



JOINT BUDGET COMMITTEE STAFF FY 2018-19 BUDGET BRIEFING SUMMARY

Colorado General Assembly
Joint Budget Committee

Department of Education

The Department of Education supports the State Board of Education in its duty to exercise general supervision over public schools, including accrediting public schools and school districts. The Department distributes state and federal funds to school districts, and it administers a variety of education-related programs, including educator licensure, education programs for children with special needs, English language proficiency programs, the Colorado Preschool Program, and a variety of grant programs. The Department develops and maintains state model content standards, and administers associated assessments. The Department also includes three independent agencies: (1) the Board of Trustees for the Colorado School for the Deaf and the Blind; (2) the State Charter School Institute Board, which is responsible for authorizing and monitoring institute charter schools; and (3) the Public School Capital Construction Assistance Board, which is responsible for assessing public school capital construction needs statewide and making recommendations concerning the prioritization of state financial assistance for school construction projects. The Department's FY 2017-18 appropriation represents approximately 19.4 percent of statewide operating appropriations and 38.6 percent of statewide General Fund appropriations.

FY 2017-18 APPROPRIATION AND FY 2018-19 REQUEST

DEPARTMENT OF EDUCATION						
	TOTAL FUNDS	GENERAL FUND	CASH FUNDS	REAPPROPRIATED FUNDS	FEDERAL FUNDS	FTE
FY 2017-18 APPROPRIATION:						
SB 17-254 (Long Bill)	5,595,962,364	4,102,153,140	811,003,279	34,572,434	648,233,511	598.5
Other legislation	(77,372)	18,414	(95,786)	0	0	0.7
TOTAL	\$5,595,884,992	\$4,102,171,554	\$810,907,493	\$34,572,434	\$648,233,511	599.2
FY 2018-19 APPROPRIATION:						
FY 2017-18 Appropriation	\$5,595,884,992	4,102,171,554	\$810,907,493	\$34,572,434	\$648,233,511	599.2
R1 Total program increase	243,362,157	76,934,590	166,427,567	0	0	0.0
R2 Categorical programs increase	8,928,668	0	8,928,668	0	0	0.0
R3 Staffing information management systems	462,865	462,865	0	0	0	3.0
R4 State Board meeting transcription	140,408	140,408	0	0	0	0.0
R5 CSDB teacher salary increase	87,666	87,666	0	0	0	0.0
R6 CSI mill levy equalization	11,047,724	5,523,862	0	5,523,862	0	0.0
R7 Career development success pilot increase	1,000,000	1,000,000	0	0	0	0.0
Centrally appropriated line items	1,477,458	459,403	285,758	129,704	602,593	0.0
Financial transparency system maintenance	600,000	0	600,000	0	0	0.0
Educator licensure increase	138,000	0	138,000	0	0	0.0
Annualize prior year legislation	21,883	3,508	18,375	0	0	0.0
Non-prioritized items	9,781	9,781	0	0	0	0.0
TOTAL	\$5,863,161,602	\$4,186,793,637	\$987,305,861	\$40,226,000	\$648,836,104	602.2
INCREASE/(DECREASE)	\$267,276,610	\$84,622,083	\$176,398,368	\$5,653,566	\$602,593	3.0
Percentage Change	4.8%	2.1%	21.8%	16.4%	0.1%	0.5%

R1 TOTAL PROGRAM INCREASE: The request includes a net increase of \$243.4 million total funds for appropriations related to school finance (including increases of \$76.9 million General Fund and \$166.4 million cash funds). The increase in total funds includes \$243.0 million for the state share of districts' total program funding and \$0.4 million for hold-harmless full-day kindergarten funding. Based on the Office of State Planning and Budgeting (OSP) September 2017 Revenue Forecast, and including OSP's projection of local revenues, the proposal would: (1) increase statewide average per pupil funding by \$343.38 (4.5 percent); and (2) *decrease* the dollar value of the budget stabilization factor by \$70.0 million (from \$828.3 million in FY 2017-18 to \$758.3 million in FY 2018-19, or 8.5 percent). The request does not specify a budget stabilization factor for FY 2019-20 or subsequent years.

R2 CATEGORICAL PROGRAMS INCREASE: Amendment 23 requires the General Assembly to increase *total state funding* for all categorical programs (in aggregate) by at least the rate of inflation in FY 2018-19. The request, based on the OSPB-projected inflation rate for CY 2017 (3.0 percent), seeks an increase of \$8.9 million in additional funding from the State Education Fund for categorical programs in FY 2018-19, with the requested increase allocated among seven programs. The following table shows the requested allocation of additional funds by program. In a change from recent years, the request seeks increases for two programs that have not received increases in several years: (1) the Expelled and At-Risk Student Services (EARSS) Grant Program, which has not received an increase since FY 2010-11; and (2) the Comprehensive Health Education program, which has not received an increase in more than ten years.

R2 Requested Increases in <i>State Funding</i> for Categorical Programs				
Long Bill Line Item	FY 2017-18 Appropriation	FY 2018-19 Request	Change in State Funding	Percent Change
Special Education - Children with Disabilities	\$171,591,964	\$175,453,491	\$3,861,527	2.3%
English Language Proficiency Program	20,283,048	21,410,681	1,127,633	5.6%
Public School Transportation	57,651,722	58,883,588	1,231,866	2.1%
Career and Technical Education Programs	26,164,481	26,599,207	434,726	1.7%
Special Education - Gifted and Talented Children	12,355,524	12,502,440	146,916	1.2%
Expelled and At-risk Student Services Grant Program	7,493,560	9,493,560	2,000,000	26.7%
Small Attendance Center Aid	1,076,550	1,076,550	0	0.0%
Comprehensive Health Education	1,005,396	1,131,396	126,000	12.5%
Total	\$297,622,245	\$306,550,913	\$8,928,668	3.0%

R3 STAFFING INFORMATION MANAGEMENT SYSTEMS: The request includes an increase of \$462,865 General Fund and 3.0 FTE to improve the Department's information management systems. This request (R3) represents the operating funding associated with a \$2.3 million capital information technology (IT) request submitted to the Joint Technology Committee in October 2017, bringing the total (operating and capital) cost of the request to \$2.8 million in FY 2018-19. The capital request, which will be addressed through the capital IT budget process, is intended to support upgrades to the Department's IT infrastructure, particularly to improve information security. Request R3 would provide the ongoing operating funding and FTE to successfully implement the capital request, including 2.0 FTE focused on information security and 1.0 FTE to modernize and re-design the Department's public and private data reporting processes and systems.

R4 STATE BOARD MEETING TRANSCRIPTION: The request includes an increase of \$140,408 General Fund to support the transcription of State Board of Education (State Board) meetings. State Board meetings are broadcast live on the internet (audio only) and available as audio recordings on the Department's website, including audio recordings of meetings from January 2014 to the present. However, a 2016 review by the U.S. Department of Education's Office of Civil Rights (OCR) found that State Board meetings must be transcribed and the transcriptions posted to the Department's website in order to provide access to the meetings for individuals who are deaf or hard of hearing. The Department has entered into an agreement with OCR to transcribe all of the meetings currently posted to the website

and all meetings going forward. Request R4 would support the anticipated contract costs to transcribe all of the meetings from January 2014 through FY 2018-19. The request assumes ongoing costs of \$25,580 General Fund per year to continue to transcribe future monthly meetings.

R5 CSDB TEACHER SALARY INCREASE: The request includes an increase of \$87,666 General Fund for salary increases for teachers employed at the Colorado School for the Deaf and the Blind (CSDB). Statute (Sec. 22-80-106.5, C.R.S.) requires the CSDB to compensate teachers based on the Colorado Springs District 11 salary schedule, using the CSDB’s salary policies to implement the salary schedule. To align with the revised District 11 salary schedule for FY 2017-18 (the CSDB salaries lag District 11 by one year), the total request of \$87,666 includes \$56,806 for experience step increases and \$30,860 for a 1.0 percent one-time (non-recurring) across the board increase.

R6 CSI MILL LEVY EQUALIZATION: The request includes an increase of \$11.0 million total funds (including \$5.5 million General Fund appropriated to the Mill Levy Equalization Fund and \$5.5 million reappropriated funds to appropriate those funds out of the cash fund) for distribution to Colorado Charter School Institute (CSI) schools in FY 2018-19. Using the cash fund created in H.B. 17-1375 (Distributing Mill Levy Override Revenue to Charter Schools), the proposal would distribute funding to CSI schools on a per pupil basis in an amount equal to the per pupil amounts of mill levy override funding distributed to district-authorized charter schools within each CSI school’s respective school district. Thus, the request is intended to match the override funding being distributed by school districts to district-authorized charter schools in FY 2018-19.

R7 CAREER DEVELOPMENT SUCCESS PILOT INCREASE: The request includes an increase of \$1.0 million General Fund to expand the Career Development Success Pilot Program created in H.B. 16-1289. The requested increase would double the FY 2017-18 appropriation of \$1.0 million General Fund for a total of \$2.0 million in FY 2018-19. The program provides financial incentives for participating school districts and charter schools that encourage high school students to complete a qualified workforce program, including the following in priority order: industry credential programs, internships, residencies, construction pre-apprenticeship or apprenticeship programs, or qualified advanced placement courses. Given demand for the program in FY 2017-18, the Department was only able to pay incentives for industry credentials/certificates based on the available funding. The request seeks to double the appropriation for FY 2018-19 to allow more school districts and programs to participate.

CENTRALLY APPROPRIATED ITEMS: The request includes an increase of \$1.5 million total funds (including \$459,403 General Fund) related to employee benefits and other centrally appropriated items. The following table summarizes the requested changes.

CENTRALLY APPROPRIATED LINE ITEMS						
	TOTAL FUNDS	GENERAL FUND	CASH FUNDS	REAPPROPRIATED FUNDS	FEDERAL FUNDS	FTE
Salary survey adjustment	\$1,474,713	\$515,668	\$214,113	\$161,344	\$583,588	0.0
Health, life, and dental adjustment	265,869	65,522	108,823	14,211	77,313	0.0
Workers’ compensation adjustment	12,721	5,683	1,659	860	4,519	0.0
CORE adjustment	11,830	4,491	1,482	5,857	0	0.0
Shift differential adjustment	5,868	5,868	0	0	0	0.0
Leased space adjustment	0	0	0	0	0	0.0
Legal services adjustment	(79,622)	(46,025)	(31,554)	(2,043)	0	0.0
Capitol Complex leased space adjustment	(68,978)	(19,395)	(9,258)	(12,478)	(27,847)	0.0
Payments to OIT adjustment	(60,961)	(23,147)	(7,632)	(30,182)	0	0.0
ALJ adjustment	(41,853)	0	(34,629)	(7,224)	0	0.0
AED adjustment	(11,784)	(17,481)	21,495	54	(15,852)	0.0
SAED adjustment	(11,784)	(17,481)	21,495	54	(15,852)	0.0
Payment to risk management / property funds adjustment	(11,278)	(11,278)	0	0	0	0.0
Short-term disability adjustment	(7,283)	(3,022)	(236)	(749)	(3,276)	0.0

CENTRALLY APPROPRIATED LINE ITEMS						
	TOTAL FUNDS	GENERAL FUND	CASH FUNDS	REAPPROPRIATED FUNDS	FEDERAL FUNDS	FTE
TOTAL	\$1,477,458	\$459,403	\$285,758	\$129,704	\$602,593	0.0

FINANCIAL TRANSPARENCY SYSTEM MAINTENANCE: The request includes an increase of \$600,000 cash funds from the Financial Reporting Fund to support the ongoing maintenance of the financial transparency system authorized in H.B. 14-1292 (Student Success Act). The original legislation transferred \$3.0 million cash funds from the State Education Fund to the newly created Financial Reporting Fund and continuously appropriated those funds to the Department for FY 2014-15 through FY 2017-18 to create a financial transparency system allowing for the comparison of expenditures across schools, districts, and other local education providers.¹ Money remaining in the Financial Reporting Fund (an estimated \$1.1 million at the end of FY 2017-18) is subject to legislative appropriation in FY 2018-19 and subsequent years. The Final Fiscal Note for H.B. 14-1292 assumes ongoing expenses of \$600,000 per year to maintain the system, and the request seeks that amount of funding (from the remaining balance of the Financial Reporting Fund) for FY 2018-19.

EDUCATOR LICENSURE INCREASE: The request includes an increase of \$138,000 cash funds from the Educator Licensure Cash Fund to align appropriations with planned expenditures based on the Office of Professional Services' current FY 2017-18 budget. Please note that the Educator Licensure Cash Fund has been continuously appropriated to the Department for FY 2011-12 through FY 2017-18, with appropriations from the fund reflected in the Long Bill for informational purposes only. However, under current law the cash fund will again be subject to legislative appropriation beginning in FY 2018-19.

ANNUALIZE PRIOR YEAR LEGISLATION: The request includes adjustments to reflect the FY 2018-19 impact of legislation passed in prior years, including the adjustments shown in the following table.

ANNUALIZE PRIOR YEAR LEGISLATION						
	TOTAL FUNDS	GENERAL FUND	CASH FUNDS	REAPPROPRIATED FUNDS	FEDERAL FUNDS	FTE
Annualize SB 17-296 (School Finance)	\$48,375	\$0	\$48,375	\$0	\$0	0.0
Annualize HB 17-1276 (Restrict Restraints)	3,508	3,508	0	0	0	0.0
Annualize SB 17-025 (Marijuana Resource Bank)	(30,000)	0	(30,000)	0	0	0.0
TOTAL	\$21,883	\$3,508	\$18,375	\$0	\$0	0.0

NON-PRIORITIZED ITEMS: The request includes increases totaling \$9,781 General Fund for items requested by other agencies that impact this department. The table below itemizes the two non-prioritized items requested for FY 2018-19.

NON-PRIORITIZED ITEMS						
	TOTAL FUNDS	GENERAL FUND	CASH FUNDS	REAPPROPRIATED FUNDS	FEDERAL FUNDS	FTE
Annual fleet vehicle request (DPA)	\$6,968	\$6,968	\$0	\$0	\$0	0.0
Cybersecurity liability insurance policy (OIT)	2,813	2,813	0	0	0	0.0
TOTAL	\$9,781	\$9,781	\$0	\$0	\$0	0.0

¹ The system website is available at: <https://coloradok12financialtransparency.com/#/>

SUMMARY OF ISSUES PRESENTED TO THE JOINT BUDGET COMMITTEE

SCHOOL FINANCE ACT FUNDING PROJECTIONS: Current law requires the General Assembly to provide at least enough funding for school finance in FY 2018-19 to maintain the budget stabilization factor at no more than the dollar amount from FY 2017-18 (\$828.3 million based on the current FY 2017-18 appropriation). Based on current Legislative Council Staff estimates of revenues and pupil counts, maintaining the budget stabilization factor at \$828.3 million in FY 2018-19 would require an additional \$243.1 million total state funds (including increases of \$102.9 million General Fund and \$140.2 million from cash fund sources) above the FY 2017-18 appropriation. Barring changes to other appropriations, any reduction in the budget stabilization factor for FY 2018-19 would require additional General Fund.

TAXPAYER INEQUITY IN THE SCHOOL FINANCE PROPERTY TAX SYSTEM: A mix of local and state revenues support school finance in Colorado. Local funds, primarily from property taxes, form the foundation of school finance funding. State funds make up the difference between the local revenues available and the school district's total program funding amount. Inequitable property tax rates (mill levies) generate taxpayer inequities between school districts and increase pressure on the state budget when reduced mill levies decrease local school finance revenues.

S.B. 17-267 STATUTORY APPROPRIATION FOR SCHOOL FINANCE: Beginning in FY 2018-19, S.B. 17-267 (Sustainability of Rural Colorado) transfers 12.59 percent of state marijuana sales tax revenue to the State Public School Fund and statutorily appropriates that amount to the Department of Education to support the state share of districts total program funding. The statutory appropriation of those funds in the year of collection introduces uncertainty into all of the calculations underlying annual appropriations for total program, as the amount generated by the tax will be unknown until the close of the fiscal year. To reduce uncertainty in school finance funding, staff recommends eliminating the statutory appropriation and making the funds subject to annual appropriation.

EARLY COLLEGE ENROLLMENT AND BUDGET IMPACT: Early college high schools provide curricula that ensure that students who successfully complete the curricula will have earned a high school diploma and completed either an associate's degree or sixty credits toward the completion of a postsecondary credential. The number of early colleges and enrollment in the programs has increased significantly. While many early college students graduate in four years, students that remain beyond year four (for whom schools continue to receive school finance funding) increase costs to the State and raise budgetary and policy concerns about the efficient use of state resources and the substitution of state funds for other sources such as Pell Grants.

R6 CSI MILL LEVY EQUALIZATION: With request R6, the Department proposes an increase of \$5.5 million General Fund appropriated to the Mill Levy Equalization Fund (and the same amount of reappropriated funds to appropriate funds out of the cash fund) to equalize local mill levy overrides for Charter School Institute (CSI) schools that cannot access local (district) override funds. The proposal would distribute funding to CSI schools on a per pupil basis in an amount equal to the per pupil amounts of mill levy override funding that school districts are sharing with district-authorized charter schools within each CSI school's respective geographic district. The request raises concerns about the impact of CSI mill levy equalization on the state budget, incentives for school districts and charter schools to route charter schools to CSI to maximize access to revenues, incentives to locate CSI schools in districts with large overrides, and overall equity in the school finance system related to override revenues.

CSDB PERFORMANCE AND CDE OVERSIGHT: For the past year, external stakeholder groups have voiced concerns about deaf education in Colorado and specifically about the performance and operations of the Colorado School for the Deaf and the Blind (CSDB). In response, JBC staff has worked with CSDB, the Department, and external groups

to research both the performance and operations of the CSDB *and* the Department's role overseeing the school. In light of the concerns raised through this process, staff recommends that the Committee ask the Department to contract for an independent external financial and performance review of the operations, performance, and academic expectations and outcomes of the school (to be conducted within the Department's existing resources).

REPEAL OF UNFUNDED GRANT PROGRAMS: Staff has identified twelve grant programs within the Department of Education's statutes that have not been funded in at least five years and recommends that the General Assembly repeal the programs that it does not intend to fund going forward.

FOR MORE INFORMATION

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TO READ THE ENTIRE BRIEFING: http://leg.colorado.gov/sites/default/files/fy2018-19_edubrf.pdf