.3	3.0	3.0	
General Fund	259,884	261,657	367,420	303,465	
Cash Funds	0	0	298,000	298,000	
Federal Funds	7,758,200	3,742,218	0	0	
Early Literacy Assessment Tool	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	
General Fund	0	0	0	0	
Cash Funds	0	0	0	0	
Reappropriated Funds	0	0	0	0	
Federal Funds	0	0	0	0	

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Basic Skills Placement or Assessment Tests	<u>35,943</u>	<u>17,461</u>	<u>320,917</u>	<u>320,917</u>	
Cash Funds	35,943	17,461	320,917	320,917	
Preschool to Postsecondary Education Alignment	<u>510,755</u>	<u>504,591</u>	<u>702,073</u>	<u>595,861</u>	
FTE	3.6	3.8	3.5	3.5	
General Fund	0	0	122,750	0	
Cash Funds	510,755	504,591	579,323	595,861	
Educator Effectiveness Unit Administration	<u>424,390</u>	<u>455,600</u>	<u>548,108</u>	<u>1,851,010</u> *	
FTE	2.9	3.7	4.0	11.3	
General Fund	0	376,072	432,718	1,719,717	
Cash Funds	424,390	79,528	115,390	131,293	
Transfer to Great Teachers and Leaders Fund	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	
FTE	0.0	0.0	0.0	0.0	
General Fund	0	0	0	0	
Educator Effectiveness Implementation	<u>1,636,898</u>	<u>7,493,661</u>	<u>2,075,020</u>	<u>2,112,336</u>	
FTE	15.6	12.1	14.5	14.5	
Cash Funds	680,002	200,000	0	0	
Federal Funds	956,896	7,293,661	2,075,020	2,112,336	
Accountability and Improvement Planning	<u>0</u>	<u>1,246,722</u>	<u>1,678,364</u>	<u>1,768,313</u> *	
FTE	0.0	10.3	11.4	11.4	
General Fund	0	696,390	1,128,032	1,217,981	
Federal Funds	0	550,332	550,332	550,332	

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SUBTOTAL - (C) Assessments and Data Analyses	39,461,288	44,919,278	45,008,136	46,335,205	2.9%
<i>FTE</i>	<u>46.6</u>	<u>57.0</u>	<u>53.9</u>	<u>61.2</u>	<u>13.5%</u>
General Fund	259,884	1,334,119	2,050,920	3,241,163	58.0%
Cash Funds	23,894,196	24,148,583	30,371,819	30,420,070	0.2%
Reappropriated Funds	0	0	0	0	0.0%
Federal Funds	15,307,208	19,436,576	12,585,397	12,673,972	0.7%

(D) State Charter School Institute

State Charter School Institute Administration, Oversight,
and Management

	<u>1,752,933</u>	<u>2,431,866</u>	<u>2,831,760</u>	<u>2,831,760</u>
<i>FTE</i>	11.1	9.6	11.7	11.7
General Fund	0	0	0	0
Reappropriated Funds	1,752,933	2,431,866	2,831,760	2,831,760
Federal Funds	0	0	0	0
 Institute Charter School Assistance Fund	<u>0</u>	<u>681,689</u>	<u>460,000</u>	<u>460,000</u>
Cash Funds	0	681,689	460,000	460,000
 Other Transfers to Institute Charter Schools	<u>3,000,786</u>	<u>3,632,867</u> 0.3	<u>3,622,979</u>	<u>3,622,979</u>
Reappropriated Funds	3,000,786	3,632,867	3,622,979	3,622,979
 Transfer of Federal Moneys to Institute Charter Schools	<u>5,597,366</u>	<u>8,001,838</u>	<u>6,330,000</u>	<u>6,330,000</u>
<i>FTE</i>	3.0	5.1	4.5	4.5
Reappropriated Funds	5,597,366	8,001,838	6,330,000	6,330,000

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	FY 2012-13 Actual	FY 2013-14 Actual	FY 2014-15 Appropriation	FY 2015-16 Request	Request vs. Appropriation
Department Implementation of Section 22-30.5-501 et seq., C.R.S.	<u>194,420</u>	<u>198,895</u>	<u>214,782</u>	<u>221,295</u>	
FTE	1.7	1.3	1.6	1.6	
Reappropriated Funds	194,420	198,895	214,782	221,295	
State Charter School Institute Emergency Reserve	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	
Reappropriated Funds	0	0	0	0	
Legislation Appropriated at the Division Level	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	
General Fund	0	0	0	0	
Cash Funds	0	0	0	0	
Reappropriated Funds	0	0	0	0	
Federal Funds	0	0	0	0	
SUBTOTAL - (D) State Charter School Institute	10,545,505	14,947,155	13,459,521	13,466,034	0.0%
FTE	<u>15.8</u>	<u>16.3</u>	<u>17.8</u>	<u>17.8</u>	<u>0.0%</u>
General Fund	0	0	0	0	0.0%
Cash Funds	0	681,689	460,000	460,000	0.0%
Reappropriated Funds	10,545,505	14,265,466	12,999,521	13,006,034	0.1%
Federal Funds	0	0	0	0	0.0%

(E) Indirect Cost Assessment

Indirect Cost Assessment	<u>0</u>	<u>0</u>	<u>528,192</u>	<u>528,192</u>
General Fund	0	0	0	0
Cash Funds	0	0	301,950	301,950
Reappropriated Funds	0	0	0	0
Federal Funds	0	0	226,242	226,242

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	FY 2012-13 Actual	FY 2013-14 Actual	FY 2014-15 Appropriation	FY 2015-16 Request	Request vs. Appropriation
SUBTOTAL - (E) Indirect Cost Assessment	0	0	528,192	528,192	0.0%
<i>FTE</i>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0%</u>
General Fund	0	0	0	0	0.0%
Cash Funds	0	0	301,950	301,950	0.0%
Reappropriated Funds	0	0	0	0	0.0%
Federal Funds	0	0	226,242	226,242	0.0%
TOTAL - (1) Management and Administration	66,319,129	80,088,868	84,574,887	84,723,193	0.2%
<i>FTE</i>	<u>140.5</u>	<u>152.4</u>	<u>164.4</u>	<u>172.1</u>	<u>4.7%</u>
General Fund	7,587,795	10,044,859	14,117,000	13,960,832	(1.1%)
Cash Funds	27,272,060	28,784,578	36,149,329	36,263,818	0.3%
Reappropriated Funds	13,575,346	17,648,347	16,999,026	17,123,150	0.7%
Federal Funds	17,883,928	23,611,084	17,309,532	17,375,393	0.4%

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	FY 2012-13 Actual	FY 2013-14 Actual	FY 2014-15 Appropriation	FY 2015-16 Request	Request vs. Appropriation
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(2) ASSISTANCE TO PUBLIC SCHOOLS

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

(A) Public School Finance

Administration	<u>1,501,257</u>	<u>1,445,456</u>	<u>1,605,443</u>	<u>1,668,768</u>	
FTE	15.7	15.9	17.9	17.9	
Cash Funds	20,411	20,369	84,372	81,760	
Reappropriated Funds	1,480,846	1,425,087	1,521,071	1,587,008	
State Share of Districts' Total Program Funding	<u>3,379,714,291</u>	<u>3,045,377,316</u>	<u>3,953,506,569</u>	<u>4,334,081,388</u>	*
General Fund	2,540,099,253	2,985,087,939	2,473,211,504	2,713,106,919	
General Fund Exempt	312,202,624	0	710,835,957	710,835,957	
Cash Funds	527,412,414	60,289,377	769,459,108	910,138,512	
Federal Funds	0	0	0	0	
Hold-Harmless On-line Charters	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	
General Fund	0	0	0	0	
Hold-harmless Full-day Kindergarten Funding	<u>6,899,114</u>	<u>7,075,686</u>	<u>7,496,012</u>	<u>8,009,871</u>	*
Cash Funds	6,899,114	7,075,686	7,496,012	8,009,871	
District Per Pupil Reimbursements for Juveniles Held in Jail	<u>0</u>	<u>0</u>	<u>25,000</u>	<u>25,000</u>	
Cash Funds	0	0	25,000	25,000	
At-risk Supplemental Aid	<u>3,839,627</u>	<u>3,839,627</u>	<u>5,094,358</u>	<u>5,094,358</u>	
Cash Funds	3,839,627	3,839,627	5,094,358	5,094,358	

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	FY 2012-13 Actual	FY 2013-14 Actual	FY 2014-15 Appropriation	FY 2015-16 Request	Request vs. Appropriation
Education Stabilization Funds from the State Fiscal Stabilization Fund in ARRA	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	
General Fund	0	0	0	0	
Cash Funds	0	0	0	0	
Reappropriated Funds	0	0	0	0	
Federal Funds	0	0	0	0	
Education Jobs Fund Program	<u>1,113,950</u>	<u>0</u>	<u>0</u>	<u>0</u>	
FTE	0.8	0.0	0.0	0.0	
General Fund	0	0	0	0	
Cash Funds	0	0	0	0	
Reappropriated Funds	0	0	0	0	
Federal Funds	1,113,950	0	0	0	
SUBTOTAL - (A) Public School Finance	3,393,068,239	3,057,738,085	3,967,727,382	4,348,879,385	9.6%
<i>FTE</i>	<u>16.5</u>	<u>15.9</u>	<u>17.9</u>	<u>17.9</u>	<u>0.0%</u>
General Fund	2,540,099,253	2,985,087,939	2,473,211,504	2,713,106,919	9.7%
General Fund Exempt	312,202,624	0	710,835,957	710,835,957	0.0%
Cash Funds	538,171,566	71,225,059	782,158,850	923,349,501	18.1%
Reappropriated Funds	1,480,846	1,425,087	1,521,071	1,587,008	4.3%
Federal Funds	1,113,950	0	0	0	0.0%

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(B) Categorical Programs

(I) District Programs Required by Statute

Special Education - Children with Disabilities	<u>300,595,057</u>	<u>322,999,263</u>	<u>316,473,313</u>	<u>321,104,704</u> *	
FTE	86.0	87.1	63.0	63.0	
General Fund	71,572,347	71,572,346	71,572,347	71,572,347	
Cash Funds	63,069,594	85,649,061	89,409,439	93,770,257	
Reappropriated Funds	101,812	101,812	104,043	104,043	
Federal Funds	165,851,304	165,676,044	155,387,484	155,658,057	
 English Language Proficiency Program	 <u>26,109,635</u>	 <u>24,030,894</u>	 <u>27,983,302</u>	 <u>29,393,078</u> *	
FTE	4.1	3.5	4.6	4.6	
General Fund	3,101,598	3,101,598	3,101,598	3,101,598	
Cash Funds	11,358,657	12,138,442	13,637,547	15,038,115	
Federal Funds	11,649,380	8,790,854	11,244,157	11,253,365	

SUBTOTAL -	326,704,692	347,030,157	344,456,615	350,497,782	1.8%
FTE	<u>90.1</u>	<u>90.6</u>	<u>67.6</u>	<u>67.6</u>	(0.0%)
General Fund	74,673,945	74,673,944	74,673,945	74,673,945	0.0%
Cash Funds	74,428,251	97,787,503	103,046,986	108,808,372	5.6%
Reappropriated Funds	101,812	101,812	104,043	104,043	0.0%
Federal Funds	177,500,684	174,466,898	166,631,641	166,911,422	0.2%

(II) Other Categorical Programs

Public School Transportation	<u>54,028,635</u>	<u>54,472,193</u>	<u>54,667,347</u>	<u>56,016,549</u> *	
FTE	2.0	1.8	2.0	2.0	
General Fund	36,922,227	36,922,227	36,922,227	36,922,227	
Cash Funds	17,106,408	17,549,966	17,745,120	19,094,322	

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	FY 2012-13 Actual	FY 2013-14 Actual	FY 2014-15 Appropriation	FY 2015-16 Request	Request vs. Appropriation
Transfer to the Department of Higher Education for Distribution of State Assistance for Career and Technical Education	<u>24,218,018</u>	<u>24,528,307</u>	<u>24,983,788</u>	<u>25,485,026</u>	*
General Fund	17,792,850	17,792,850	17,792,850	17,792,850	
Cash Funds	6,425,168	6,735,457	7,190,938	7,692,176	
Reappropriated Funds	0	0	0	0	
Federal Funds	0	0	0	0	
Special Education Programs for Gifted and Talented Children	<u>9,453,560</u>	<u>9,559,025</u>	<u>11,910,269</u>	<u>12,084,860</u>	*
FTE	0.7	0.8	1.5	1.5	
General Fund	5,486,894	5,500,000	5,500,000	5,500,000	
Cash Funds	3,966,666	4,059,025	6,410,269	6,584,860	
Expelled and At-risk Student Services Grant Program	<u>7,480,341</u>	<u>7,468,360</u>	<u>7,493,560</u>	<u>7,496,922</u>	
FTE	0.9	1.0	1.0	1.0	
General Fund	5,787,955	5,788,728	5,788,807	5,788,807	
Cash Funds	1,692,386	1,679,632	1,704,753	1,708,115	
Small Attendance Center Aid	<u>959,379</u>	<u>959,379</u>	<u>959,379</u>	<u>959,379</u>	
General Fund	787,645	787,645	787,645	787,645	
Cash Funds	171,734	171,734	171,734	171,734	
Comprehensive Health Education	<u>913,569</u>	<u>931,363</u>	<u>1,005,396</u>	<u>1,010,832</u>	
FTE	0.8	1.0	1.0	1.0	
General Fund	299,953	300,000	300,000	300,000	
Cash Funds	613,616	631,363	705,396	710,832	
Reappropriated Funds	0	0	0	0	
Federal Funds	0	0	0	0	

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	FY 2012-13 Actual	FY 2013-14 Actual	FY 2014-15 Appropriation	FY 2015-16 Request	Request vs. Appropriation
SUBTOTAL -	97,053,502	97,918,627	101,019,739	103,053,568	2.0%
<i>FTE</i>	<u>4.4</u>	<u>4.6</u>	<u>5.5</u>	<u>5.5</u>	<u>0.0%</u>
General Fund	67,077,524	67,091,450	67,091,529	67,091,529	0.0%
Cash Funds	29,975,978	30,827,177	33,928,210	35,962,039	6.0%
Reappropriated Funds	0	0	0	0	0.0%
Federal Funds	0	0	0	0	0.0%
SUBTOTAL - (B) Categorical Programs	423,758,194	444,948,784	445,476,354	453,551,350	1.8%
<i>FTE</i>	<u>94.5</u>	<u>95.2</u>	<u>73.1</u>	<u>73.1</u>	<u>(0.0%)</u>
General Fund	141,751,469	141,765,394	141,765,474	141,765,474	0.0%
Cash Funds	104,404,229	128,614,680	136,975,196	144,770,411	5.7%
Reappropriated Funds	101,812	101,812	104,043	104,043	0.0%
Federal Funds	177,500,684	174,466,898	166,631,641	166,911,422	0.2%

(C) Grant Programs, Distributions, and Other Assistance

(I) Health and Nutrition

Federal Nutrition Programs	<u>170,959,303</u>	<u>177,384,975</u>	<u>156,554,776</u>	<u>156,598,163</u>
FTE	11.4	12.8	9.0	9.0
General Fund	88,617	81,611	84,747	88,249
Federal Funds	170,870,686	177,303,364	156,470,029	156,509,914
State Match for School Lunch Program	<u>2,472,644</u>	<u>2,472,644</u>	<u>2,472,644</u>	<u>2,472,644</u>
Cash Funds	2,472,644	2,472,644	2,472,644	2,472,644
Child Nutrition School Lunch Protection Program	<u>710,020</u>	<u>730,321</u>	<u>1,641,471</u>	<u>1,661,258</u>
General Fund	0	0	791,471	811,258
Cash Funds	710,020	730,321	850,000	850,000

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	FY 2012-13 Actual	FY 2013-14 Actual	FY 2014-15 Appropriation	FY 2015-16 Request	Request vs. Appropriation
Start Smart Nutrition Program Fund	<u>700,000</u>	<u>800,000</u>	<u>1,097,983</u>	<u>1,370,721</u>	
General Fund	700,000	800,000	1,097,983	1,370,721	
Start Smart Nutrition Program	<u>815,877</u>	<u>852,045</u>	<u>1,136,983</u>	<u>1,423,230</u>	
Cash Funds	115,877	81,667	39,000	52,509	
Reappropriated Funds	700,000	770,378	1,097,983	1,370,721	
Breakfast After the Bell	<u>0</u>	<u>0</u>	<u>14,341,931</u>	<u>14,341,931</u>	
FTE	0.0	0.0	0.3	0.3	
General Fund	0	0	24,128	24,128	
Federal Funds	0	0	14,317,803	14,317,803	
S.B. 97-101 Public School Health Services	<u>145,640</u>	<u>143,721</u>	<u>137,806</u>	<u>141,943</u>	
FTE	1.4	1.4	1.4	1.4	
Reappropriated Funds	145,640	143,721	137,806	141,943	
School Health Professionals Grant Program	<u>0</u>	<u>0</u>	<u>2,500,000</u>	<u>2,280,444</u>	
FTE	0.0	0.0	1.0	1.0	
Cash Funds	0	0	2,500,000	2,280,444	
CPR Training Grant Program	<u>0</u>	<u>0</u>	<u>250,000</u>	<u>250,000</u>	
FTE	0.0	0.0	0.3	0.3	
Cash Funds	0	0	250,000	250,000	
SUBTOTAL -	175,803,484	182,383,706	180,133,594	180,540,334	0.2%
FTE	<u>12.8</u>	<u>14.2</u>	<u>12.0</u>	<u>12.0</u>	0.0%
General Fund	788,617	881,611	1,998,329	2,294,356	14.8%
Cash Funds	3,298,541	3,284,632	6,111,644	5,905,597	(3.4%)
Reappropriated Funds	845,640	914,099	1,235,789	1,512,664	22.4%
Federal Funds	170,870,686	177,303,364	170,787,832	170,827,717	0.0%

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	FY 2012-13 Actual	FY 2013-14 Actual	FY 2014-15 Appropriation	FY 2015-16 Request	Request vs. Appropriation
(II) Capital Construction					
Division of Public School Capital Construction					
Assistance	<u>732,049</u>	<u>679,030</u>	<u>896,141</u>	<u>4,389,743</u> *	
FTE	7.1	6.7	9.0	15.0	
Cash Funds	732,049	679,030	896,141	4,389,743	
Public School Capital Construction Assistance Board -					
Lease Payments	<u>34,268,889</u>	<u>47,886,054</u>	<u>65,000,000</u>	<u>65,000,000</u>	
Cash Funds	34,268,889	47,886,054	65,000,000	65,000,000	
Public School Capital Construction Assistance Board -					
Cash Grants	<u>0</u>	<u>0</u>	<u>45,000,000</u>	<u>45,000,000</u>	
Cash Funds	0	0	45,000,000	45,000,000	
Financial Assistance Priority Assessment					
Cash Funds	<u>31,500</u>	<u>27,000</u>	<u>50,000</u>	<u>50,000</u>	
Cash Funds	31,500	27,000	50,000	50,000	
State Aid for Charter School Facilities					
Cash Funds	<u>6,000,000</u>	<u>6,999,120</u>	<u>13,500,000</u>	<u>20,000,000</u>	
Cash Funds	6,000,000	6,999,120	13,500,000	20,000,000	
SUBTOTAL -	41,032,438	55,591,204	124,446,141	134,439,743	8.0%
FTE	<u>7.1</u>	<u>6.7</u>	<u>9.0</u>	<u>15.0</u>	<u>66.7%</u>
Cash Funds	41,032,438	55,591,204	124,446,141	134,439,743	8.0%

(III) Reading and Literacy

Early Literacy Program	<u>4,320,252</u>	<u>0</u>	<u>0</u>	<u>0</u>
FTE	3.0	0.0	0.0	0.0
Cash Funds	4,320,252	0	0	0

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	FY 2012-13 Actual	FY 2013-14 Actual	FY 2014-15 Appropriation	FY 2015-16 Request	Request vs. Appropriation
Early Literacy Competitive Grant Program	<u>0</u>	<u>5,096,166</u>	<u>5,163,338</u>	<u>5,185,705</u>	
FTE	0.0	6.8	8.0	8.0	
Cash Funds	0	5,096,166	5,163,338	5,185,705	
Early Literacy Program Per Pupil Intervention Funding	<u>0</u>	<u>15,433,938</u>	<u>33,397,672</u>	<u>33,397,672</u>	
FTE	0.0	0.0	1.0	1.0	
Cash Funds	0	15,433,938	33,397,672	33,397,672	
Read-to-Achieve Grant Program	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	
FTE	0.0	0.0	0.0	0.0	
Cash Funds	0	0	0	0	
Early Literacy Assessment Tool Program	<u>0</u>	<u>0</u>	<u>2,679,484</u>	<u>2,679,484</u>	
FTE	0.0	0.0	0.0	0.0	
Cash Funds	0	0	2,679,484	2,679,484	
Adult Education and Literacy Grant Fund	<u>0</u>	<u>0</u>	<u>960,000</u>	<u>960,000</u>	
General Fund	0	0	960,000	960,000	
Adult Education and Literacy Grant Program	<u>0</u>	<u>0</u>	<u>960,000</u>	<u>960,000</u>	
FTE	0.0	0.0	1.0	1.0	
Reappropriated Funds	0	0	960,000	960,000	
SUBTOTAL -	4,320,252	20,530,104	43,160,494	43,182,861	0.1%
FTE	<u>3.0</u>	<u>6.8</u>	<u>10.0</u>	<u>10.0</u>	<u>0.0%</u>
General Fund	0	0	960,000	960,000	0.0%
Cash Funds	4,320,252	20,530,104	41,240,494	41,262,861	0.1%
Reappropriated Funds	0	0	960,000	960,000	0.0%

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(IV) Professional Development and Instructional Support					
Content Specialists	<u>432,150</u>	<u>433,724</u>	<u>463,652</u>	<u>479,939</u>	
FTE	4.0	4.0	5.0	5.0	
Cash Funds	432,150	433,724	463,652	479,939	
Office of Dropout Prevention and Student Reengagement	<u>3,000,000</u>	<u>2,700,000</u>	<u>2,400,000</u>	<u>2,400,000</u>	
FTE	2.3	2.3	2.3	2.3	
Federal Funds	3,000,000	2,700,000	2,400,000	2,400,000	
Stipends for Nationally Board Certified Teachers	<u>160,848</u>	<u>1,113,525</u>	<u>1,580,800</u>	<u>1,580,800</u>	
Cash Funds	160,848	1,113,525	1,580,800	1,580,800	
Quality Teacher Recruitment Program	<u>0</u>	<u>2,958,572</u>	<u>3,000,000</u>	<u>3,000,000</u>	
Cash Funds	0	2,958,572	3,000,000	3,000,000	
Educator Perception	<u>0</u>	<u>0</u>	<u>100,000</u>	<u>0</u>	
General Fund	0	0	100,000	0	
English Language Learners Technical Assistance	<u>0</u>	<u>0</u>	<u>364,910</u>	<u>442,551</u>	
FTE	0.0	0.0	4.6	5.0	
General Fund	0	0	311,682	391,675	
Cash Funds	0	0	53,228	50,876	
English Language Proficiency Act Excellence Awards					
Fund	<u>0</u>	<u>0</u>	<u>500,000</u>	<u>500,000</u>	
Cash Funds	0	0	500,000	500,000	

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English Language Proficiency Act Excellence Awards Program	<u>0</u>	<u>0</u>	<u>500,000</u>	<u>500,000</u>	
Reappropriated Funds	0	0	500,000	500,000	
English Language Learners Professional Development and Student Support Fund	<u>0</u>	<u>0</u>	<u>27,000,000</u>	<u>27,000,000</u>	
Cash Funds	0	0	27,000,000	27,000,000	
English Language Learners Professional Development and Student Support Program	<u>0</u>	<u>0</u>	<u>27,000,000</u>	<u>27,000,000</u>	
Reappropriated Funds	0	0	27,000,000	27,000,000	
Advanced Placement Incentives Pilot Program	<u>0</u>	<u>0</u>	<u>261,561</u>	<u>261,561</u>	
FTE	0.0	0.0	0.3	0.3	
Cash Funds	0	0	261,561	261,561	
School Turnaround Leaders Development Fund	<u>0</u>	<u>0</u>	<u>2,000,000</u>	<u>2,000,000</u>	
Cash Funds	0	0	2,000,000	2,000,000	
School Turnaround Leaders Development Program	<u>0</u>	<u>0</u>	<u>2,000,000</u>	<u>2,000,000</u>	
FTE	0.0	0.0	1.2	1.2	
Reappropriated Funds	0	0	2,000,000	2,000,000	
SUBTOTAL -	3,592,998	7,205,821	67,170,923	67,164,851	NaN
FTE	<u>6.3</u>	<u>6.3</u>	<u>13.4</u>	<u>13.8</u>	<u>3.0%</u>
General Fund	0	0	411,682	391,675	(4.9%)
Cash Funds	592,998	4,505,821	34,859,241	34,873,176	0.0%
Reappropriated Funds	0	0	29,500,000	29,500,000	0.0%
Federal Funds	3,000,000	2,700,000	2,400,000	2,400,000	0.0%

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	FY 2012-13 Actual	FY 2013-14 Actual	FY 2014-15 Appropriation	FY 2015-16 Request	Request vs. Appropriation
(V) Facility Schools					
Facility Schools Unit and Facility Schools Board	<u>201,033</u>	<u>224,388</u>	<u>263,517</u>	<u>274,424</u>	
FTE	2.0	2.3	3.0	3.0	
Reappropriated Funds	201,033	224,388	263,517	274,424	
Facility School Funding	<u>12,706,044</u>	<u>14,089,294</u>	<u>17,051,972</u>	<u>17,051,972</u>	
Cash Funds	12,706,044	14,089,294	17,051,972	17,051,972	
SUBTOTAL -	12,907,077	14,313,682	17,315,489	17,326,396	0.1%
FTE	<u>2.0</u>	<u>2.3</u>	<u>3.0</u>	<u>3.0</u>	<u>0.0%</u>
Cash Funds	12,706,044	14,089,294	17,051,972	17,051,972	0.0%
Reappropriated Funds	201,033	224,388	263,517	274,424	4.1%
(VI) Other Assistance					
Appropriated Sponsored Programs	<u>234,508,813</u>	<u>222,861,175</u>	<u>281,430,903</u>	<u>281,691,609</u>	
FTE	82.2	79.6	68.7	68.7	
Cash Funds	1,415,207	1,234,010	2,714,450	2,725,145	
Reappropriated Funds	1,152,577	1,150,848	4,607,476	4,622,487	
Federal Funds	231,941,029	220,476,317	274,108,977	274,343,977	
School Counselor Corps Grant Program	<u>4,994,940</u>	<u>4,990,796</u>	<u>8,002,716</u>	<u>8,006,188</u>	
FTE	1.0	1.1	2.0	2.0	
Cash Funds	4,994,940	4,990,796	8,002,716	8,006,188	
BOCES Funding per Section 22-5-122, C.R.S.	<u>1,258,806</u>	<u>1,272,259</u>	<u>3,302,785</u>	<u>3,306,260</u>	
FTE	0.7	0.7	1.0	1.0	
Cash Funds	1,258,806	1,272,259	3,302,785	3,306,260	

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	FY 2012-13 Actual	FY 2013-14 Actual	FY 2014-15 Appropriation	FY 2015-16 Request	Request vs. Appropriation
Contingency Reserve Fund	<u>0</u>	<u>1,733,884</u>	<u>1,000,000</u>	<u>1,000,000</u>	
General Fund	0	0	0	0	
Cash Funds	0	0	1,000,000	1,000,000	
Reappropriated Funds	0	1,733,884	0	0	
Supplemental On-line Education Services	<u>480,000</u>	<u>480,000</u>	<u>480,000</u>	<u>480,000</u>	
Cash Funds	480,000	480,000	480,000	480,000	
Interstate Compact on Educational Opportunity for Military Children	<u>24,061</u>	<u>23,015</u>	<u>23,217</u>	<u>23,217</u>	
Cash Funds	24,061	23,015	23,217	23,217	
College and Career Readiness	<u>0</u>	<u>0</u>	<u>170,845</u>	<u>199,519</u>	
FTE	0.0	0.0	1.8	2.0	
General Fund	0	0	170,845	199,519	
Minority Teacher Study Strategy Report	<u>0</u>	<u>0</u>	<u>50,000</u>	<u>0</u>	
General Fund	0	0	50,000	0	
SUBTOTAL -	241,266,620	231,361,129	294,460,466	294,706,793	0.1%
FTE	<u>83.9</u>	<u>81.4</u>	<u>73.5</u>	<u>73.7</u>	<u>0.3%</u>
General Fund	0	0	220,845	199,519	(9.7%)
Cash Funds	8,173,014	8,000,080	15,523,168	15,540,810	0.1%
Reappropriated Funds	1,152,577	2,884,732	4,607,476	4,622,487	0.3%
Federal Funds	231,941,029	220,476,317	274,108,977	274,343,977	0.1%

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SUBTOTAL - (C) Grant Programs, Distributions, and Other Assistance	478,922,869	511,385,646	726,687,107	737,360,978	1.5%
<i>FTE</i>	<u>115.1</u>	<u>117.7</u>	<u>120.9</u>	<u>127.5</u>	<u>5.5%</u>
General Fund	788,617	881,611	3,590,856	3,845,550	7.1%
Cash Funds	70,123,287	106,001,135	239,232,660	249,074,159	4.1%
Reappropriated Funds	2,199,250	4,023,219	36,566,782	36,869,575	0.8%
Federal Funds	405,811,715	400,479,681	447,296,809	447,571,694	0.1%
(D) Indirect Cost Assessment					
Indirect Cost Assessment	<u>0</u>	<u>1,894,075</u>	<u>2,057,248</u>	<u>2,057,248</u>	
Cash Funds	0	87,695	25,000	25,000	
Reappropriated Funds	0	15,406	55,571	55,571	
Federal Funds	0	1,790,974	1,976,677	1,976,677	
SUBTOTAL - (D) Indirect Cost Assessment	0	1,894,075	2,057,248	2,057,248	0.0%
<i>FTE</i>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0%</u>
Cash Funds	0	87,695	25,000	25,000	0.0%
Reappropriated Funds	0	15,406	55,571	55,571	0.0%
Federal Funds	0	1,790,974	1,976,677	1,976,677	0.0%
TOTAL - (2) Assistance to Public Schools	4,295,749,302	4,015,966,590	5,141,948,091	5,541,848,961	7.8%
<i>FTE</i>	<u>226.1</u>	<u>228.8</u>	<u>211.9</u>	<u>218.5</u>	<u>3.1%</u>
General Fund	2,682,639,339	3,127,734,944	2,618,567,834	2,858,717,943	9.2%
General Fund Exempt	312,202,624	0	710,835,957	710,835,957	0.0%
Cash Funds	712,699,082	305,928,569	1,158,391,706	1,317,219,071	13.7%
Reappropriated Funds	3,781,908	5,565,524	38,247,467	38,616,197	1.0%
Federal Funds	584,426,349	576,737,553	615,905,127	616,459,793	0.1%

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(3) LIBRARY PROGRAMS

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

Administration	<u>847,722</u>	<u>854,239</u>	<u>1,022,962</u>	<u>1,058,484</u>
FTE	10.8	12.9	14.3	14.3
General Fund	745,078	747,012	771,748	805,693
Cash Funds	102,644	107,227	251,214	252,791
Federal Library Funding	<u>2,386,045</u>	<u>2,784,495</u>	<u>2,993,042</u>	<u>3,053,327</u>
FTE	20.3	22.0	23.8	23.8
Federal Funds	2,386,045	2,784,495	2,993,042	3,053,327
Broadband Technology Opportunities Program	<u>863,100</u>	<u>44,182</u>	<u>0</u>	<u>0</u>
FTE	4.5	0.1	0.0	0.0
Cash Funds	86,914	44,182	0	0
Federal Funds	776,186	0	0	0
Colorado Library Consortium	<u>1,000,000</u>	<u>1,000,000</u>	<u>1,000,000</u>	<u>1,000,000</u>
General Fund	1,000,000	1,000,000	1,000,000	1,000,000
Colorado Virtual Library	<u>359,796</u>	<u>359,796</u>	<u>379,796</u>	<u>379,796</u>
General Fund	359,796	359,796	359,796	359,796
Cash Funds	0	0	20,000	20,000
Colorado Talking Book Library, Building Maintenance and Utilities Expenses	<u>62,062</u>	<u>70,610</u>	<u>70,660</u>	<u>70,660</u>
General Fund	62,062	70,610	70,660	70,660

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	FY 2012-13 Actual	FY 2013-14 Actual	FY 2014-15 Appropriation	FY 2015-16 Request	Request vs. Appropriation
Reading Services for the Blind	<u>350,000</u>	<u>350,000</u>	<u>360,000</u>	<u>360,000</u>	
Reappropriated Funds	350,000	350,000	360,000	360,000	
State Grants to Publicly-Supported Libraries Fund	<u>0</u>	<u>2,000,000</u>	<u>2,000,000</u>	<u>2,000,000</u>	
General Fund	0	2,000,000	2,000,000	2,000,000	
State Grants to Publicly-Supported Libraries Program	<u>0</u>	<u>1,999,685</u> 0.4	<u>2,000,000</u>	<u>2,001,576</u>	
Reappropriated Funds	0	1,999,685	2,000,000	2,001,576	
Indirect Cost Assessment	<u>0</u>	<u>83,548</u>	<u>55,327</u>	<u>55,327</u>	
Federal Funds	0	83,548	55,327	55,327	
TOTAL - (3) Library Programs	5,868,725	9,546,555	9,881,787	9,979,170	1.0%
<i>FTE</i>	<u>35.6</u>	<u>35.4</u>	<u>38.1</u>	<u>38.1</u>	<u>0.0%</u>
General Fund	2,166,936	4,177,418	4,202,204	4,236,149	0.8%
Cash Funds	189,558	151,409	271,214	272,791	0.6%
Reappropriated Funds	350,000	2,349,685	2,360,000	2,361,576	0.1%
Federal Funds	3,162,231	2,868,043	3,048,369	3,108,654	2.0%

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	FY 2012-13 Actual	FY 2013-14 Actual	FY 2014-15 Appropriation	FY 2015-16 Request	Request vs. Appropriation
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(4) SCHOOL FOR THE DEAF AND THE BLIND

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

(A) School Operations

Personal Services	<u>9,096,123</u>	<u>9,005,386</u>	<u>9,391,391</u>	<u>10,370,258</u> *
FTE	128.0	131.8	141.3	152.8
General Fund	7,899,335	7,715,510	7,885,736	8,864,603
Cash Funds	0	0	0	0
Reappropriated Funds	1,196,788	1,289,876	1,505,655	1,505,655
Federal Funds	0	0	0	0
Early Intervention Services	<u>1,008,485</u>	<u>1,101,102</u>	<u>1,187,847</u>	<u>1,214,620</u>
FTE	8.6	9.2	10.0	10.0
General Fund	1,008,485	1,101,102	1,187,847	1,214,620
Shift Differential	<u>83,981</u>	<u>87,031</u>	<u>106,056</u>	<u>110,479</u>
General Fund	83,981	87,031	106,056	110,479
Operating Expenses	<u>417,275</u>	<u>417,270</u>	<u>417,277</u>	<u>724,987</u> *
General Fund	417,275	417,270	417,277	724,987
Vehicle Lease Payments	<u>22,748</u>	<u>24,732</u>	<u>21,083</u>	<u>18,910</u> *
General Fund	22,748	24,732	21,083	18,910

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	FY 2012-13 Actual	FY 2013-14 Actual	FY 2014-15 Appropriation	FY 2015-16 Request	Request vs. Appropriation
Utilities	<u>494,873</u>	<u>552,316</u>	<u>554,810</u>	<u>554,810</u>	
General Fund	494,873	552,316	554,810	554,810	
Allocation of State and Federal Categorical Program					
Funding	<u>177,506</u>	<u>144,522</u>	<u>170,000</u>	<u>170,000</u>	
FTE	0.0	0.2	0.4	0.4	
Reappropriated Funds	177,506	144,522	170,000	170,000	
Medicaid Reimbursements for Public School Health					
Services	<u>135,639</u>	<u>142,630</u>	<u>401,577</u>	<u>402,713</u>	
FTE	1.4	1.3	1.5	1.5	
Reappropriated Funds	135,639	142,630	401,577	402,713	
Legislation Appropriated at the Division Level	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	
General Fund	0	0	0	0	
Cash Funds	0	0	0	0	
Reappropriated Funds	0	0	0	0	
Federal Funds	0	0	0	0	
SUBTOTAL - (A) School Operations	11,436,630	11,474,989	12,250,041	13,566,777	10.7%
FTE	<u>138.0</u>	<u>142.5</u>	<u>153.2</u>	<u>164.7</u>	<u>7.5%</u>
General Fund	9,926,697	9,897,961	10,172,809	11,488,409	12.9%
Cash Funds	0	0	0	0	0.0%
Reappropriated Funds	1,509,933	1,577,028	2,077,232	2,078,368	0.1%
Federal Funds	0	0	0	0	0.0%

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	FY 2012-13 Actual	FY 2013-14 Actual	FY 2014-15 Appropriation	FY 2015-16 Request	Request vs. Appropriation
(B) Special Purpose					
Fees and Conferences	<u>8,005</u>	<u>7,297</u>	<u>120,000</u>	<u>120,000</u>	
General Fund	0	0	0	0	
Cash Funds	8,005	7,297	120,000	120,000	
Federal Funds	0	0	0	0	
Outreach Services	<u>666,272</u>	<u>589,529</u>	<u>1,025,000</u>	<u>1,025,860</u>	
FTE	3.0	3.3	5.4	5.4	
Cash Funds	499,496	468,642	755,000	755,000	
Reappropriated Funds	166,776	120,887	270,000	270,860	
Tuition from Out-of-state Students	<u>0</u>	<u>0</u>	<u>200,000</u>	<u>200,000</u>	
Cash Funds	0	0	200,000	200,000	
Grants	<u>446,349</u>	<u>451,950</u>	<u>1,200,000</u>	<u>1,203,464</u>	
FTE	4.0	3.9	9.0	9.0	
Reappropriated Funds	446,349	451,950	1,200,000	1,203,464	
SUBTOTAL - (B) Special Purpose	1,120,626	1,048,776	2,545,000	2,549,324	0.2%
FTE	<u>7.0</u>	<u>7.2</u>	<u>14.4</u>	<u>14.4</u>	<u>0.0%</u>
General Fund	0	0	0	0	0.0%
Cash Funds	507,501	475,939	1,075,000	1,075,000	0.0%
Reappropriated Funds	613,125	572,837	1,470,000	1,474,324	0.3%
Federal Funds	0	0	0	0	0.0%

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	FY 2012-13 Actual	FY 2013-14 Actual	FY 2014-15 Appropriation	FY 2015-16 Request	Request vs. Appropriation
TOTAL - (4) School for the Deaf and the Blind	12,557,256	12,523,765	14,795,041	16,116,101	8.9%
<i>FTE</i>	<u>145.0</u>	<u>149.7</u>	<u>167.6</u>	<u>179.1</u>	<u>6.9%</u>
General Fund	9,926,697	9,897,961	10,172,809	11,488,409	12.9%
Cash Funds	507,501	475,939	1,075,000	1,075,000	0.0%
Reappropriated Funds	2,123,058	2,149,865	3,547,232	3,552,692	0.2%
Federal Funds	0	0	0	0	0.0%
 TOTAL - Department of Education	 4,380,494,412	 4,118,125,778	 5,251,199,806	 5,652,667,425	 7.6%
<i>FTE</i>	<u>547.2</u>	<u>566.3</u>	<u>582.0</u>	<u>607.8</u>	<u>4.4%</u>
General Fund	2,702,320,767	3,151,855,182	2,647,059,847	2,888,403,333	9.1%
General Fund Exempt	312,202,624	0	710,835,957	710,835,957	0.0%
Cash Funds	740,668,201	335,340,495	1,195,887,249	1,354,830,680	13.3%
Reappropriated Funds	19,830,312	27,713,421	61,153,725	61,653,615	0.8%
Federal Funds	605,472,508	603,216,680	636,263,028	636,943,840	0.1%

Appendix B: Recent Legislation Affecting Department Budget

2013 Session Bills

S.B. 13-108 (Mid-year School Finance Adjustments): Makes mid-year adjustments to school finance-related appropriations of state funds for FY 2012-13. As detailed in the following table, increases *state* total program funding for public schools for FY 2012-13 by \$13.3 million. The increase is based on: (1) a \$7.1 million increase in total program funding for FY 2012-13 (including state and local shares) based on the actual student count that occurred in October 2012; and (2) a \$6.2 million shortfall in local tax revenues for school finance below the amount anticipated in the original FY 2012-13 appropriation. Absent legislative action, the combination of increased total program funding and reduced local tax revenues would have required the Department of Education to increase the size of the statutory school finance formula’s negative factor by \$13.3 million (from 16.05 percent to 16.24 percent), causing per-pupil funding to decrease by \$16.21, on average, below the amount anticipated by districts.

Senate Bill 13-108: Adjustments to FY 2012-13 School Finance Appropriations			
	Initial Appropriation	Mid-year Adjustment	Adjusted Appropriation
<u>State Share of Districts' Total Program Funding</u>			
General Fund	\$2,852,301,877	\$0	\$2,852,301,877
Cash Funds: State Education Fund	324,236,331	13,253,672	337,490,003
Cash Funds: State Public School Fund	<u>189,922,411</u>	<u>0</u>	<u>189,922,411</u>
Total State Funds	\$3,366,460,619	\$13,253,672	\$3,379,714,291

Also makes the following statutory changes:

- Specifies that the minimum level of total program funding for the FY 2013-14 budget year and subsequent years is an amount equal to the total program funding for the immediately preceding budget year adjusted by the amount necessary to increase statewide average per-pupil funding by the rate of inflation.
- Prohibits the State Board of Education from designating more participants in the Accelerating Students through Concurrent Enrollment (ASCENT) program than the General Assembly approved in the annual Long Bill for that budget year.

S.B. 13-193 (Increasing Parent Engagement in Public Schools): Expands the responsibilities of school district accountability committees (DAC), school accountability committees (SAC), and the State Advisory Council for Parent Involvement in Education (SACPIE) and requires those entities to take various steps to improve parent engagement in education. Requires SACPIE and the Department of Education to provide regional training programs for accountability committees regarding parent engagement. Changes prior law to allow members

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of SACPIE to receive reimbursements for expenses incurred when performing their duties as members. Appropriates \$150,093 General Fund and 1.0 FTE to the Department of Education for FY 2013-14.

S.B. 13-213 (Future School Finance Act): Creates a new school finance act, the implementation of which is conditional upon passage of a citizen-initiated statewide ballot measure to increase state tax revenues by a stated minimum amount for the purpose of funding preschool through twelfth-grade education. Requires the ballot measure to pass no later than the 2017 statewide election or the new act will not take effect. Creates a new calculation of the state and local shares of total program funding and a new funding formula for the distribution of state moneys. Although the Department will recalculate the new state and local shares during the first budget year following passage of the ballot measure, the new funding formula and the distribution of state moneys under the new act will not take effect until the second budget year following passage of the ballot measure.

Specifies that for the first budget year following passage of the ballot measure the General Assembly will appropriate the new tax revenues as follows:

- Up to 40 percent to the Preschool Through Twelfth Grade Education Reserve Fund, created in the new act, to fund the purposes specified in the new act;
- Up to 40 percent to the Public School Capital Construction Assistance Fund to provide financial assistance for public school capital construction projects;
- Up to 15 percent to the Educator Effectiveness Reserve Fund, created in the new act, for initiatives to recruit, prepare, and retain effective educators; and
- Up to 5 percent to the Education Technology Fund, created in the new act, to assist school districts and public schools in purchasing and maintaining technology needed to support educational reforms and programmatic enhancements.

Makes changes to the current school finance act in the following general areas:

- Calculation of pupil enrollment;
- Funding of preschool and kindergarten pupils;
- Factors included in the formula for calculating total program funding;
- Definition of at-risk pupils and the percentage increase (weight) for at-risk pupils and English language learners;
- Minimum per pupil funding;
- On-line pupil funding and ASCENT program funding;
- Calculation of total program for and state payments to institute charter schools;
- Calculation of state and local shares of total program;
- Authorized mill levy overrides;
- State moneys available to districts and institute charter schools in addition to total program funding;
- Allocations of funding by districts to charter schools and other schools of the district;
- Review of the return on the investment of funding and cost studies every four years; and
- Public financial reporting by districts and charter schools.

S.B. 13-217 (K-12 Accreditation Criteria Alternative Education Campus): Authorizes the State Board of Education to consider the unique circumstances and challenges posed by students enrolled in alternative education campuses when establishing the criteria used to determine the appropriate accreditation category for each school district and the State Charter School Institute. Appropriates \$17,580 General Fund and 0.2 FTE to the Department of Education for FY 2013-14.

S.B. 13-230 (Long Bill): General appropriations act for FY 2013-14. Also includes a supplemental adjustment to modify appropriations to the Department of Education included in the FY 2012-13 Long Bill (H.B. 12-1335).

S.B. 13-260 (School Finance): Amends the "Public School Finance Act of 1994" and other statutory provisions to provide funding for school districts for FY 2013-14, making the following changes:

- Increases the *statewide base per-pupil funding* amount from \$5,843.26 to \$5,954.28 (1.9 percent) to account for the annual change in the Denver-Boulder consumer price index in CY 2012.
- For FY 2013-14, increases the specified minimum total program funding amount that results after the application of the *negative factor* by \$51.7 million.
- Provides an additional \$20.0 million cash funds from the State Education Fund for “Tier B” special education funding in FY 2013-14 and subsequent years.
- Increases the authorized number of participants in the Colorado Preschool Program (CPP) by 3,200 half-day slots and allows school districts flexibility to use the additional slots for half-day preschool, full-day preschool, or full-day kindergarten programs.
- Specifies that regardless of the statutory calculation of a school district’s funded pupil count, for FY 2013-14 and subsequent years a district’s funded pupil count will not be less than 50 pupils.
- For FY 2013-14, changes the fund source for at-risk supplemental aid funding from school district audit recoveries credited to the State Public School Fund to interest and income earned on the Public School (Permanent) Fund credited to the State Public School Fund.
- Increases the required annual appropriation from the State Education Fund for *state aid for charter school facilities* from \$6.0 million to \$7.0 million, beginning in FY 2013-14.
- Changes the formula to calculate per pupil funding for facility schools. Under prior law, facility schools received per pupil funding at 1.33 times the statewide average per pupil funding. The bill changes the formula to 1.73 times the statewide *base* per pupil funding amount.

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- Changes the original fund source for “READ Act” funding beginning in FY 2013-14. Prior law required the transfer of up to \$16.0 million in interest and income earned on the Permanent Fund to the Early Literacy Fund to support READ Act implementation. Beginning in FY 2013-14, the bill eliminates the transfer from the Permanent Fund and instead directs the State Treasurer to transfer \$16.0 million per year from the State Education Fund to the Early Literacy Fund.
- Transfers \$200,000 from the State Education Fund to the Great Teachers and Leaders Fund for FY 2013-14 to implement the State Council for Educator Effectiveness.
- Creates the Quality Teacher Recruitment Program and requires the Department to contract with one or more external vendors to create and implement a program to recruit, select, train, and retain highly qualified teachers to teach in school districts that can demonstrate historic difficulty in recruiting and training highly qualified teachers. Sets specific requirements for the program and the contract with the external vendor.
- Requires the State Treasurer to transfer 75 percent of General Fund moneys in excess of the statutory reserve, after a required transfer to the Colorado Water Conservation Board Construction Fund, to the State Education Fund for FY 2013-14.

Senate Bill 13-260: FY 2013-14 Appropriations		
Purpose	Amount	Fund Source
Section 14 (1): Long Bill Adjustments Related to School Finance Formula Changes		
(a) and (b) State Share of Districts' Total Program Funding	\$51,843,734	Cash Funds - State Education Fund (SEF)
(c) Hold-harmless Full-day Kindergarten Funding	51,248	Cash Funds - SEF
(h) Facility School Funding	2,506,290	Cash Funds - SEF
Subtotal: Adjustments Related to Statutory Changes to School Finance Formula	54,401,272	Cash Funds - SEF
Section 14 (1): Other Long Bill Adjustments And Appropriations		
(d) State Aid for Charter School Facilities	1,000,000	Cash Funds - SEF
(e) and (f) Early Literacy Program	(10,416,062)	Cash Funds - Early Literacy Fund from interest earned on the Permanent Fund
(g) Special Education Programs for Children with Disabilities	20,000,000	Cash Funds - SEF
(i) Stipends for Nationally Board Certified Teachers	1,339,200	Cash Funds - SEF
(j) At-risk Supplemental Aid	(3,839,627)	Cash Funds - State Public School Fund (SPSF) from school district audit recoveries
Section 14: New Appropriations		
(2) Early Literacy Program	16,000,000	Cash Funds - Early Literacy Fund from the SEF
(3) Quality Teacher Recruitment Program	3,000,000	Cash Funds - SEF
(4) Educator Effectiveness Implementation	200,000	Cash Funds - Great Teachers and Leaders Fund from SEF

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Senate Bill 13-260: FY 2013-14 Appropriations		
Purpose	Amount	Fund Source
(5) Department of Human Services Child Care Licensing and Administration	43,898	General Fund
(6) At-risk Supplemental Aid	3,839,627	Cash Funds - SPSF from interest and income earned on the Permanent Fund
Total Appropriations	43,898	General Fund
	79,740,472	State Education Fund
	<u>5,783,938</u>	Other Cash Funds
	\$85,568,308	Total Funds

Also adjusts footnote #4 in the FY 2013-14 Long Bill (S.B. 13-230) to increase the amount of funding that the Department may use to fund students in the Accelerating Students Through Concurrent Enrollment (ASCENT) Program from \$2,709,450 to \$2,727,900.

H.B. 13-1257 (Developing Local-level Educator Evaluation): Allows any local board of education or board of cooperative services that develops its own evaluation system for licensed personnel to submit data to the Department regarding the evaluation system. Allows any interested party to submit such data, and allows the Department to solicit and collect such data from any local board or board of cooperative services implementing its own performance evaluation system. Requires the Department to monitor local implementation of performance evaluation systems and to require local boards of education and boards of cooperative services to take corrective action when evaluation systems are not in compliance with statutory or regulatory requirements. Appropriates \$120,093 cash funds from the State Education Fund and 1.0 FTE to the Department of Education for FY 2013-14.

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S.B. 14-075 (Deployed Military Motor Vehicle Fees and Taxes): Exempts members of the United States armed forces who are Colorado residents and deployed outside of the U.S. for a full year from paying certain motor vehicle registration fees. Decreases local revenues available for public school finance by an estimated \$68,921 for FY 2014-15 and increases the state share of districts' total program funding to offset the anticipated decrease. Appropriates \$68,921 General Fund to the Department of Education for FY 2014-15.

S.B. 14-124 (School Turnaround Leaders Development Program): Repeals the School Leadership Academy Program and creates the School Turnaround Leaders Development Program in the Department of Education. Requires the Department of Education to contract with providers of high quality turnaround leadership development programs and award grants to school districts to develop turnaround leaders. Requires the State Board of Education to adopt rules to implement the new program. For FY 2014-15, appropriates \$2,000,000 cash funds from the State Education Fund into the School Turnaround Leaders Development Fund created in the bill and reappropriates those funds and 1.2 FTE to the Department of Education.

S.B. 14-150 (School Counselor Corps Program): Modifies the School Counselor Corps Grant Program in the Department of Education. Redefines “secondary school” to include any school with grades 6-12; requires grant recipients to use state guidelines when implementing counseling programs; modifies grant award criteria; increases the statutory limit on grant awards from \$5.0 million per year to \$10.0 million per year; and requires the Department of Education to provide support to secondary schools to train principals on the most effective use of the program. Also creates the School Counselor Corps Advisory Board to review and evaluate grant applications and make recommendations to the Department of Education and the State Board of Education. Appropriates \$5,000,000 cash funds from the State Education Fund and 1.0 FTE to the Department of Education for FY 2014-15. Please note that H.B. 14-1298 reduces the appropriation in S.B. 14-150 by \$2.0 million for FY 2014-15.

S.B. 14-215 (Disposition of Legal Marijuana Related Revenues): Creates the Marijuana Tax Cash Fund (MTCF) and directs that all sales tax moneys collected by the state starting in FY 2014-15 from retail and medical marijuana be deposited in the MTCF instead of the Marijuana Cash Fund. Specifies permissible uses of moneys in the MTCF. Relevant to the Department of Education, allows use of funds to increase the availability of school-based prevention, early intervention, and health care services and programs to reduce the risk of marijuana and other substance use and abuse by school-aged children.

Creates the school health professional grant program in the department of education to provide matching grants to education providers to enhance the presence of school health professionals in secondary schools throughout the state and to facilitate better screening, education, and referral care coordination for secondary school students with substance abuse and other behavioral health needs. Appropriates \$2,500,000 cash funds from the MCTF and 1.0 FTE to the Department of Education for FY 2014-15 for the matching grant program.

H.B. 14-1085 (Adult Education and Literacy): Creates an adult education and literacy grant program in the Department of Education to provide state funding for adult education and literacy programs that participate in workforce development partnerships. Requires the State Board of Education to adopt rules for the new program. Requires grant recipients to provide specific information to the Department of Education and requires the Department of Education to annually evaluate the effectiveness of the program and submit an annual report to the Governor’s office, the State Board of Education, and the General Assembly. Creates the Adult Education and Literacy Grant Fund to support the program. For FY 2014-15, reduces the Long Bill appropriation to the Controlled Maintenance Trust Fund by \$960,000 General Fund, appropriates that amount of General Fund to the Adult Education and Literacy Grant Fund, and reappropriates that amount from the Adult Education and Literacy Fund and 1.0 FTE to the Department of Education.

H.B. 14-1102 (Gifted Education Programs): Modifies the statutes concerning the education of gifted students and the requirements for gifted education programs in public K-12 schools. Modifies requirements for administrative units’ gifted education plans and requires the State Board of Education to adopt rules as necessary to implement the bill. Codifies the State Gifted Education Advisory Committee. Among other changes, strongly encourages administrative units to implement universal screening to identify gifted students no later than second grade and

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requires administrative units to make a good faith effort to hire a qualified individual to administer gifted education programs on at least a half-time basis. Requires the General Assembly to appropriate funds to offset the costs of universal screening and hiring 0.5 FTE qualified personnel for each district. Allows administrative units to apply for grants to reimburse costs for screening students and hiring qualified personnel and directs the Department of Education to distribute funds in the order applications are received in the event that appropriations are not sufficient to cover all costs. Appropriates \$1,903,178 cash funds from the State Education Fund and 1.0 FTE to the Special Education for Gifted and Talented Children categorical program within the Department of Education for FY 2014-15.

H.B. 14-1118 (Advanced Placement Incentives Pilot Program): Creates the Advanced Placement Incentives Pilot Program in the Department of Education to provide supplemental funding to rural school districts (as identified by the State Board of Education) or rural schools that offer advanced placement courses. Specifies requirements for districts participating in the program. Directs the Department of Education to distribute \$500 to participating rural schools for each student that completes an advanced placement course and who subsequently takes the advanced placement exam. Specifies permissible uses of funds by participating schools. Limits participation to the first 475 students from rural schools participating in the program. Appropriates \$261,561 cash funds from the State Education Fund and 0.3 FTE to the Department of Education for FY 2014-15.

H.B. 14-1156 (Eligibility Age School Lunch Protection Program): Expands statutory eligibility for the Child Nutrition School Lunch Protection Program to include students through fifth grade (rather than second grade as under current law). For FY 2014-15: (1) reduces the Long Bill appropriation to the Controlled Maintenance Trust Fund by \$791,471 General Fund; and (2) appropriates \$791,471 General Fund to the Department of Education.

H.B. 14-1175 (Minority K-12 Teachers Study Strategies Report): Requires the Department of Education to study and develop strategies to increase the recruitment, preparation, development, and retention of high-quality minority teachers. Requires the Department to prepare and submit a report on its findings to the Governor's Office, the State Board of Education, and the Education Committees of the General Assembly by December 1, 2014. For FY 2014-15: (1) reduces the Long Bill appropriation to the Controlled Maintenance Trust Fund by \$50,000 General Fund; and (2) appropriates \$50,000 General Fund to the Department of Education.

H.B. 14-1202 (Local Accountability Requirements for School Districts): Creates the Standards and Assessment Task Force (task force) to study how the statewide assessment system is administered, how data are used, and the impact of statewide student assessments on local testing systems, instructional time, and administrative workload for school districts and public schools. Requires the Department of Education to provide information and staff support to the task force upon the request of the task force. Requires the task force and the Department of Education to prepare a final report of findings and legislative recommendations and present those to the Joint Education Committee of the General Assembly by January 31, 2015. For FY 2014-15: (1) reduces the Long Bill appropriation to the Controlled Maintenance Trust Fund by \$142,750 General Fund; (2) appropriates \$142,750 General Fund to the Department of

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Education; and (3) reappropriates \$20,000 of that amount to the Department of Law for the provision of legal services.

H.B. 14-1250 (School District Payments for Floods and Total Program): For FY 2013-14 only, directs the State Board of Education to provide supplemental assistance from the Contingency Reserve Fund to school districts that experienced any of the following conditions: (1) a reduction of 15 or more funded pupils caused by pupil displacement from the September 2013 floods; (2) flood-related transportation costs; (3) decreases of more than \$500 in total program per pupil funding as a result of unexpected decreases in assessed valuation; or (4) significant decreases in per pupil revenue as a result of unexpected increases in pupil counts. For FY 2013-14, appropriates \$1,733,884 General Fund to the Contingency Reserve Fund and reappropriates that amount to the Department of Education.

H.B. 14-1251 (Mid-year School Finance Adjustments): Makes mid-year adjustments to school finance-related appropriations of state funds for FY 2013-14. As detailed in the following table, increase *state* total program funding for public schools for FY 2013-14 by \$55.4 million. The increase is based on: (1) an \$18.5 million increase in total program funding for FY 2013-14 (including state and local shares) based on the actual student count that occurred in October 2013; and (2) a \$36.9 million shortfall in local tax revenues for school finance below the amount anticipated in the original FY 2013-14 appropriation. Absent legislative action, the combination of increased total program funding and reduced local tax revenues would have required the Department of Education to increase the size of the statutory school finance formula’s negative factor by \$55.4 million, causing per pupil funding to decrease by \$66.72, on average, below the amount anticipated by districts.

House Bill 14-1251: Adjustments to FY 2013-14 School Finance Appropriations			
	Initial Appropriation	Mid-year Adjustment	Adjusted Appropriation
<u>State Share of Districts' Total Program Funding</u>			
General Fund	\$2,933,673,790	\$51,637,093	\$2,985,310,883
Cash Funds: State Education Fund	523,620,586	3,800,402	527,420,988
Cash Funds: State Public School Fund	<u>75,368,389</u>	<u>0</u>	<u>75,368,389</u>
Total State Funds	\$3,532,662,765	\$55,437,495	\$3,588,100,260

H.B. 14-1276 (Grant Program to Train High School Students in CPR): Creates a grant program in the Department of Education to provide funding for public high schools that provide hands-on training for students in cardiopulmonary resuscitation (CPR) and the use of an automated external defibrillator. Requires the State Board of Education to adopt rules for the program. Creates the School Cardiopulmonary Resuscitation and Automated External Defibrillator Training Fund. For FY 2014-15: (1) reduces the Long Bill appropriation to the Controlled Maintenance Trust Fund by \$250,000 General Fund (which the bill transfers to the School Cardiopulmonary Resuscitation and Automated External Defibrillator Training Fund); and (2) appropriates \$250,000 cash funds from the School Cardiopulmonary Resuscitation and Automated External Defibrillator Training Fund and 0.3 FTE to the Department of Education.

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H.B. 14-1292 (Student Success Act): Amends the “Public School Finance Act of 1994” and other statutory provisions to provide funding for school districts for FY 2014-15, making the following changes:

- Appropriates funds to reduce the value of the negative factor by \$152.4 million compared to current law (the Long Bill appropriation) and \$110.0 million below the negative factor amount in FY 2013-14. Increases *statewide average per pupil funding* by \$180.28 relative to current law (the Long Bill appropriation).
- Increases the required annual appropriation from the State Education Fund for *state aid for charter school facilities* from \$7.0 million in FY 2013-14 to \$13.5 million in FY 2014-15 and \$19.0 million in FY 2015-16 and subsequent years.
- Makes a one-time transfer of \$6.5 million cash funds from the State Education Fund to the State Charter School Debt Reserve Fund in FY 2014-15.
- Increases the annual statutory transfer from the State Education Fund to the Early Literacy Fund by \$20.0 million in FY 2014-15 (from \$16.0 million in FY 2013-14 to \$36.0 million in FY 2014-15 and subsequent years. (This transfer is reduced by \$2.0 million in FY 2014-15 by H.B. 14-1298, discussed below).
- Changes financial reporting requirements for public school districts and schools.
- Requires the Department of Education to contract for the development of a single website to display comparable financial data for schools and school districts statewide. Creates the Financial Reporting Fund, transfers \$3.0 million cash funds from the State Education Fund to the Financial Reporting Fund in FY 2014-15 and continuously appropriates those funds to the Department of Education for FY 2014-15 through FY 2017-18 for system development.

House Bill 14-1292: FY 2014-15 Appropriations		
Purpose	Amount	Fund Source
Section 21 (1): Long Bill Adjustments Related to School Finance Formula Changes		
(a) State Share of Districts' Total Program Funding	\$152,358,980	Cash Funds - State Education Fund (SEF)
(b) Hold-harmless Full-day Kindergarten Funding	193,196	Cash Funds - SEF
Subtotal: Adjustments Related to Statutory Changes to School Finance Formula	\$152,552,176	Cash Funds - SEF
Section 21 (1): Other Long Bill Adjustments And Appropriations		
(c) State Aid to Charter School Facilities	6,500,000	Cash Funds - SEF
Section 21: New Appropriations		
(2) Early Literacy Program	20,000,000	Cash Funds - Early Literacy Fund from SEF
Total Appropriations	\$179,052,176	Total Funds
	159,052,176	Cash Funds - SEF

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House Bill 14-1292: FY 2014-15 Appropriations		
Purpose	Amount	Fund Source
	20,000,000	Other Cash Funds

Also adjusts footnote #5 in the FY 2014-15 Long Bill (H.B. 14-1336) to increase the amount of funding that the Department may use to fund students in the Accelerating Students Through Concurrent Enrollment (ASCENT) Program from \$4,419,336 to \$4,536,864.

H.B. 14-1298 (School Finance): Amends the “Public School Finance Act of 1994” and other statutory provisions to provide funding for school districts for FY 2014-15, making the following changes.

- Increases the *statewide base per pupil funding* amount from \$5,954.28 to \$6,121.00 (2.8 percent) to account for the annual change in the Denver-Boulder consumer price index in CY 2013.
- For FY 2014-15, increases the specified minimum total program funding amount that results after the application of the *negative factor* by \$152.4 million.
- Limits the dollar amount of the negative factor in FY 2015-16 to be less than or equal to the value of the negative factor for FY 2014-15.
- Repeals and reenacts the English Language Proficiency Act. Among other changes, allows local education providers to receive state funding for each English language learner (ELL) student for up to five years, compared to two years per student under current law. Changes reporting requirements associated with ELL programs for local education providers and for the Department of Education. Modifies oversight, monitoring, and technical assistance requirements for the Department of Education.
- Creates the Professional Development and Student Support Program to distribute funds to districts with ELL students on a per pupil basis and specifies the method of distribution of those funds. Creates the Professional Development and Student Support Fund (PDSSF) to support the program. Appropriates \$27.0 million cash funds from the State Education Fund into the PDSSF for FY 2014-15 and reappropriates those funds to the Department of Education.
- Creates the English Language Proficiency Act Excellence Award Program to award grants to local education providers and charter schools that achieve the highest English language and academic growth among ELL students and the highest academic achievement for ELL students who transition out of the English Language Proficiency Program. Creates the Excellence Awards Fund to support the program, appropriates \$500,000 from the State Education Fund into the new cash fund in FY 2014-15 and reappropriates those funds to the Department of Education for distribution to local education providers.

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- Increases the authorized number of participants in the Colorado Preschool Program by 5,000 half-day slots and allows school districts flexibility to use the additional slots for half-day preschool, full-day preschool, or full-day kindergarten programs.
- Clarifies the method used to calculate the cost of living factor in years when average teacher salaries either decline or increase by less than 1.0 percent.
- Applies statutory minimum per pupil funding to all charter schools.
- Increases the FY 2014-15 Long Bill appropriation for Boards of Cooperative Educational Services (BOCES) by \$2.0 million.
- Reduces the annual transfer from the State Education Fund to the Early Literacy Fund in FY 2014-15 and subsequent years from \$20.0 million (as established in H.B. 14-1292) to \$18.0 million.
- Reduces the FY 2014-15 appropriation for the School Counselor Corps Grant Program in S.B. 14-150 from \$5.0 million to \$3.0 million.

House Bill 14-1298: FY 2014-15 Appropriations		
Purpose	Amount	Fund Source
<i>Section 26 Adjustment to H.B. 14-1292 (Student Success Act)</i>		
Early Literacy Program	(\$2,000,000)	Early Literacy Fund from the State Education Fund (SEF)
<i>Section 27: Adjustment to S.B. 14-150 (School Counselor Corps Grant Program)</i>		
School Counselor Corps Grant Program	(2,000,000)	Cash Funds - SEF
<i>Sections 28 and 31: Long Bill Adjustments Related to School Finance Formula Changes/1</i>		
(28) (1) State Share of Districts' Total Program Funding	(30,384,050)	Cash Funds - SEF
(28) (2) State Share of Districts' Total Program Funding	30,384,050	Cash Funds - State Public School Fund
(31) (1) State Share of Districts' Total Program Funding	18,585,660	Cash Funds - SEF
Subtotal: Adjustments Related to Statutory Changes to School Finance Formula	<u>\$18,585,660</u>	Total Funds
	(11,798,390)	Cash Funds - SEF
	30,384,050	Cash Funds - State Public School Fund
<i>Section 29: Other Long Bill Adjustments And Appropriations</i>		
(1) (a) BOCES Funding per Section 22-5-122, C.R.S.	2,000,000	Cash Funds - SEF
(1) (b) English Language Learners Technical Assistance	53,228	Cash Funds - SEF (includes 0.5 FTE)
(1) (c) Public School Finance Administration	63,607	Cash Funds - SEF (includes 0.7 FTE)
(2) Controlled Maintenance Trust Fund	(68,084)	General Fund

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House Bill 14-1298: FY 2014-15 Appropriations		
Purpose	Amount	Fund Source
Section 32: New Appropriations		
(1) Excellence Awards Fund	500,000	Cash Funds - SEF
(1) English Language Proficiency Act Excellence Awards Program	500,000	Reappropriated Funds
(2) Department of Human Services Child Care Licensing and Administration	68,084	General Fund (includes 1.1 FTE)
(3) Implementation of Section 22-2-134, C.R.S.	298,000	Cash Funds - SEF
(4) Professional Development and Student Support Fund	27,000,000	Cash Funds - SEF
(4) Professional Development and Student Support Program	27,000,000	Reappropriated Funds
Total Appropriations	<u>\$72,000,495</u>	Total Funds
	0	General Fund
	16,116,445	Cash Funds - SEF
	28,384,050	Other Cash Funds
	27,500,000	Reappropriated Funds

/1 Section 31 takes effect if House Bill 14-1292 (Student Success Act) becomes law. Section 30 of H.B. 14-1298 would take effect if H.B. 14-1292 did *not* become law. Because H.B. 14-1292 became law, this table only shows the appropriation in Section 30.

H.B. 14-1326 (Tax Incentive for Alternative Fuel Trucks): Makes changes to areas of tax policy affecting low-emission and alternative fuel vehicles. Reduces local revenues anticipated to be available for public school finance by an estimated \$7,000 in FY 2014-15. Appropriates \$7,000 General Fund to the Department of Education for FY 2014-15 to offset the anticipated decline in local revenues.

H.B. 14-1336 (Long Bill): General appropriations act for FY 2014-15.

H.B. 14-1376 (Analysis of Student Opportunity Gaps): Requires the Department of Education to create a core course level participation report, including student participation in each core course level disaggregated by student groups and, when available, the proficiency levels of students in each core course level as measured on statewide assessments, disaggregated by student groups, no later than November 1, 2014. Requires the Department of Education to work with public schools and school districts during the 2014-15 and 2015-16 school years to refine the report. Beginning with the 2016-17 school year, requires public schools and school districts to use the data in the course performance report when preparing school or district performance or improvement plans under state accountability laws to address disparities in proficiency. For FY 2014-15, provides \$144,216 General Fund and 0.2 FTE to the Department of Education.

H.B. 14-1382 (K-12 On-line Education): Modifies statutes concerning on-line education programs and on-line schools. Creates a task force to review best practices and policies for

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authorizing and administering multi-district on-line schools, to recommend the State Board of Education quality standards and practices for authorizers, and to recommend to the State Board of Education and the General Assembly the regulatory and statutory changes that are necessary to certify authorizers of multi-district on-line schools. Specifies the duties of the task force. Directs the Commissioner of Education to appoint members to the task force and specifies criteria for appointment. Allows the Department of Education to contract with an outside entity to provide facilitation services or other assistance to the task force. Requires the task force to submit written recommendations to the State Board of Education and to the Education Committees of the General Assembly no later than January 1, 2015. Also requires on-line programs and on-line schools to document students' compliance with compulsory attendance requirements. For FY 2014-15, provides \$47,659 General Fund to the Department of Education.

Appendix C: Update on Long Bill Footnotes & Requests for Information

Long Bill Footnotes

- 5 Department of Education, Assistance to Public Schools, Public School Finance, State Share of Districts' Total Program Funding -- Pursuant to Section 22-35-108 (2) (a), C.R.S., the purpose of this footnote is to specify what portion of this appropriation is intended to be available for the Accelerating Students Through Concurrent Enrollment (ASCENT) Program for FY 2014-15. It is the intent of the General Assembly that the Department of Education be authorized to utilize up to \$4,536,864 of this appropriation to fund qualified students designated as ASCENT Program participants. This amount is calculated based on an estimated 708 participants funded at a rate of \$6,408 per FTE pursuant to Section 22-54-104 (4.7), C.R.S.

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

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

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

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

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

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and these updated figures are provided to the Joint Budget Committee for purposes of preparing a budget proposal for the following fiscal year. Ultimately, the State Board of Education is charged with determining how many qualified students may be designated as ASCENT Program participants for the following school year, based on available appropriations.

The Department has provided district-reported data indicating that a total of 592 12th graders may participate in ASCENT in FY 2015-16, an decrease of 116 students from the current (FY 2014-15) appropriation for 708 students (please note that the final ASCENT count for FY 2014-15 is 423.5 student FTE, well below the current year appropriation). The Department's budget request assumes funding for all 592 students based on the district estimates.

- 6 Department of Education, Library Programs, Reading Services for the Blind -- This appropriation is for the support of privately operated reading services for the blind, as authorized by Section 24-90-105.5, C.R.S. It is the intent of the General Assembly that \$310,000 of this appropriation be used to provide access to radio and television broadcasts of locally published and produced materials and \$50,000 of this appropriation be used to provide telephone access to digital transmissions of nationally published and produced materials.

Comment: This footnote has been included for several years to express the General Assembly's intent concerning this appropriation. The Department annually contracts with Audio Information Network of Colorado (AINC) to provide an on-the-air volunteer reading service for the blind, visually impaired, and print-handicapped citizens of Colorado. Broadcasts are provided in Boulder, Louisville, and Lafayette and are available on local cable as a standard radio frequency at 98.9 KHzs. AINC is currently working through cable associations with the cities to expand local coverage. The services provided by AINC are also made available through the internet, telephone, and podcasts. In FY 2012-13, the General Assembly increased the allocation for the contract with AINC from \$200,000 per year to \$300,000. The General Assembly added \$10,000 for FY 2014-15, for a total of \$310,000.

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

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

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Comment: The General Assembly added this footnote to the FY 2013-14 Long Bill and continued it in the FY 2014-15 Long Bill. The Department reports that approximately 80 percent of grantees used grant funds to support early literacy efforts in FY 2013-14, including early reading materials, books for story time, databases focused on early learning activities, and bilingual or other language items for parent and family use. The remaining 20 percent, which tend to be academic libraries and some school districts, purchased educational resources that did not fit a strict definition of early literacy.

Background Information: Senate Bill 00-085 created the State Grants to Publicly-Supported Libraries Program to provide funds to enable public libraries, school libraries, and academic libraries to purchase educational resources that they would otherwise be unable to afford. The bill created the State Grants to Publicly-Supported Libraries Fund, which consists of any moneys appropriated by the General Assembly and any other moneys collected by the State Librarian for such purpose. Statute (Section 24-90-407 (2), C.R.S.) allows the Department to spend up to 2.5 percent of the appropriation to administer the program. Because of the structure in statute, the appropriation consists of two line items: one to appropriate General Fund into the cash fund and one to providing spending authority from the cash fund (please note that staff recommends eliminating the dual line item structure for this program in an issue paper earlier in this document).

The program operated for FY 2000-01 through FY 2001-02. The Governor vetoed the appropriations to the program for FY 2002-03, and the line items were unfunded from FY 2002-13 through FY 2012-13. The Committee reinstated the relevant line items for FY 2013-14 with an appropriation of \$2.0 million General Fund to the State Grants to Publicly-Supported Libraries Fund line item and \$2.0 million reappropriated funds for the State Grants to Publicly-Supported Libraries Program line item. The General Assembly continued that level of funding in FY 2014-15. The program has awarded \$1,950,000 to 301 grantees statewide (representing 92.6 percent of 325 potential applicants) in FY 2014-15, with a base amount of \$3,000 per grantee (regardless of the size of the population served) and additional amounts on a per capita basis.

The Department reports that grantees used FY 2013-14 grant funds to: launch new e-book resources for parents and families, create new collections for toddler story time, buy online resources, and enhance collections related to early childhood development and other topics associated with early literacy. The Department anticipates similar use in FY 2014-15.

Requests for Information

Requests Affecting Multiple Departments

- 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 to provide the Joint Budget Committee with information concerning

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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 2013-14 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 2012-13 and actual district expenditures for each program in fiscal year 2012-13. 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 2012-13 and actual district expenditures in fiscal year 2012-13.

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

Background Information. Section 17 of Article IX of the Colorado Constitution requires the General Assembly to increase total state funding for all categorical programs annually by at least the rate of inflation plus one percent for FY 2001-02 through FY 2010-11, and by at least the rate of inflation for subsequent fiscal years. The General Assembly determines on an annual basis how to finance this increase, and how to allocate the required increase among the various categorical programs. The annual Long Bill includes at least the minimum required increase in state funding for categorical programs. Thus, the Joint Budget Committee makes a recommendation to the General Assembly each year concerning the allocation of these funds. This footnote is intended to provide the Committee with data to inform this decision.

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

Statutory Reimbursement Formula. State funding is provided through a statutory formula for five categorical programs. Table A provides a comparison of the state funding available and the maximum statutory reimbursement for each of these programs for FY 2013-14. Unless otherwise noted, data is derived from the Department's response to this request for information. Based on this comparison, state funding for English language proficiency programs was the least adequate in FY 2013-14, covering 44.8 percent of the maximum appropriation for that year.

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TABLE A: Maximum Amount of State Funds Districts Were Statutorily Eligible to Receive for FY 2013-14					
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	\$154,751,006	\$234,825,500	65.9%	\$80,074,494
English Language Proficiency Program	Driven by the number of eligible students and statewide average per pupil operating revenue	15,240,040	33,997,943	44.8%	18,757,903
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)	53,053,629	84,538,042	62.8%	31,484,413
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	24,528,307	24,528,307	100.0%	0
Small Attendance Center Aid	Driven by the number of eligible schools, such schools' enrollment, and eligible districts' per pupil funding	959,379	1,076,550	89.1%	117,171
Total					\$130,433,981

a/ The estimated increase to fund the statutory maximum for special education for children with disabilities is based on the following: \$110,998,750 (\$1,250 for each student with disabilities); \$235,525,312 (assuming districts received \$6,000 per student for 100 percent of the 39,254 students with specified disabilities, rather than for 16.7 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.

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

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

This analysis indicates that districts spent \$902 million in FY 2012-13 on five categorical programs, over and above state and federal funding made available for these programs – the equivalent of 17.0 percent of districts' total program funding for FY 2012-13. Districts spent the largest portion of their total program funding to provide special education services to children with disabilities (\$506 million), followed by English language proficiency programs (\$162 million) and public school transportation services (\$160 million).

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TABLE B: Categorical Program Revenues and Expenditures: FY 2012-13						
Long Bill Line Item	(a)	(b)	(c) = (a) + (b)	(d)	(e) = (c)/(d)	(f) = (d) - (c)
	State Funds	Federal Funds	Total State and Federal Funds	Total District Expenditures	State/Federal Share of Expenditures	Local Share of Expenditures
District Programs Required by Statute						
Special Education - Children with Disabilities a/	\$164,664,490	\$156,558,311	\$321,222,801	\$826,872,871	38.8%	505,650,070
English Language Proficiency Program	14,460,255	9,913,473	24,373,728	186,774,796	13.0%	162,401,068
Other Categorical Programs						
Public School Transportation	54,026,096	0	54,026,096	213,666,283	25.3%	159,640,186
Career and Technical Education	24,218,018	5,762,532	29,980,550	82,371,196	36.4%	52,390,646
Special Education - Gifted and Talented Children	9,280,600	0	9,280,600	30,659,347	30.3%	21,378,747
Total						\$901,460,717

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

Requests Specific to the Department of Education

- 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, 2014, information concerning the Colorado Preschool Program. The information provided is requested to include the following for fiscal year 2013-14: (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 is attributable to the Program.

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

<http://www.cde.state.co.us/sites/default/files/CPP%202014%20Leg%20Report%20FINAL%203.18.14.pdf>

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

The number of school districts participating in the CPP has increased from 32 in FY 1988-89 to 170 (of 178) in FY 2013-14; the State Charter School Institute also participates in the CPP. Most districts that are not currently participating in CPP are small, rural districts. However, two non-participating districts have funded pupil counts in excess of 1,000: El Paso - Cheyenne Mountain (with a funded pupil count of 4,841 in FY 2013-14) and El Paso - Manitou Springs (with a funded pupil count of 1,422).

Total Number of Slots. The number of state-funded half-day preschool program "slots" is limited in statute. Since the program began operating in January 1989, its target population has been expanded and the maximum number of children that may be served has increased from 2,000 to 28,360. The General Assembly increased the number of authorized CPP slots from 14,360 in FY 2006-07, to 16,360 in FY 2007-08, to 20,160 in FY 2008-09. In addition, in FY 2008-09, the General Assembly repealed a provision allowing districts to use some the CPP slots to provide a full-day kindergarten program, thereby freeing up 2,454 slots to serve additional preschool children. In FY 2013-14, the General Assembly added 3,200 slots through a new program within CPP, called ECARE, which allows school districts to use the slots for half-day preschool, full-day preschool,

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or to provide full-day kindergarten, depending on the needs of the district. In FY 2014-15, the General Assembly added 5,000 slots to the ECARE program, bringing the total number of CPP slots to 28,360 and the number of ECARE slots to 8,200.

For FY 2013-14, participating districts and the State Charter School Institute received funding to serve a total of 23,360 pupils. For comparison purposes, the number of pupils in public kindergarten programs statewide was 67,137. Thus, on a statewide basis, **the total number of CPP preschool slots authorized for FY 2013-14 represented 34.8 percent of the public school kindergarten students.**

To put this ratio in perspective, please note that the proportion of the funded pupil count considered "at-risk" in FY 2013-14 based on the School Finance Act formula (which counts the number of children eligible for the federal free lunch program or whose dominant language is not English) was 37.6 percent. If every district had received CPP preschool slots in proportion to its at-risk population entering kindergarten programs the following school year (using the number of children in kindergarten programs in FY 2013-14 as a proxy), a total of 25,264 CPP slots would have been funded. This analysis implies that an additional 1,904 slots would have been necessary to provide half-day preschool to all at-risk children (under the School Finance Act definition), assuming all slots were used for preschool children rather than kindergarten.

The following table uses the School Finance Act definition of “at-risk” for purposes of estimating the shortfall of CPP *preschool* slots for fiscal years FY 2005-06 through FY 2013-14.

Fiscal Year	(a) Number of Authorized CPP Half-Day Preschool Slots	(b) Number of Children in Kindergarten Funded Through School Finance Act	(c) = a/b Ratio	(d) Percent of Children Considered At-risk Under School Finance Formula	(e) = (b*d)-a Number of Additional Slots Required to Serve Children "At-risk" Per Formula
2005-06	10,506	59,278	17.7%	31.6%	8,226
2006-07	12,206	60,774	20.1%	31.5%	6,938
2007-08	13,906	61,426	22.6%	31.6%	5,505
2008-09	20,160	63,304	31.8%	32.1%	148
2009-10	20,160	63,457	31.8%	34.8%	1,917
2010-11	20,160	64,483	31.3%	36.6%	3,441
2011-12	20,160	66,263	30.4%	37.1%	4,404
2012-13	20,160	66,844	30.2%	37.5%	4,920
2013-14 a/	23,360	67,137	34.8%	37.6%	1,904

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

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Allocation of Slots. The Department provided information comparing each district’s CPP *headcount* to its funded kindergarten headcount. For small school districts with a small number of kindergarten students, this comparison is not very meaningful. However, for larger districts, this comparison can be useful when analyzing the allocation of slots. The ratio of CPP students to kindergarten students varies significantly among larger districts, but these variations appear to relate to the number of low income students served. However, **if one considers the number of pupils considered "at-risk" based on the School Finance Act formula, the CPP head count does not always directly correlate with the number of at-risk pupils.**

The following table compares the number of CPP slots allocated to those districts with more than 1,000 pupils in public kindergarten programs with the percent of each district's pupils that are considered "at-risk" for purposes of the School Finance Act. Column (e) provides an estimate of the gap between the number of CPP slots and the number of at-risk pupils. For example, Denver’s 4,154 CPP *preschool* slots represent about 54 percent of children in kindergarten. However, approximately 68 percent of Denver's students are considered "at-risk", so the estimated gap for Denver is 1,028 students. For informational purposes, column (f) shows the number of CPP/ECARE slots that each of these districts is using for full-day kindergarten and column (g) shows the total number of CPP/ECARE slots allocated to each district.

Larger Districts (with 1,000+ kindergarten pupils)	(a)	(b)	(c) = a/b	(d)	(e) = (b*d)-a	(f)	(g) = (a)+(f)
	Total CPP Preschool Funded Slots (FY 13-14)	Kindergarten Funded Students (FY 13-14)	Ratio	Percent of Pupils "At-risk" per School Finance Formula (FY 13-14)	Gap Between Number of At-Risk 4-year-olds and CPP Preschool Slots	CPP/ECARE Funded Kindergarten Slots (FY 13-14)	Total CPP/ECARE Slots (FY 13-14)
Denver	4,154	7,676	54.1%	67.5%	1,028	400	4,554
Arapahoe - Aurora	1,658	3,515	47.2%	64.4%	605	0	1,658
Adams - Northglenn	552	3,236	17.1%	35.4%	595	0	552
Weld - Greeley	465	1,767	26.3%	60.5%	604	25	490
Jefferson	1,465	6,054	24.2%	28.0%	231	84	1,549
Arapahoe - Cherry Creek	428	3,806	11.2%	22.4%	425	0	428
El Paso - Colorado Springs	847	2,392	35.4%	50.3%	357	0	847
Boulder - St. Vrain	358	2,279	15.7%	33.7%	410	0	358
El Paso - Harrison	396	1,149	34.5%	65.2%	353	45	441
Mesa - Mesa Valley	486	1,682	28.9%	37.8%	149	0	486
Douglas	233	4,592	5.1%	10.4%	243	0	233

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Larger Districts (with 1,000+ kindergarten pupils)	(a) Total CPP Preschool Funded Slots (FY 13-14)	(b) Kindergarten Funded Students (FY 13-14)	(c) = a/b Ratio	(d) Percent of Pupils "At- risk" per School Finance Formula (FY 13-14)	(e) = (b*d)-a Gap Between Number of At-Risk 4- year-olds and CPP Preschool Slots	(f) CPP/ECARE Funded Kindergarten Slots (FY 13-14)	(g) = (a)+(f) Total CPP/ECARE Slots (FY 13-14)
Larimer - Thompson	219	1,145	19.1%	31.5%	142	55	274
Larimer - Poudre	370	2,132	17.4%	25.1%	165	0	370
El Paso - Academy	78	1,549	5.0%	10.6%	86	0	78
El Paso - Falcon	125	1,248	10.0%	24.5%	180	0	125
Boulder - Boulder	321	2,021	15.9%	18.0%	42	0	321
Adams - Brighton	404	1,372	29.4%	33.9%	60	50	454
Arapahoe - Littleton	195	1,053	18.5%	18.9%	3	0	195
Pueblo - Pueblo City	967	1,796	53.8%	65.6%	212	0	967

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

Participation of Children Under Age Four. Since FY 2002-03, all districts have been allowed to serve eligible three-year-old children through CPP as long as the child lacks overall learning readiness that is attributable to at least three significant family risk factors. In FY 2013-14, 129 of 170 (76 percent) of participating school districts chose to use CPP slots to serve children under age four; the State Charter School Institute also uses slots to serve younger children. This compares to 126 districts in FY 2012-13.

These districts used 5,553 CPP slots (25 percent of CPP preschool slots, not including ECARE slots used for kindergarten) to serve a total of 5,420 children under the age of four.²⁰ This compares to 4,614 slots (23.0 percent) in FY 2012-13.

Number of Children Allowed to Use Two Slots. Districts may apply to the Department to use two CPP slots to provide an eligible child with a full-day, rather than half-day, preschool program. The Department is required to limit the total number of CPP slots that can be used for this purpose to five percent of the total, or 1,168 for FY 2013-14. A

²⁰ This figure includes 133 slots that were used to provide full-day preschool services for 3-year-olds, and 359 slots that were used to serve children younger than age three under a pilot waiver.

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total of 32 school districts and the State Charter School Institute used 1001 CPP slots to serve children through a full-day program.

State and Local Funding. The CPP is funded through the School Finance Act by allowing districts to count each participating child as a half-day pupil. Thus, the program has always been financed with both local and state funds. The amount of funding that each district receives per participant is based on the statutory formula that determines per pupil funding. The Department provided details concerning the portion of each participating district's total program funding that was earmarked for CPP in FY 2013-14. **Statewide, \$79.8 million of districts' total program funding was earmarked for the CPP/ECARE (1.4 percent of total program funding), including \$51.2 million in state funding (64.1 percent of total CPP funding).**

- 2 Department of Education, Assistance to Public Schools, Grant Programs, Distributions, and Other Assistance** -- The Department is requested to provide information to the Joint Budget Committee by November 1, 2014, concerning the allocation of funding to eligible boards of cooperative services (BOCES) pursuant to Section 22-2-122 (3), C.R.S. Specifically, the Department is requested to detail the sources of funds and the allocations made to each BOCES in fiscal years 2012-13 and 2013-14.

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

Summary of FY 2013-14 BOCES Grant Writing Allocations Pursuant to Sec. 22-2-122 (3), C.R.S.				
BOCES	Total Allocations	Expelled and At-Risk Students	Read-to-Achieve/Early Literacy	State School Counselor Corps Grant
East Central	\$26,992	\$11,735	\$1,466	\$13,791
Mountain	9,217	9,217	0	0
Centennial	15,800	15,800	0	0
Northeast	15,800	15,800	0	0
Pikes Peak	11,850	11,850	0	0
San Juan	10,533	10,533	0	0
San Luis Valley	18,434	0	18,434	0
South Central	15,800	0	15,800	0
Southeastern	15,800	0	15,800	0
Northwest	9,217	0	0	9,217
Rio Blanco	2,633	0	0	2,633
Uncompaghre	6,583	0	0	6,583
Santa Fe Trail	7,900	0	0	7,900
Ute Pass	2,633	0	0	2,633
Mount Evans	2,633	0	0	2,633

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Summary of FY 2013-14 BOCES Grant Writing Allocations Pursuant to Sec. 22-2-122 (3), C.R.S.				
BOCES	Total Allocations	Expelled and At-Risk Students	Read-to-Achieve/Early Literacy	State School Counselor Corps Grant
Front Range	4,608	0	0	4,608
Total	\$176,436	\$74,936	\$51,500	\$50,000

Summary of FY 2012-13 BOCES Grant Writing Allocations Pursuant to Sec. 22-2-122 (3), C.R.S.				
BOCES	Total Allocations	Expelled and At-Risk Students	Read-to-Achieve	State School Counselor Corps Grant
East Central	\$28,237	\$8,824	\$5,224	\$14,189
Mountain	9,641	9,641	0	0
Centennial	16,528	16,528	0	0
Northeast	16,528	16,528	0	0
Pikes Peak	12,396	12,396	0	0
San Juan	11,019	11,019	0	0
San Luis Valley	19,283	0	0	19,283
South Central	16,528	0	0	16,528
Southeastern	16,528	0	16,528	0
Northwest	9,641	0	9,641	0
Rio Blanco	2,755	0	2,755	0
Uncompaghre	6,887	0	6,887	0
Santa Fe Trail	8,264	0	8,264	0
Front Range	4,821	0	4,821	0
Total	\$179,056	\$74,936	\$54,120	\$50,000

For FY 2013-14, the General Assembly also appropriated \$1,300,000 for distribution to BOCES to assist member districts in meeting the state’s educational priorities (see section 22-5-122, C.R.S.). The Department’s response to this request for information also detailed the distribution of those funds. The distribution is shown in the following table.

Distributions to BOCES to Implement State Educational Priorities in FY 2012-13	
Sec. 22-5-122, C.R.S.	
BOCES	Total Allocations
Centennial	\$99,359
Pikes Peak	4,499
East Central	87,904
South Central	74,347

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Distributions to BOCES to Implement State Educational Priorities in FY 2012-13	
Sec. 22-5-122, C.R.S.	
BOCES	Total Allocations
Expeditionary	74,338
San Luis Valley	67,804
Northeast	64,888
Southeastern	61,510
Mount Evans	35,653
San Juan	54,149
Front Range	53,900
Adams County	52,206
Grand Valley	48,639
Northwest	47,745
Santa Fe Trail	44,379
Uncompaghre	41,304
Ute Pass	35,943
Mountain	58,803
Rio Blanco	32,630
Total	\$1,130,000

Appendix D: Indirect Cost Assessment Methodology

Description of Indirect Cost Assessment Methodology

The Department of Education annually calculates two separate indirect cost rates, one affecting federal funds and another for cash funds. The Department’s indirect cost methodology is based on three components: an “*Indirect Cost Pool*”, an “*Indirect Cost Base*”, and an “*Indirect Cost Rate*”.

The Department calculates and negotiates the federal indirect cost rate with the U.S. Department of Education (USDE) on an annual basis. The Department calculates the federal rate based on the most recent year of actual expenditures. For example, actual expenditures from FY 2013-14 are the basis of the FY 2015-16 federal indirect rate. Finally, the Department adjusts the federal rate each year based on over or under recoveries from the previous year. One complication is that the Department does not generally know the “final” indirect cost rate until the spring preceding the relevant fiscal year (for example, USDE may not approve the final rate for FY 2015-16 until as late as April or May 2015). The Department calculates the federal rate as the indirect cost pool divided by the indirect cost base (as illustrated in the tables below).

The Department bases the cash fund indirect cost rate on the approved federal rate, with some modifications. For example, the USDE prohibits the collection of indirect costs from contracts over \$25,000. For the cash fund rate, the Department adds the USDE exclusions back into the indirect cost pool to arrive at the cash fund indirect cost rate. The Department primarily applies the cash fund rate to the Teacher Licensing Fund but also applies the rate to private gifts, grants, and donations. The cash fund indirect cost rate for FY 2015-16 is not finalized yet but the Department does not expect a significant change from the 13.6 percent rate for FY 2014-15.

The *Indirect Cost Pool* is comprised of expenses in the Management and Administration Division, including expenses associated with the following line items: General Department and Program Administration, Health, Life, and Dental, Short-term Disability, S.B. 04-257 Amortization Equalization Disbursement, S.B. 06-235 Supplemental Amortization Equalization Disbursement, and Payment to Risk Management and Property Funds. The Department categorizes the indirect cost pool differently, however, based on the costs actually included in the pool for calculation purposes. **Table 1** (on the following page) outlines which *costs* are included in the department’s Indirect Cost Pool.

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Table 1		FY 2013-14
Department of Education Indirect Cost Pool		Actual
Division	Cost Description	
Statewide Indirect Costs		\$589,922
Management and Administration		
	Human Resources	\$230,410
	Accounting and Purchasing	926,480
	Department Overhead	603,737
	Sick and Annual Leave Payouts	369,532
	Budget	397,599
	Information Management	1,449,617
Total Departmental Indirect Cost Pool		\$3,977,375
Other Costs		
	Depreciation	\$168,456
	State Auditor	176,603
	Carryforward undercollections from FY 2012-13	237,005
Total Other Costs		\$582,064
Total Indirect Cost Pool		\$5,149,361

The *Indirect Cost Base* is the denominator in the calculation of the federal indirect cost rate. The indirect cost base consists of Departmental salaries, fringe benefits, and operating expenses. The federal calculation excludes the items for which the USDE prohibits indirect cost collections and excludes departmental indirect costs. **Table 2** summarizes the department’s indirect cost base.

Table 2		FY 2013-14
Department of Education Indirect Cost Base		Actual
	CDE salaries, fringe benefits, operating expenses	\$90,740,058
	Less: Expenditures Excluded by USDE	(41,055,997)
	Less: Departmental Indirect Costs	(3,977,375)
Total Indirect Cost Base		\$45,706,686

The federal *indirect cost rate* is calculated by dividing the indirect cost pool by the indirect cost base. **Table 3** illustrates how the Department calculates the federal indirect cost rate.

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Table 3	
Department of Education Indirect Cost Rate	
Federal Rate = Indirect Cost Pool / Direct Cost Base	
Division	FY 2013-14 Actual
Indirect Cost Pool	\$5,149,361
Divided by the Indirect Cost Base	45,706,686
Federal Indirect Cost Rate	11.27%

The Department applies the federal indirect cost rate to all federally funded expenditures for salaries, fringe benefits, operating expenses, and travel costs. The USDE prohibits charging indirect costs to federal funds supporting contracts in excess of \$25,000. In addition, some federal programs impose indirect cost limits. For example, the Library Service and Technology Act (LSTA) grant limits indirect cost recoveries to 4 percent, regardless of the negotiated indirect cost rate for other federal funds.

The Department also does not charge indirect costs to General Fund expenditures, some cash funded expenditures (most importantly those supported by the State Education Fund), or reappropriated fund expenditures.

FY 2015-16 Indirect Cost Assessment Request

For FY 2015-16 the Department is requesting \$2,738,065 for indirect cost assessments. This amount is less than the Indirect Cost Pool of \$5,149,361 in large part because of the exclusions required by USDE. **Table 4** shows the FY 2015-16 Department indirect cost assessment based on the most current data available from the Department. Please note that the assessment amounts in the table vary slightly from the November 1 budget request. The Department’s November 1 budget request did not adjust the indirect cost assessment line items for FY 2015-16. The following data represents the Department’s current estimates for FY 2015-16.

Table 4				
Department Indirect Cost Assessment Request				
Division	Total	CF	RF	FF
Management and Administration	\$528,192	\$301,950	\$0	\$226,242
Assistance to Public Schools	2,154,546	25,000	55,571	2,073,975
Library Programs	55,327		0	55,327
Total FY 2015-16 Request	\$2,738,065	\$326,950	\$55,571	\$2,355,544
Management and Administration	\$528,192	\$301,950	\$0	\$226,242
Assistance to Public Schools	2,057,248	25,000	55,571	1,976,677
Library Programs	55,327	0	0	55,327
FY 2014-15 Indirect Cost Assessment	\$2,640,767	\$326,950	\$55,571	\$2,258,246
Difference (FY 15 - FY 14)	\$97,298	\$0	\$0	\$97,298

Appendix E: SMART Act Annual Performance Report

Pursuant to Section 2-7-205 (1) (b), C.R.S., the Department of Education is required to publish an Annual Performance Report by November 1 of each year. This report is to include a summary of the Department's performance plan and most recent performance evaluation. The report dated October 31, 2014, is attached for consideration by the Joint Budget Committee in prioritizing the Department's budget requests.



Department of Education Annual Performance Report

Strategic Policy Initiatives

The Colorado Department of Education (CDE) provides leadership, resources, support, and accountability to the state's districts, schools, teachers and administrators to help them meet the needs of the state's 876,999 public school students. CDE also provides services and support to the state, regional and local agencies, organizations and programs that work to advance success for all students regardless of circumstance, location or exceptionality. Our strategic goals reflect our focus on Colorado's students and are based on the fundamental belief that the education system as a whole must support every student at every step of the way throughout his/her schooling in order to ensure students leave our system with the knowledge, skills, and dispositions they need to contribute to society and successfully participate in postsecondary education and the workforce. The department also recognizes the importance of ensuring efficient internal operations in order to provide data and resources districts and school need to support their students. The key processes highlighted in this report identify areas that need to be timely and error-free in order to meet these needs.

The Department's complete Performance Plan contains data for each goal, including an analysis of the school year 2013-14 results compared to targets, and action plans. The plan may be accessed [here](#). Below are the strategic goals and performance targets.

Start strong: Every student starts strong with a solid foundation in grades prek-3

Increase the school readiness of our youngest learners by increasing the percentage of four-year-olds served by the Colorado Preschool Program meeting age expectations in literacy and math by 1.5 percent in 2015 and by 4 percent in 2017.

Read by third grade: Every student reads by the end of third grade

Ensure every student attains proficiency in reading by third grade by increasing proficiency on the state assessment from 72 percent in 2014 to 78 percent in 2015, with the goal of 82 percent proficient by 2017.

Meet or exceed standards: Every student meets or exceeds standards in reading and math

Ensure that all students make adequate growth in reading and math, by increasing the percentage of students catching up to proficiency from 20 percent in 2014 to 29 percent in 2015, with goal of 39 percent by 2017. Additionally, maintain or improve the percentage of students keeping up with proficiency targets and moving up to advanced.

Graduate ready: Every student graduates ready for college and careers

Ensure every student graduates college and career ready by increasing the graduation rate from 80 percent in 2013 to 85 percent in 2015, with the goal of 89 percent by 2017.



Department of Education Annual Performance Report

Operational Measures

School Finance – The School Finance Program area is responsible for allocating funds and monitoring costs of providing public education. The units in this program area provide coordinated, quality and efficient supports for funding and infrastructure to districts and schools.

Process – Federal grant fund distributions

Measure	FY12 Actual	FY13 Actual	FY14 Actual	1-Year Goal	3-Year Goal
Percentage of error-free distribution, by line item, per cycle	N/A	N/A	99.8%	99.9%	100%

Colorado districts receive money from multiple sources including federal grants. It is essential that these grant funds are distributed in an accurate and timely manner to districts to they may use them to achieve their goals.

Standards, Assessments, and Learning Supports – This major program area refers to instructional supports for students from preschool through twelfth grade, including design and implementation of the Colorado Academic Standards and Colorado English Language Proficiency Standards and the assessments aligned to those standards.

Process – Implementation of Early Literacy Assessment Tool program to reduce students identified as having a significant reading deficiency

Measure	FY12 Actual	FY13 Actual	FY14 Actual	1-Year Goal	3-Year Goal
Reduce the percentage of students scoring at the well below benchmark level (significant reading deficiency) by 15 percent from beginning of the year to end of the year	N/A	N/A	12.0%	15.0%	15.0%

This measure reflects the implementation of the Assessment Literacy Tool in select schools. As part of this program, CDE has set a goal of reducing the number of student identified as having significant reading deficiencies at the start of the school year by 15 percent when assessed at the end of the school year.

Educator Effectiveness – This major program area comprises all sub-programs and projects connected to the licensure, support, evaluation and development of educators.

Process – Licensure approval

Measure	FY12 Actual	FY13 Actual	FY14 Actual	1-Year Goal	3-Year Goal
Average cycle time, in days, from receipt of application and cleared fingerprint report to PDF license is sent via email	97	42	21	14	14

Colorado needs to have a pool of qualified, licenses professionals to work in our schools and support student achievement. It is essential that the process by which potential educators are licensed and available for hire into Colorado schools be efficient in order to make sure these educators are available to schools.



Department of Education Annual Performance Report

Accountability, Improvement, Innovation, and Choice – The purpose of this program area is to: establish standards, expectations, and criteria for school and district performance; assess school and district performance against those standards; and utilize that information to identify and support schools districts that are struggling to meet the state’s student performance goals. The goal is to foster and implement the conditions and policies which will allow for quick and dramatic improvements in student learning and services.

Process – Creation and dissemination of District and School Performance Frameworks

Measure	FY12 Actual	FY13 Actual	FY14 Actual	1-Year Goal	3-Year Goal
Percent of error-free District and School Performance Frameworks produced per annual cycle	N/A	100%	100%	100%	100%

The data in District and School Performance Frameworks are used by the state for district accreditation and by the districts and schools to evaluate their own performance and target areas for improvement. For this reason, it is essential these reports be error-free.

Information and Communication – This program area comprises all work related to collecting and providing data and information on the Colorado education system.

Process – Creation and dissemination of student growth reports

Measure	FY12 Actual	FY13 Actual	FY14 Actual	1-Year Goal	3-Year Goal
Percentage of error-free student growth reports produced per cycle	100%	100%	100%	100%	100%

As with the data in the District and School Performance Frameworks, student growth data are used by districts and schools to evaluate their own performance and target areas for improvement. For this reason, it is essential these reports be error-free.



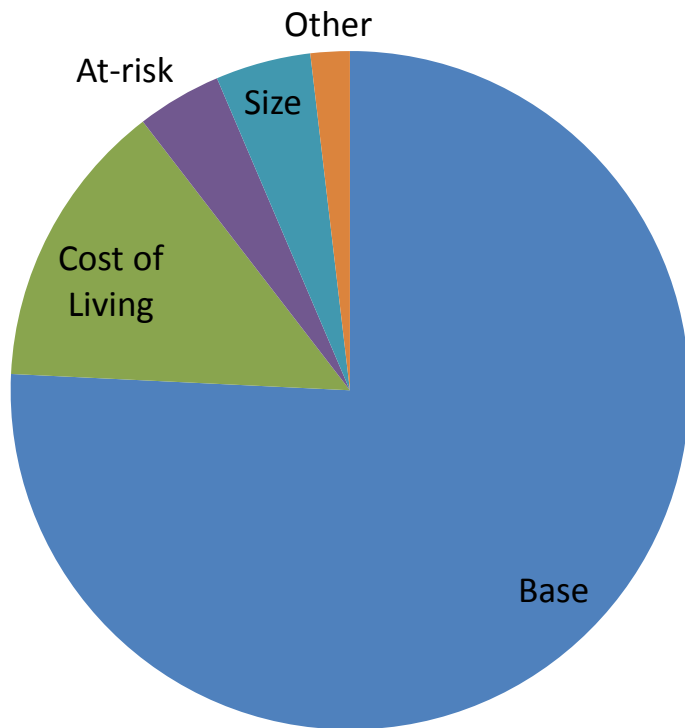
JBC Staff FY 2015-16 Budget Briefing Department of Education

Presented by:

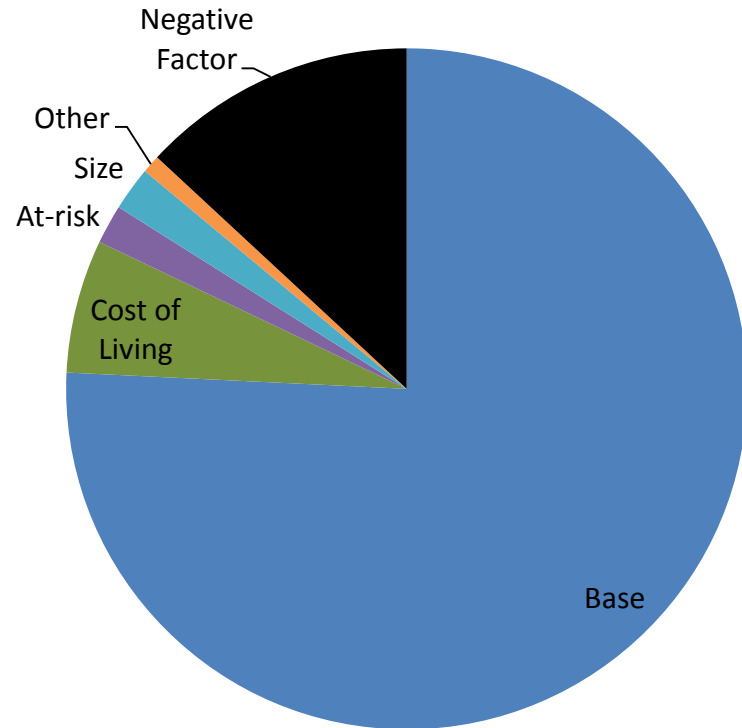
Craig Harper, JBC Staff

December 10, 2014

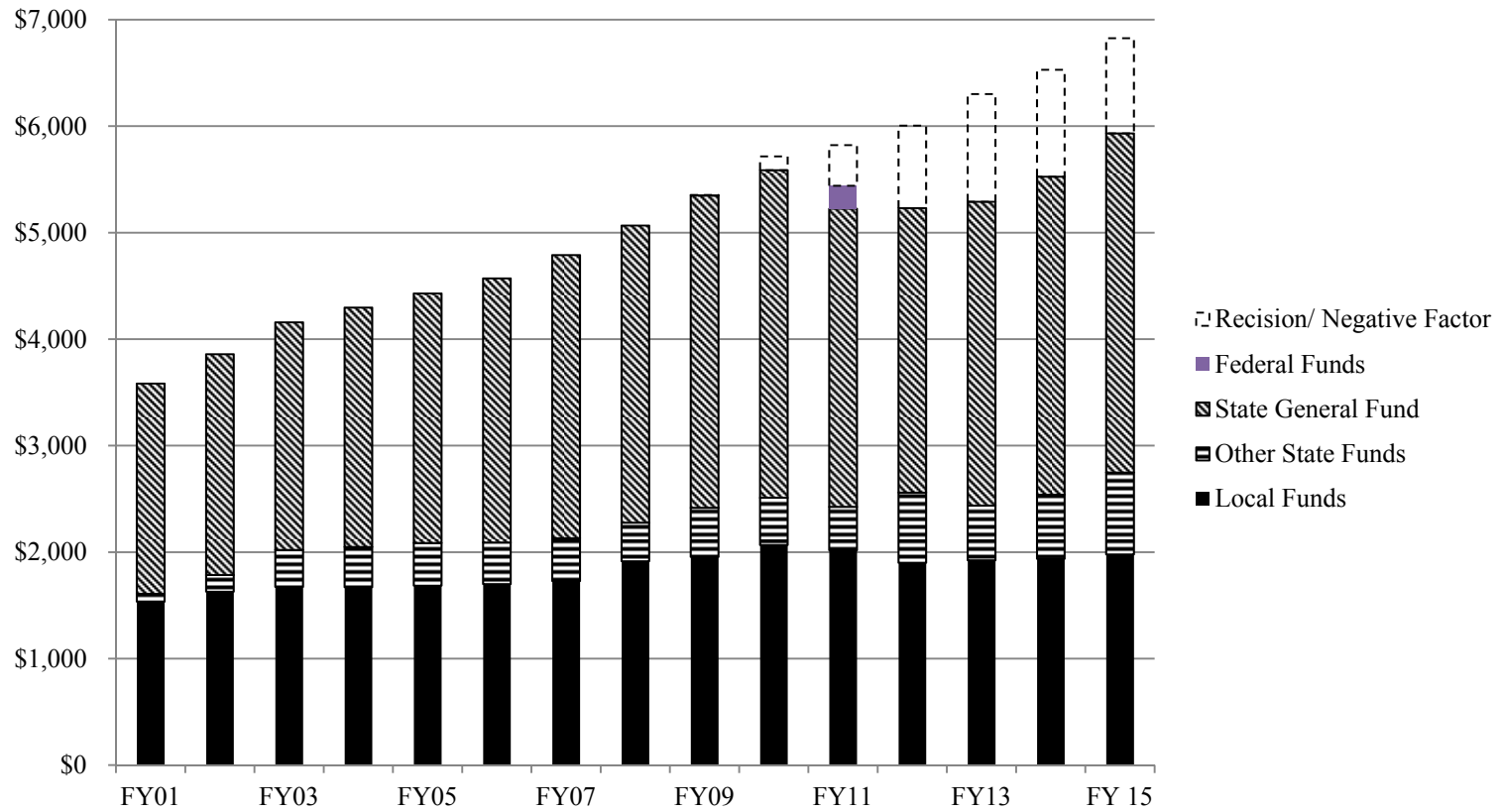
Without Negative Factor



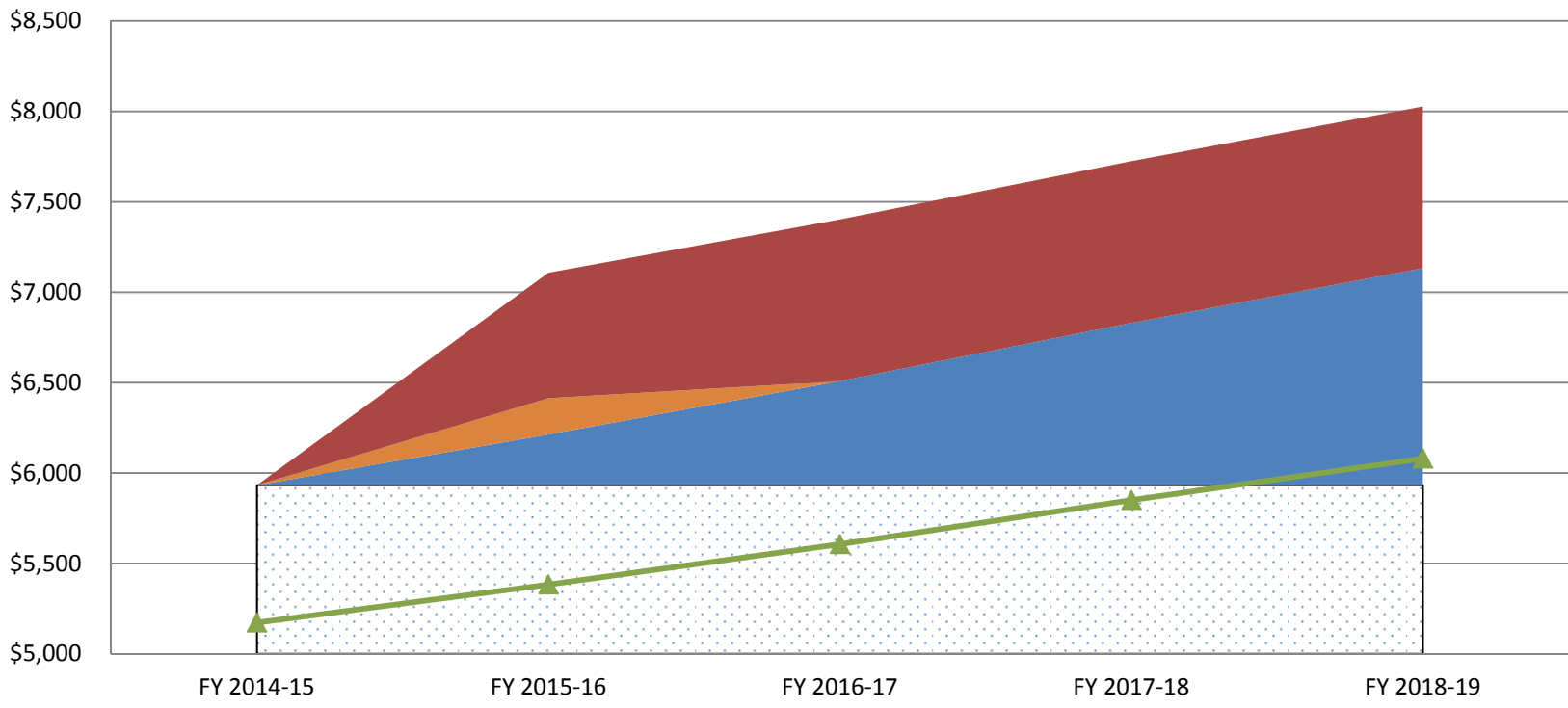
With Negative Factor



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



**School Districts' Total Program Funding Projections - LCS September 2014 Revenue Forecast
(\$ millions)**



Current Funding
 Current Law (Constant Negative Factor)
 Governor Request
 Eliminate Negative Factor
 Statewide Base Per Pupil Funding

TABLE 2: Projection of General Fund Need for Public School Finance**(LCS Forecast with \$100 Million Minimum SEF Balance - \$ in millions)**

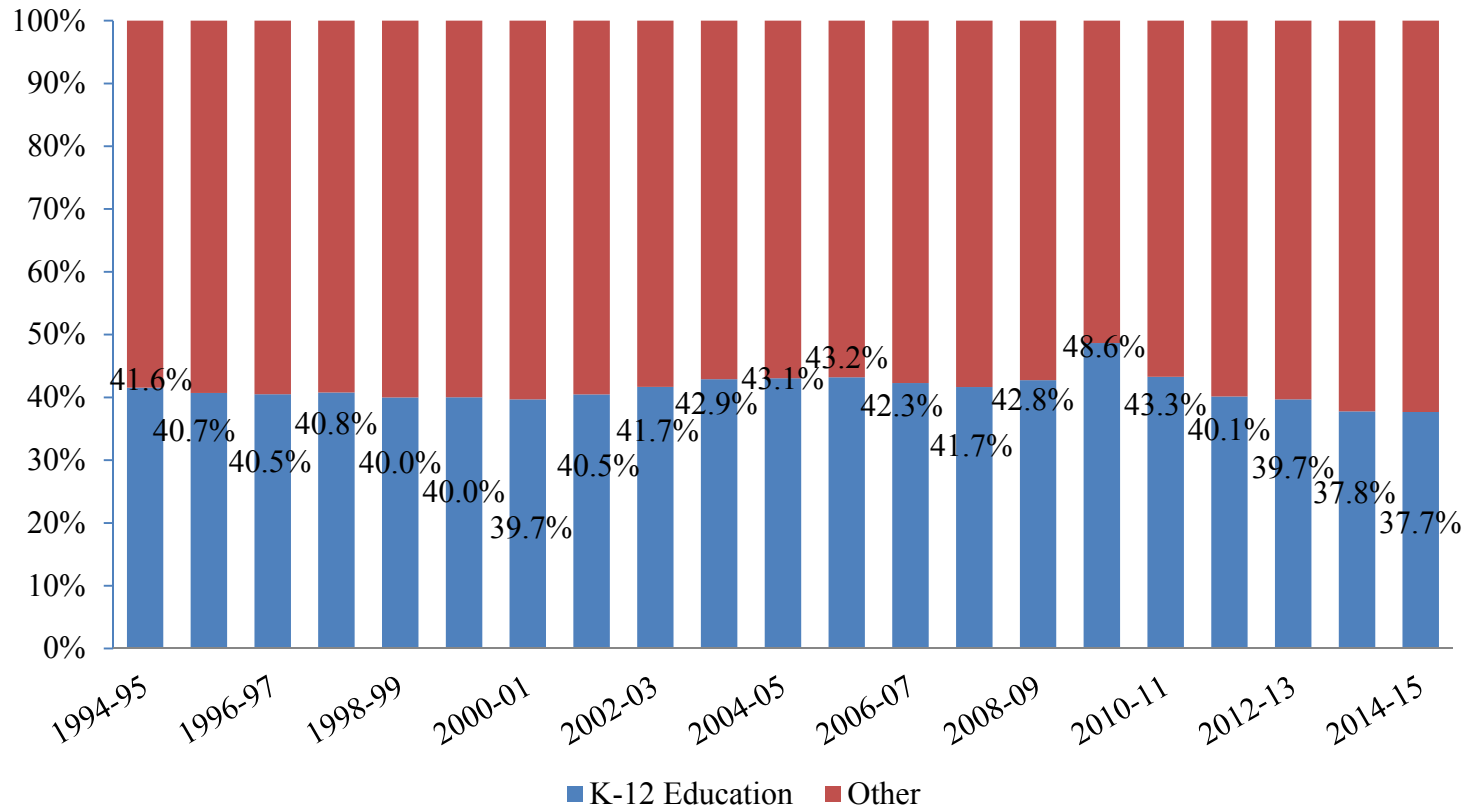
	FY 2015-16	FY 2016-17	FY 2017-18	FY 2018-19
Base Appropriation	\$3,184.0	\$4,123.3	\$4,890.0	\$5,051.2
Current Law - Maintain Negative Factor as a Dollar Amount	244.9	362.6	369.4	212.8
Governor Request - One-time \$200 Million Negative Factor Reduction	239.9	577.4	369.4	212.8
Eliminate Negative Factor in FY 2015-16	939.3	766.7	161.2	210.1
Adjusted GF Appropriation to "Fully Fund" Formula (Eliminating Negative Factor)	\$4,123.3	\$4,890.0	\$5,051.2	\$5,261.4
Total Annual GF Change	\$939	\$767	\$161	\$210
Total Annual Percent Change	29.5%	18.6%	3.3%	4.2%

TABLE 3: Projection of General Fund Need for Public School Finance

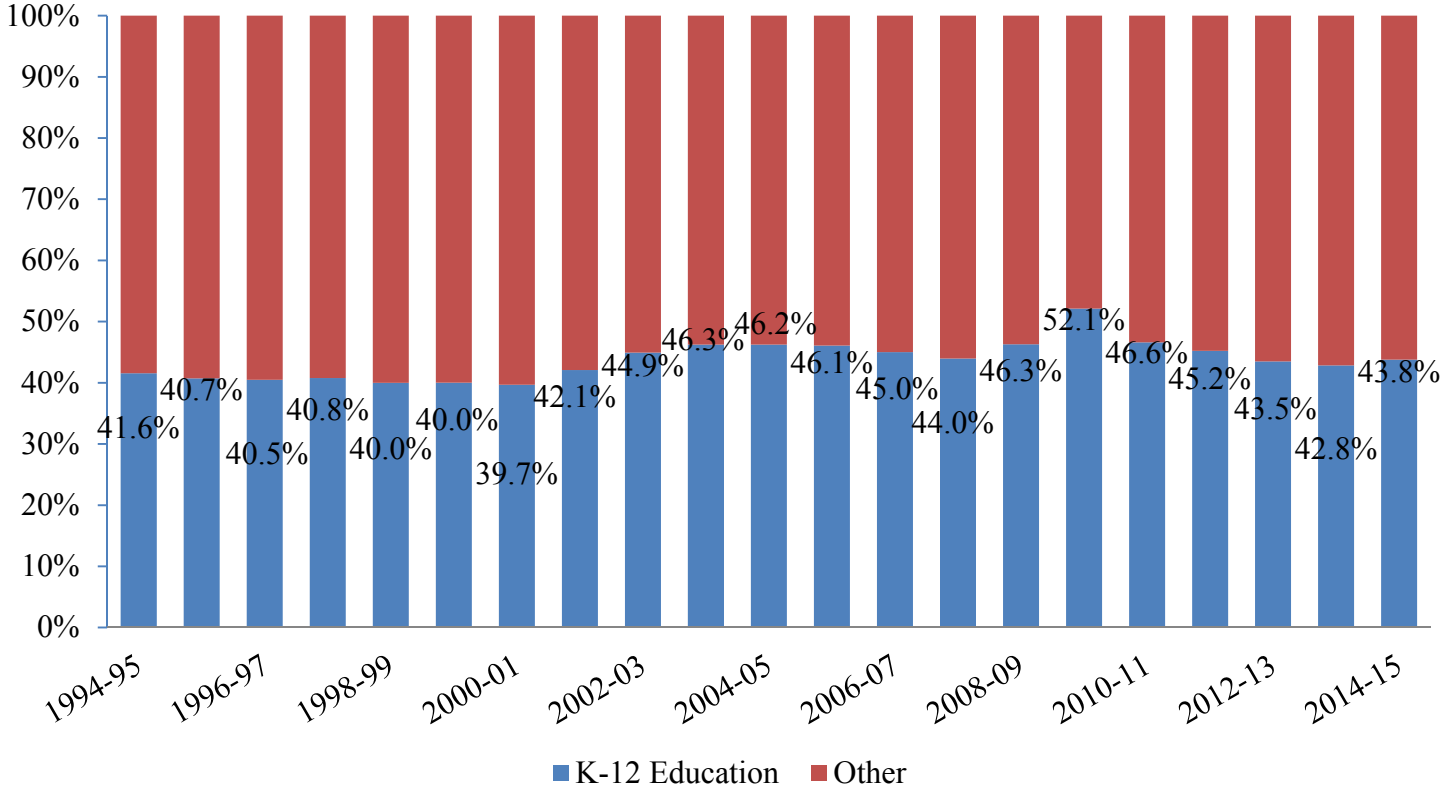
(LCS Forecast with \$400 Million Minimum SEF Balance - \$ in millions)

	FY 2015-16	FY 2016-17	FY 2017-18	FY 2018-19
Base Appropriation	\$3,184.0	\$4,427.1	\$4,883.2	\$5,044.4
Current Law - Maintain Negative Factor as a Dollar Amount	348.9	456.0	161.2	210.1
Eliminate Negative Factor in FY 2015-16	1,243.0	456.1	161.2	210.1
Adjusted GF Appropriation to "Fully Fund" Formula (Eliminating Negative Factor)	\$4,427.1	\$4,883.2	\$5,044.4	\$5,254.6
Total Annual GF Change	\$1,243	\$456	\$161	\$210
Total Annual Percent Change	39.0%	10.3%	3.3%	4.2%

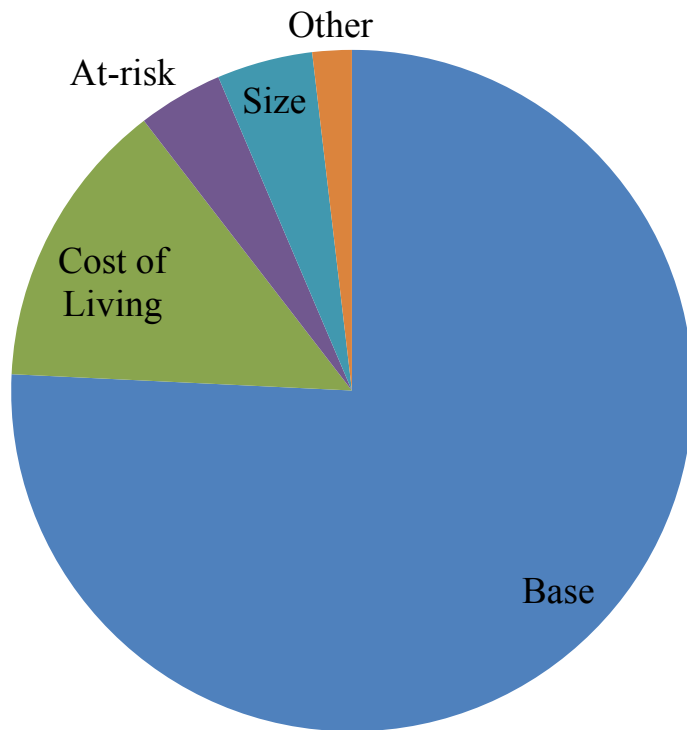
Education Share of General Fund (without SEF)



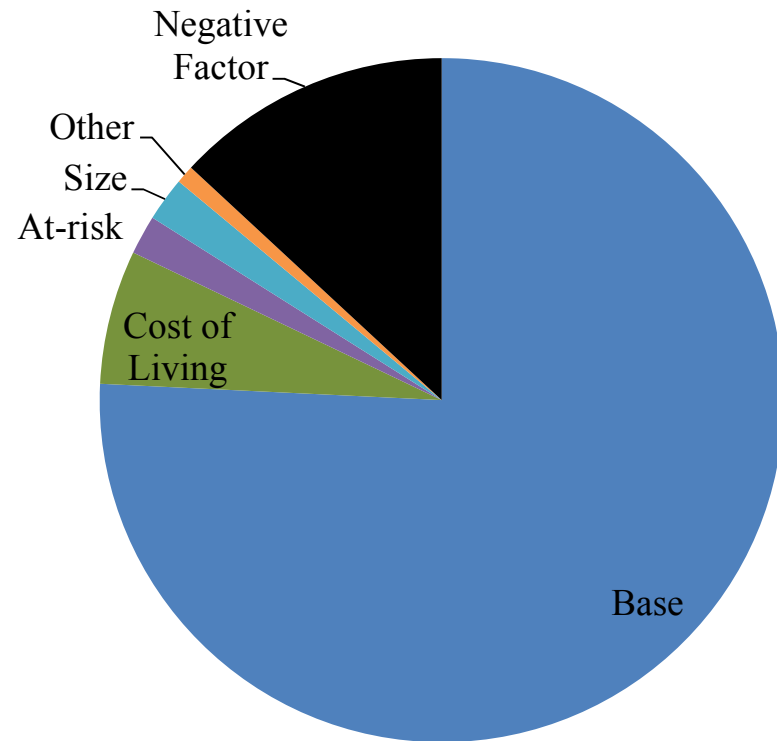
**Education Percentage of General Fund
(including SEF)**



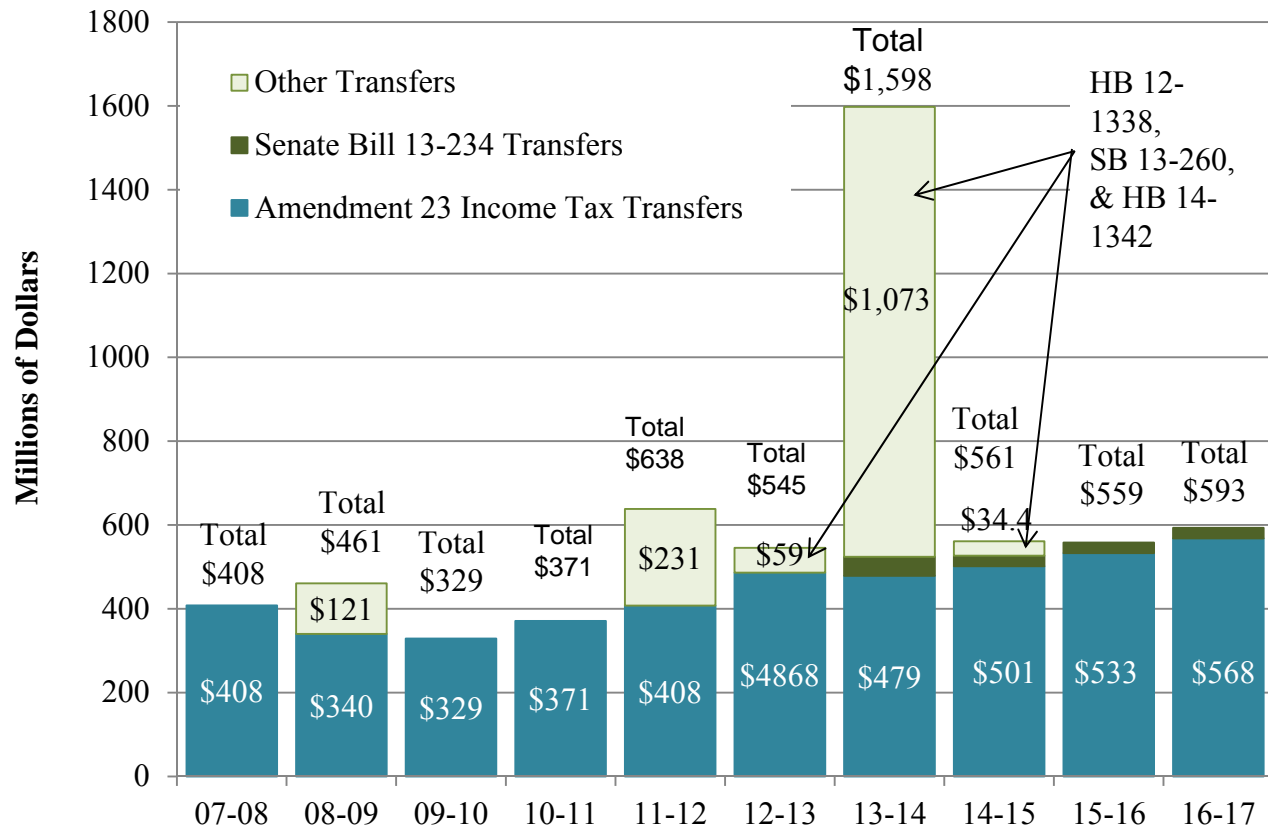
Without Negative Factor



With Negative Factor

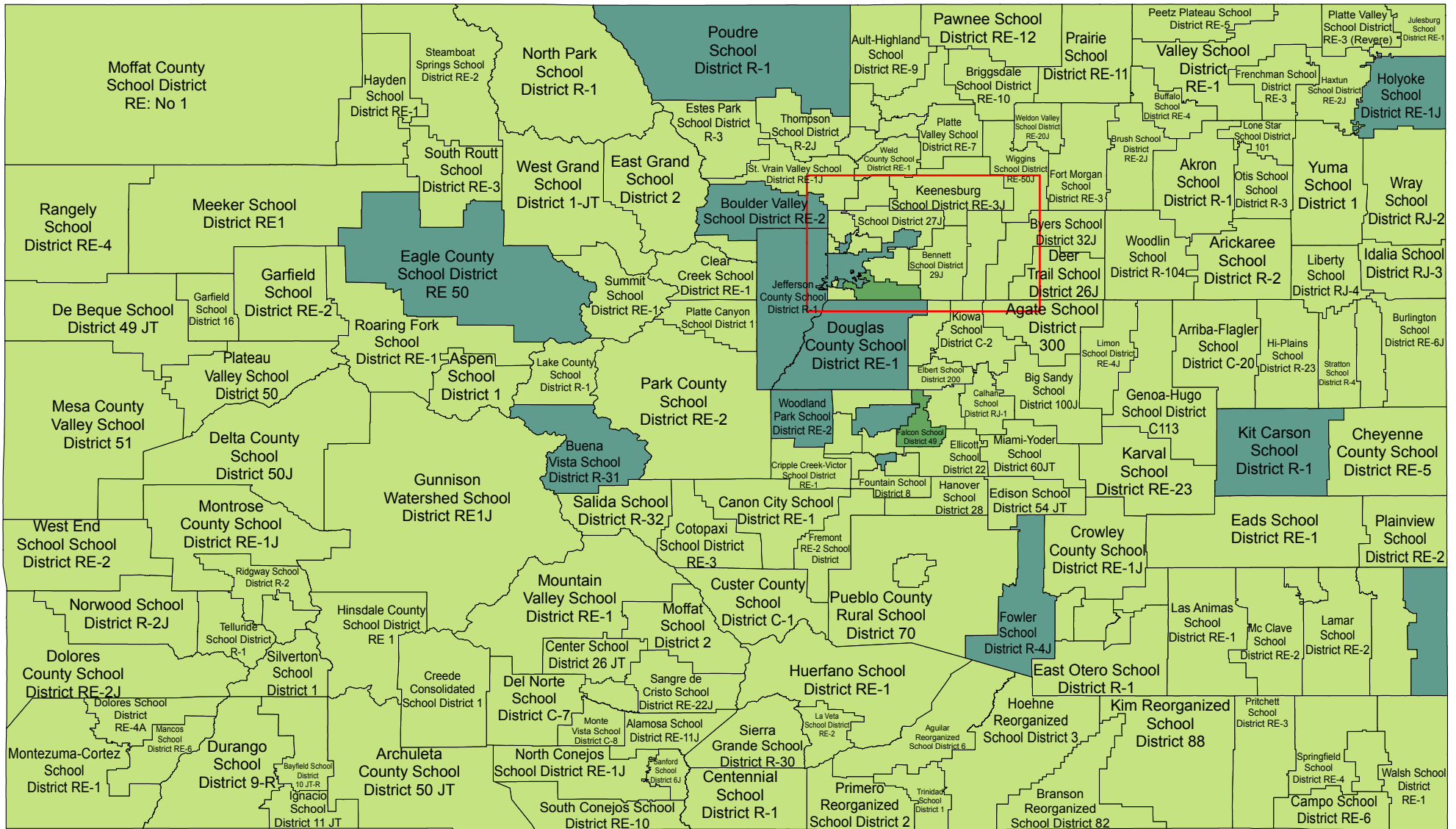


State Education Fund Revenues - \$ in millions



HB 12-1338, SB 13-260, & HB 14-1342

(LCS September 2014 Revenue Forecast)

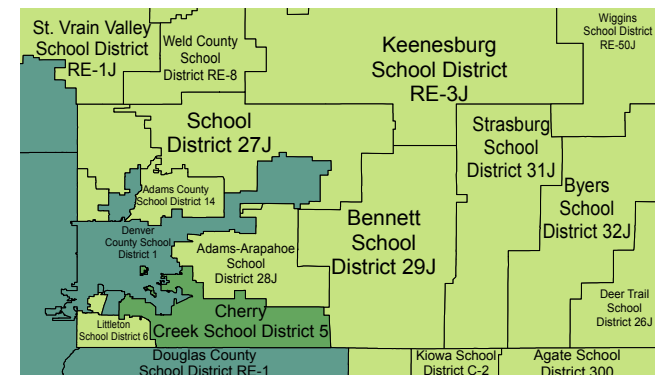


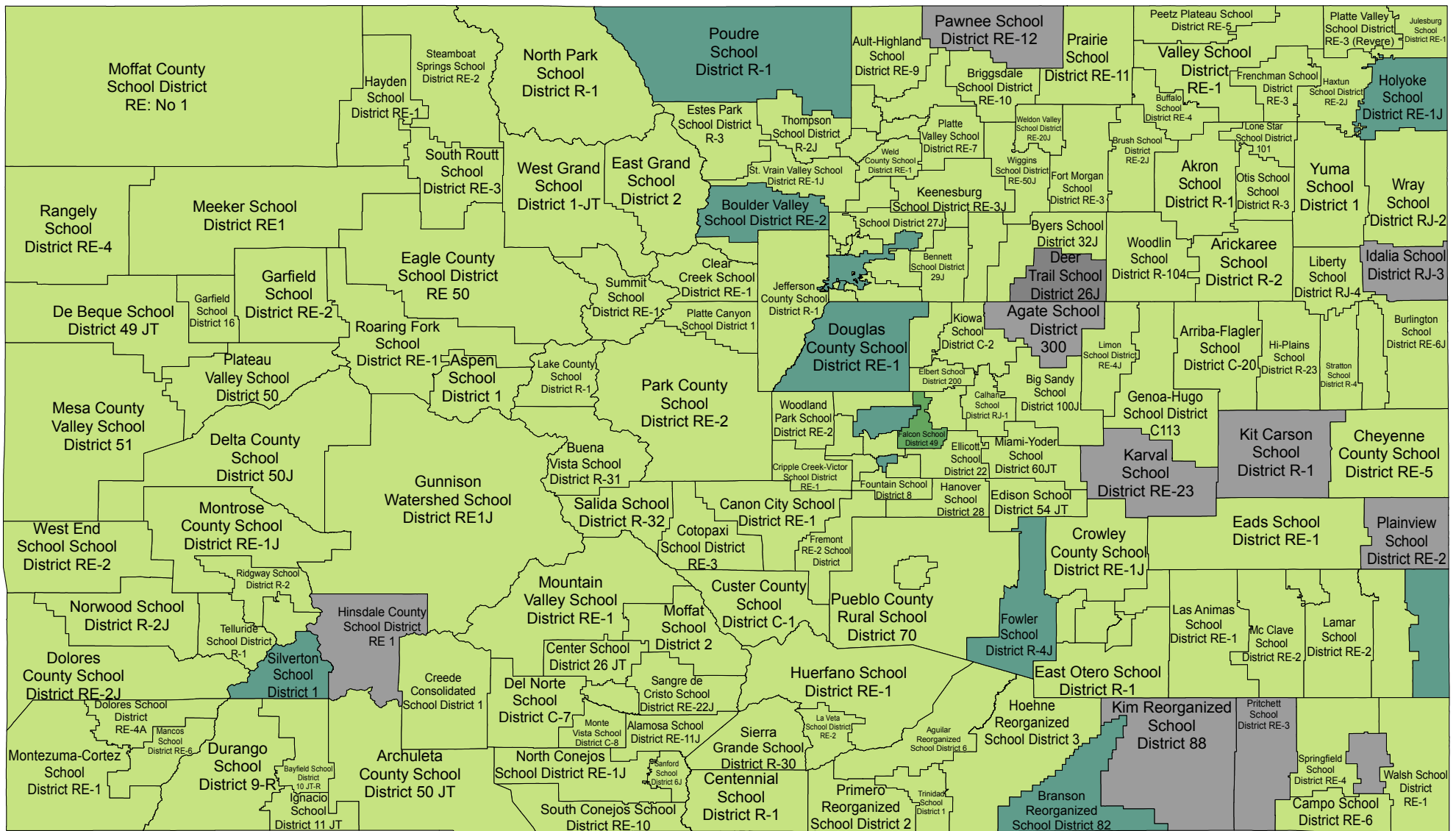
Evaluation Systems for Teachers, 2013-14

Legend

Teacher

- Local Evaluation System
- State Model
- State Model/Local Evaluation System





Legend

Principal

- Local Evaluation System
- N/A
- Not Employed
- State Model
- State Model/Local Evaluation System

Evaluation Systems for Principals, 2013-14

