JOINT
BUDGET
COMMITTEE

STAFF BUDGET BRIEFING
FY 2018-19

DEPARTMENT OF EDUCATION

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

PREPARED BY:
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DECEMBER 11, 2017

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CONTENTS

DEPARTMENT OF EDUCATION

DEPARTMENT OVERVIEW

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

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

The Department also includes three "type 1"[1] agencies:

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

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[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.

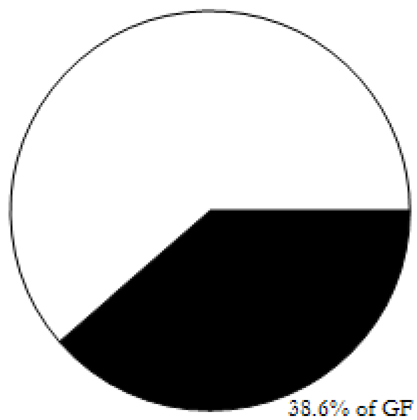
DEPARTMENT BUDGET: RECENT APPROPRIATIONS

FUNDING SOURCE	FY 2015-16	FY 2016-17	FY 2017-18	FY 2018-19 *
General Fund	$3,478,443,043	$3,764,862,059	$4,102,171,554	$4,186,793,637
Cash Funds	1,146,145,308	1,012,079,491	810,907,493	987,305,861
Reappropriated Funds	31,757,276	33,261,008	34,572,434	40,226,000
Federal Funds	650,649,929	648,328,512	648,233,511	648,836,104
TOTAL FUNDS	**$5,306,995,556**	**$5,458,531,070**	**$5,595,884,992**	**$5,863,161,602**
Full Time Equiv. Staff	598.8	599.5	599.2	602.2

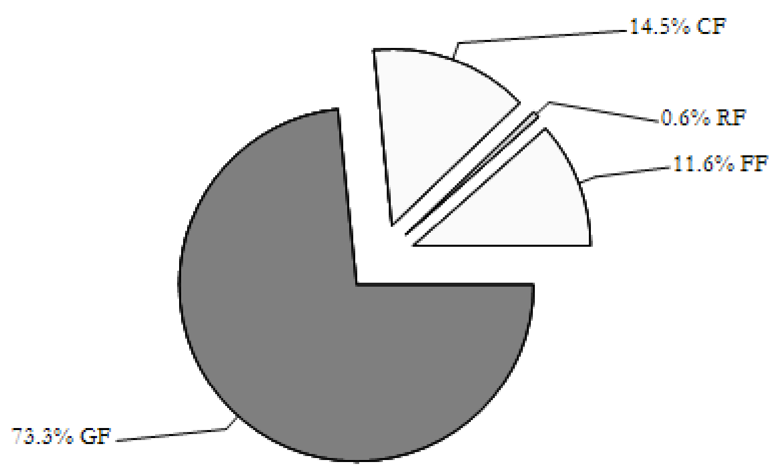
*Requested appropriation.

DEPARTMENT BUDGET: GRAPHIC OVERVIEW

Department's Share of Statewide General Fund

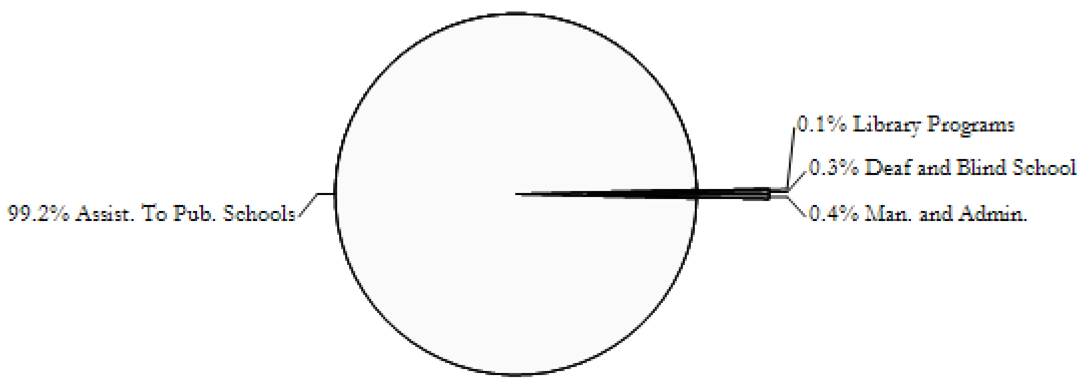


Department Funding Sources

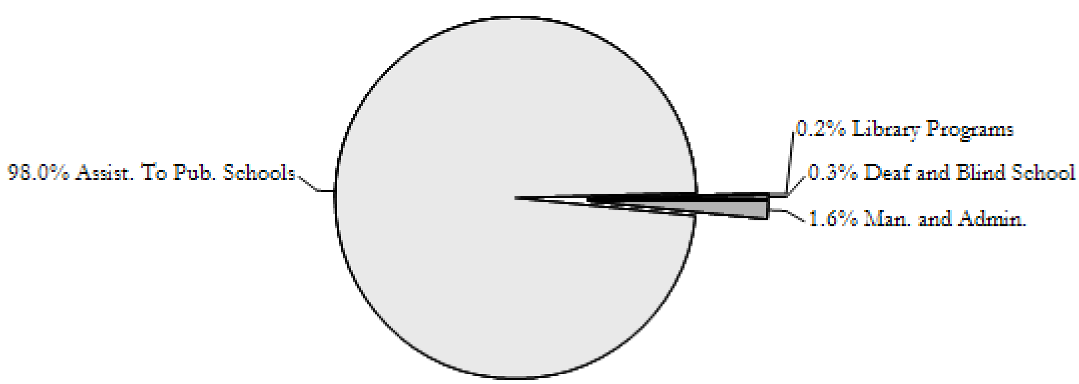


All charts are based on the FY 2017-18 appropriation.

Distribution of General Fund by Division



Distribution of Total Funds by Division



All charts are based on the FY 2017-18 appropriation.

GENERAL FACTORS DRIVING THE BUDGET

The Governor's FY 2018-19 request for the Department of Education consists of 71.4 percent General Fund, 16.8 percent cash funds, 11.1 percent federal funds, and 0.7 percent reappropriated funds. Although local government revenues provide a significant source of funding for K-12 education in Colorado ($2.4 billion anticipated for school finance alone in FY 2017-18), local funds are not reflected in the State's annual appropriations to the Department of Education. The following sections review two primary factors driving the Department's budget: (1) public school finance and (2) categorical programs.

PUBLIC SCHOOL FINANCE

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

The formula provides the same statewide base per-pupil funding amount for every school district ($6,546 per pupil for FY 2017-18). 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, creating a different per-pupil funding allocation for each district. For FY 2017-18, per-pupil funding allocations are anticipated to range from $7,207 to $16,335, with a statewide average of $7,662 per pupil. Each district's per-pupil funding allocation is multiplied by its funded-pupil count to determine its total program funding. For FY 2017-18, pursuant to the formula, a total of $6.6 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 (passed by the voters in 2000 as Amendment 23) 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, base per pupil funding was required to increase annually by at least inflation plus one percent; for FY 2011-12 and subsequent fiscal years, this amount must increase annually by at least the rate of inflation. For example, for FY 2017-18, the General Assembly was required to increase the statewide base per-pupil funding amount by at least $178 (from $6,368 to $6,546, or 2.8 percent), based on the actual 2.8 percent increase in the Denver-Boulder-Greeley consumer price index in calendar year 2016. Given an estimated funded-pupil count of more than 865,000, the General Assembly was thus required to provide a minimum of $5.7 billion in state and local funds for FY 2017-18, equal to 85.4 percent of the $6.6 billion in total program funding.

FACTORS CONSIDERED IN PUBLIC SCHOOL FINANCE FORMULA

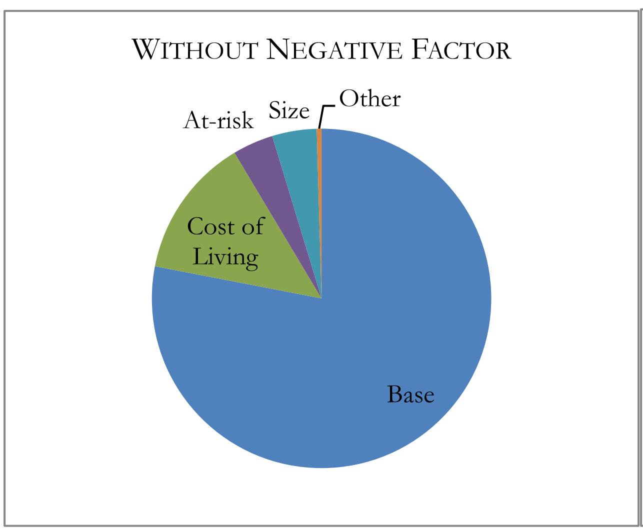
The remaining 14.6 percent of state and local funds that will be allocated among school districts in FY 2017-18 is driven by other factors in the statutory school finance formula that add varying amounts to the base per-pupil funding for each district to account for individual district characteristics. The formula includes three primary factors:

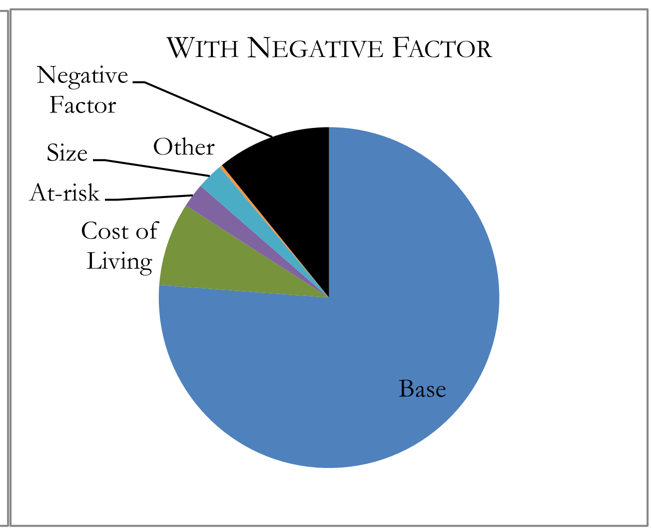
- Cost of Living Factor - Recognizes that the cost of living in a community affects the salaries required to attract and retain qualified personnel.
- Size Factor - Compensates districts lacking enrollment-based economies of scale.
- At-risk Factor - Provides additional funding for districts serving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

In addition, the school finance formula requires a minimum level of per-pupil funding ($7,279 per pupil for FY 2017-18), regardless of the impact of the above factors. For FY 2017-18, 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 $7,018 for FY 2017-18) 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 (renamed the "budget stabilization factor"[2] for FY 2017-18 by S.B. 17-296 (School Finance)) designed to reduce districts' total program funding to a specified total amount. For FY 2017-18, the budget stabilization factor is estimated to be (11.1) percent, requiring an $828.3 million reduction in total program funding. Thus, the Department will calculate total program funding for each district based on the formula described above, and then reduce each district's total program funding by 11.1 percent. Because the General Assembly cannot decrease base per-pupil funding, the budget stabilization factor has the effect of reducing the funding attributed to the other formula factors, as illustrated in the following graphic.





[2] The remainder of this document uses "budget stabilization factor" regardless of the fiscal year in question.

DETERMINING THE STATE AND LOCAL SHARES OF FUNDING

Once the total program funding amount is determined for each district, the amount of local revenue available in each district determines the state share required to support the district's total program funding. Local property and specific ownership taxes provide the first source of revenue for each district's total program funding. Property taxes are based on each district's tax rate (the mill levy) and the portion of property value that is taxable (the assessment rate). Specific ownership taxes are paid when registering a motor vehicle. These local tax revenues are collected and expended by each school district, and thus are not reflected in the state budget. The FY 2017-18 appropriation anticipates that $2.4 billion in local tax revenues will be available to support public schools pursuant to the statutory school finance formula (please note that this does *not* include any voter-approved override funds as those are not considered in the school finance calculations). The appropriation of state funding then fills the gap between local tax revenues and total program funding. Thus, the General Assembly appropriated $4.2 billion in state funding for FY 2017-18 to provide a total of $6.6 billion for school district operations.

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

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

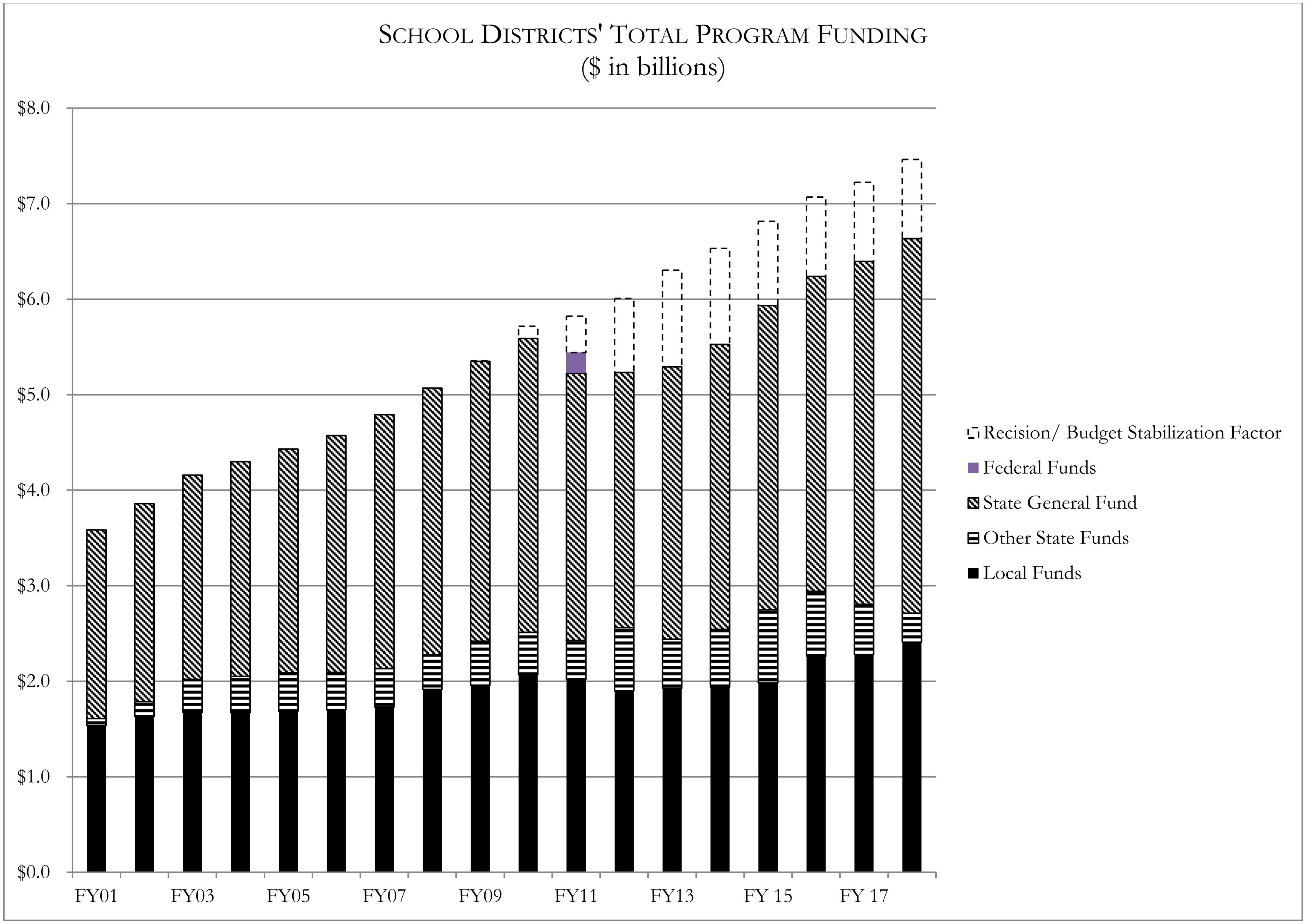
As a result of the combined impact of the Gallagher amendment and TABOR, the residential assessment rate has declined from 30.00 percent to 7.20 percent (H.B. 17-1349 reduces the residential assessment rate from 7.96 percent to 7.20 percent beginning in FY 2017-18 to keep the residential share of property tax revenues at about 45.8 percent); school district mill levies have declined from the uniform mill of 40.080 (established by the General Assembly in 1988) to disparate mill levies that currently range from 1.680 to 27.000. These reductions, in combination with the inflationary spending increases required by Amendment 23, have caused the local share of total program funding to increase at a slower rate than overall funding, requiring the State's relative share of funding to increase. Specifically, from CY 1988 to FY 2006-07, the state share of funding rose from 43 percent to 64 percent, while the local share fell from 57 percent to 36 percent.

Senate Bill 07-199 changed the method for calculating school district property taxes, thereby allowing property tax revenues to increase at a rate more commensurate with overall funding. Due to the passage of S.B. 07-199 and increases in assessed valuation, the state share of funding (as a percentage of the total program) decreased in FY 2007-08 to 62.2 percent. Subsequently, due to declines in assessed valuation, the state share increased to 66.6 percent of total program funding in FY 2014-15. The state share is projected to provide 63.7 percent of total program funding in FY 2017-18.

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

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

The graphic on the following page illustrates school districts' total program funding, by fund source, from FY 2000-01 through FY 2017-18. The stacked bar segments outlined with a dotted line illustrate the mid-year rescissions required in FY 2008-09 and FY 2009-10 due to insufficient state appropriations, as well as the impact of the budget stabilization factor in subsequent fiscal years. The graphic is followed by key data related to school finance funding for the last four fiscal years, as well as appropriations for FY 2016-17 and FY 2017-18.


SCHOOL DISTRICTS' TOTAL PROGRAM FUNDING
($ in billions)
$8.0
$7.0
$6.0
$5.0
$4.0
$3.0
$2.0
$1.0
$0.0
FY01
FY03
FY05
FY07
FY09
FY11
FY13
FY 15
FY 17
Recision/ Budget Stabilization Factor
Federal Funds
State General Fund
Other State Funds
Local Funds

SCHOOL DISTRICTS' TOTAL PROGRAM FUNDING: KEY DATA						
DESCRIPTION	FY 2012-13 ACTUAL	FY 2013-14 ACTUAL	FY 2014-15 ACTUAL	FY 2015-16 ACTUAL	FY 2016-17 APPROP.	FY 2017-18 APPROP.
Funded Pupil Count	**817,645**	**830,831**	**844,546**	**853,251**	**858,872**	**865,935**
Annual Percent Change	*1.2%*	*1.6%*	*1.7%*	*1.0%*	*0.7%*	*0.8%*
Change in Denver-Boulder Consumer Price Index for Previous Calendar Year	*3.7%*	*1.9%*	*2.8%*	*2.8%*	*1.2%*	*2.8%*
Statewide Base Per Pupil Funding	**$5,843**	**$5,954**	**$6,121**	**$6,292**	**$6,368**	**$6,546**
Annual Percent Change	*3.7%*	*1.9%*	*2.8%*	*2.8%*	*1.2%*	*2.8%*
Statewide Average Per Pupil Funding	**$6,480**	**$6,652**	**$7,026**	**$7,313**	**$7,420**	**$7,662**
Annual Percent Change	*0.1%*	*2.7%*	*5.6%*	*4.1%*	*1.5%*	*3.3%*
Total Program Funding[1]	**$5,297,963,176**	**$5,526,933,750**	**$5,933,444,389**	**$6,239,564,775**	**$6,372,827,460**	**$6,634,951,082**
Annual Percent Change	*1.3%*	*4.3%*	*7.4%*	*5.2%*	*2.1%*	*4.1%*
Local Share of Total Program Funding	$1,918,248,885	$1,938,833,490	$1,982,831,906	$2,259,785,802	$2,257,704,955	$2,409,944,058
Annual Percent Change	*0.9%*	*1.1%*	*2.3%*	*14.0%*	*-0.1%*	*6.7%*
State Share of Total Program Funding	$3,379,714,291	$3,588,100,260	$3,950,612,483	$3,979,778,973	$4,115,122,505	$4,225,007,024
Annual Percent Change	*1.4%*	*6.2%*	*10.1%*	*0.7%*	*3.4%*	*2.7%*
State Share as Percent of Districts' Total Program Funding	*63.8%*	*64.9%*	*66.6%*	*63.8%*	*64.6%*	*63.7%*

[1] These figures reflect total program funding after application of the budget stabilization factor.

CATEGORICAL PROGRAMS

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

However, Section 17 of Article IX of the Colorado Constitution requires the General Assembly to increase total state funding for all categorical programs annually by at least the rate of inflation plus one percent for FY 2001-02 through FY 2010-11, and by at least the rate of inflation for subsequent fiscal years. For example, as discussed above, the percentage change in the Denver-Boulder-Greeley consumer price index in calendar year 2016 was 2.8 percent, requiring the General Assembly to increase state funding for categorical programs by at least that amount ($8,106,442) for FY 2017-18.

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 $155.5 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 $65.1 million higher than the minimum amount that would have otherwise been required.

The following table details the allocation of the $155.5 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 2017-18 Appropriation	Total Increase in Annual Appropriation of State Funds Since FY 2000-01	
Special Education - Children with Disabilities	$71,510,773	$171,591,964	$100,081,191	140.0%
English Language Proficiency Program	3,101,598	20,283,048	17,181,450	554.0%
Public School Transportation	36,922,227	57,651,722	20,729,495	56.1%
Career and Technical Education Programs	17,792,850	26,164,481	8,371,631	47.1%
Special Education - Gifted and Talented Children	5,500,000	12,355,524	6,855,524	124.6%
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	1,076,550	128,410	13.5%
Comprehensive Health Education	600,000	1,005,396	405,396	67.6%
Total	**$142,164,395**	**$297,622,245**	**$155,457,850**	**109.4%**

MARIJUANA-RELATED REVENUE

Over the past several years, marijuana tax revenues have played an increasing role in the Department's budget. The Department first received appropriations of marijuana revenue for the Building Excellent Schools Today (B.E.S.T.) Program in FY 2013-14 (a total of $4.0 million). The Department's FY 2017-18 budget includes a total of $90.4 million originally derived from marijuana revenues, including a $30.0 million statutory appropriation in S.B. 17-267 (Sustainability of Rural Colorado) for per pupil distributions to rural and small rural school districts. Marijuana revenues currently support a variety of purposes for the Department:

- *Capital construction* programs (B.E.S.T. and State Aid for Charter School Facilities) receive the first $40.0 million in marijuana excise taxes collected each year, with $5.0 million (12.5 percent) specifically dedicated to charter school capital construction. The funds supporting the B.E.S.T.

program are distributed through the program's competitive grant process, while the charter school funds are distributed to charter schools statewide on a per pupil basis.

- *Per pupil funding* from the special sales tax provides an additional $30.0 million dedicated to rural schools in FY 2017-18 (authorized in S.B. 17-267). That legislation also dedicates 12.59 percent of the state share of special sales tax revenue to support the state share of districts' total program funding in FY 2018-19 and subsequent years (an estimated $20.4 million in FY 2018-19). For context, the $20.4 million anticipated in FY 2018-19 represents $23.42 per pupil based on current estimates of the pupil count and 0.3 percent of anticipated total program funding (assuming a constant budget stabilization factor). For additional discussion of the statutory appropriation in FY 2018-19, see the third issue brief in this document.
- *The Marijuana Tax Cash Fund* supports several other programs, including $12.0 million for the School Health Professionals Grant Program in FY 2017-18.
- *The Public School (Permanent) Fund* receives the spillover of excise tax revenues above the amount supporting capital construction (all amounts above $40.0 million per year). Deposits to the Permanent Fund become part of the corpus and then generate interest to be used for education programs in perpetuity.

Marijuana-related Revenues Supporting the Department of Education				
	FY 2015-16	FY 2016-17	FY 2017-18	FY 2018-19 Est.
Capital Construction Programs (First $40.0 million of Excise Tax)				
B.E.S.T. Program	$23,982,518	$35,000,000	$35,000,000	$35,000,000
State Aid for Charter School Facilities	2,000,000	5,000,000	5,000,000	5,000,000
Total - Capital Construction	**$25,982,518**	**$40,000,000**	**$40,000,000**	**$40,000,000**
Per Pupil Funding (Sales Tax - S.B. 17-267)				
Rural School Per Pupil Funding	$0	$0	$30,000,000	$0
Total Program Funding/1	$0	$0	$0	$20,417,462
Other Programs (Marijuana Tax Cash Fund)				
School Health Professionals Grant Program	$2,280,444	$2,280,833	$11,970,783	$11,944,543
Early Literacy Competitive Grant	0	4,378,678	4,378,678	4,378,678
Office of Dropout Prevention and Student Reengagement	0	900,000	2,000,000	2,000,419
School Bullying Prevention and Education	0	900,000	2,000,000	2,000,000
Central Appropriations	14,635	18,649	69,869	79,352
Total - Marijuana Tax Cash Fund	**$2,295,079**	**$8,478,160**	**$20,419,330**	**$20,402,992**
Grand Total - Marijuana-related Appropriations	**$28,277,597**	**$48,478,160**	**$90,419,330**	**$80,820,454**
Transfer to Permanent Fund (Excise Tax above $40.0 million)/1	$2,653,062	$31,915,551	$41,405,908	$52,528,827

1/ Values for FY 2017-18 and FY 2018-19 are based on Legislative Council Staff September 2017 Revenue Forecast.

SUMMARY: FY 2017-18 APPROPRIATION & 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 (OSPB) September 2017 Revenue Forecast, and including OSPB'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. See the first issue brief in this document for further discussion of school finance projections for FY 2018-19 and the Governor's request.

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

R2 Requested Increases in *State* Funding 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. For additional discussion of this request, see the fifth issue brief in this document.

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
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.[3] 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**

[3] The system website is available at: https://coloradok12financialtransparency.com/#/

ISSUE: 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.

SUMMARY

- Current law, as enacted in S.B. 17-296, requires the General Assembly to provide sufficient total program funding in FY 2018-19 to prevent the budget stabilization factor from growing above the FY 2017-18 dollar amount ($828.3 million).

- Based on the Legislative Council Staff September 2017 Revenue Forecast (LCS Forecast), meeting the current law funding requirement for FY 2018-19 would require an increase of $243.1 million total funds for the state share of total program funding. Supporting that appropriation requires an increase of $102.3 million General Fund in FY 2018-19, relative to the current FY 2017-18 appropriation. Without changes to current law, staff expects this scenario to determine the FY 2018-19 Long Bill appropriation for school finance, which the General Assembly may adjust through the annual school finance bill.

- Based on the Office of State Planning and Budgeting (OSPB) September 2017 Revenue Forecast, the Governor's FY 2018-19 request includes a net increase of $242.3 million in state funding for total program relative to the current appropriation (including an increase of $76.9 million General Fund). Using assumptions from the OSPB Revenue Forecast, the Governor's proposal would reduce the budget stabilization factor by $70.0 million (to $758.3 million) in FY 2018-19. The proposal does not specify a targeted budget stabilization factor in subsequent years.

RECOMMENDATION

Based on the current statutory school finance formula, staff's school finance funding projections, and the Governor's proposed budget for FY 2018-19, staff recommends that the Joint Budget Committee discuss public school funding with legislative leadership, the Education Committees, and the Governor's Office. Specifically:

- How does the General Assembly intend to meet the key constitutional requirements concerning education (Amendment 23 and the thorough and uniform requirement)? What is an adequate total program amount? Does the General Assembly intend to increase or decrease the value of the budget stabilization factor in FY 2018-19 and beyond?
- Should the General Assembly pursue changes to the statutory school finance formula, changes to Amendment 23, and/or changes to increase the revenues available to support school finance to ensure the State's ability to continue to provide for the maintenance of a thorough and uniform

system of public schools? For example, should the General Assembly adjust the factors in the formula to address potential inequities? Should the General Assembly adjust the formula to reflect available revenues or continue to track appropriations relative to the budget stabilization factor?

With respect to the FY 2018-19 appropriation, unless the General Assembly elects to change current law prior to the figure setting process, staff anticipates making the following specific recommendations *for the FY 2018-19 Long Bill*:

1. Set the Long Bill appropriation for school finance to maintain the budget stabilization factor as a constant dollar amount ($828.3 million based on the current FY 2017-18 appropriation). Please note that because the Long Bill reflects current law, increasing the budget stabilization factor as a dollar amount *in the Long Bill appropriation* would require separate legislation (such as the mid-year school finance adjustments bill for FY 2017-18) to change the current statutory requirement.

2. Provide additional total program funding through the school finance bill, as revenues allow, in a manner that is sustainable in subsequent years.

3. Plan to maintain a minimum balance in the SEF of at least $100 million at the end of FY 2018-19 and subsequent years, consistent with recent targeted ending balances for the SEF.

DISCUSSION

BACKGROUND – PROJECTION ASSUMPTIONS

Annual projections of education funding have generally included funding for two program areas: (1) public school finance; and (2) categorical programs. Following the passage of Amendment 23[4], the annual projections of funding for these two areas were fairly straightforward. To reflect current law, staff based the projections on the existing statutory public school finance formula[5], 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 necessary General Fund appropriations based on:

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

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

- First, the projections incorporate the budget stabilization factor. Thus, the "current law" amount is no longer generated solely through the statutory school finance formula.
- Second, in light of the uncertainty introduced by the budget stabilization factor, the General Assembly generally establishes a "current law" requirement for the *following fiscal* year during each legislative session. For example, S.B. 17-296 requires the General Assembly to prevent growth in

[4] See Article IX, Section 17 of the State Constitution.
[5] See Article 54 of Title 22, C.R.S.

the budget stabilization factor (as a dollar amount) from FY 2017-18 to FY 2018-19. Thus, under current law (which determines the Long Bill appropriation) the budget stabilization factor may not exceed $828.3 million in FY 2018-19.

- 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.

2017 PROJECTION ASSUMPTIONS

As discussed above, S.B. 17-296 set a statutory baseline *for the FY 2018-19 Long Bill appropriation* requiring the budget stabilization factor to remain at or below $828.3 million, which determines staff's current law scenario for FY 2018-19. Please note that while the current law scenario assumes a flat budget stabilization factor throughout the forecast period, the statute is silent with respect to FY 2019-20 and subsequent years.

Consistent with recent projections, staff's 2017 funding analysis assumes the following:

- The General Assembly will not change existing appropriations for FY 2017-18 mid-year (though staff anticipates that mid-year adjustments will be necessary).
- Based on S.B. 17-296, the current law projection maintains the budget stabilization factor at $828.3 million 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 money 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 $157.0 million in FY 2017-18).
- The General Assembly will maintain a minimum year-end fund balance of $100 million in the SEF to account for potential revenue forecast error.

Finally, staff will update these projections again based on the Legislative Council Staff and Office of State Planning and Budgeting December 2017 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 2018.

2017 PROJECTIONS (FY 2017-18 THROUGH FY 2021-22)

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

HOW MUCH SHOULD THE STATE SPEND ON TOTAL PROGRAM IN FY 2018-19?

The General Assembly faces a menu of options regarding expenditures for total program, ranging from reducing appropriations below FY 2017-18 levels (within constitutional constraints and requiring statutory change) to eliminating the budget stabilization factor and "fully funding" the formula (if possible within available revenues).

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

- *Baseline:* Maintain total program funding (the total of state and local shares) at FY 2017-18 levels throughout the forecast period. Anticipated increases in local revenues allow the state share, including the projected General Fund appropriation, to decline each year. Please note that this scenario raises constitutional concerns in the out-years as it would leave little or no funding available for school finance formula "factors" (the amount above statewide base per pupil funding).
- *Caseload:* Maintain constant statewide average per pupil funding at FY 2017-18 levels ($7,662 per pupil) for the duration of the forecast period. Again, anticipated increases in local revenues would allow the state share and the projected General Fund appropriation to decline each year.
- *Inflation:* Increase statewide average per pupil funding by the rate of inflation (as projected in the September 2017 Legislative Council Staff Revenue Forecast) each year. By increasing the statewide average by the rate of inflation, this scenario accounts for inflation and enrollment growth but does still allow growth in the budget stabilization factor.
- *Current Law:* Maintain the budget stabilization factor at a constant dollar amount ($828,280,474) for the duration of the forecast period. Based on current revenue forecasts, any spending above the amounts in this scenario would reduce the budget stabilization factor.
- *Policy Option:* "Fully fund" the statutory school finance formula and eliminate the budget stabilization factor beginning in FY 2018-19.

TOTAL STATE SHARE REQUIRED

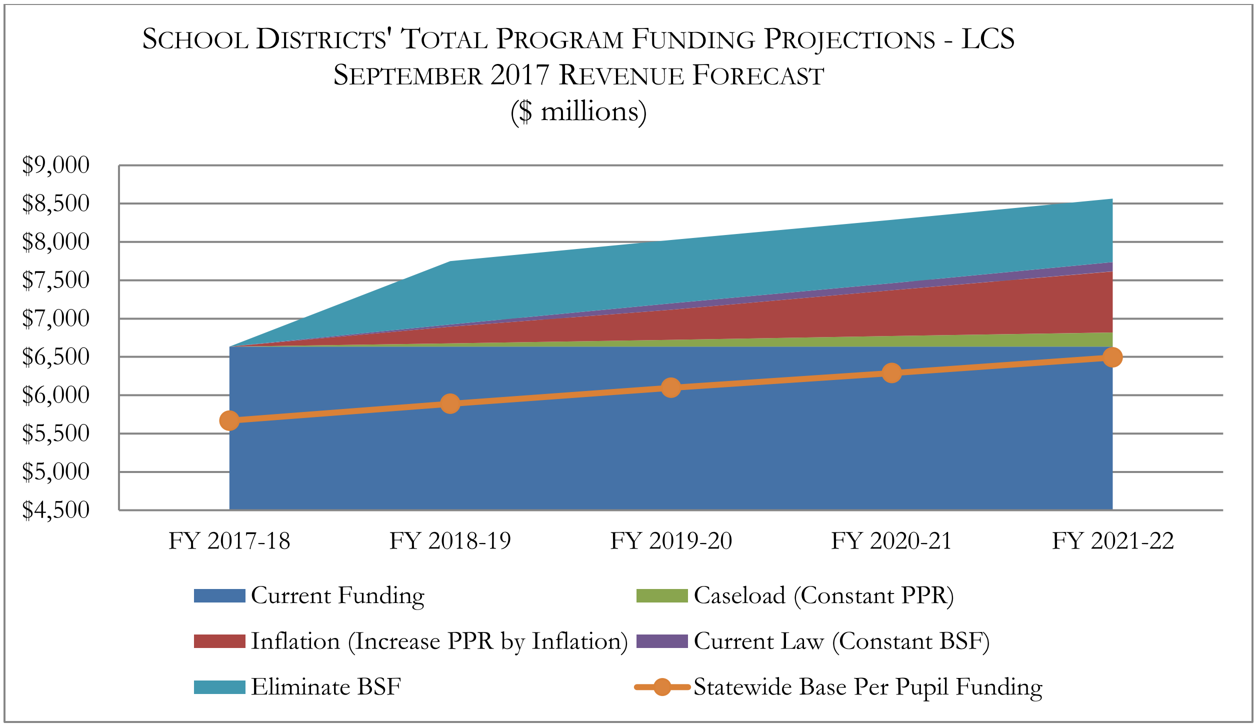
Table 1 on the following page shows the *total state funding* necessary to support each scenario based on the Legislative Council Staff September 2017 Revenue Forecast.[6] To simplify the presentation, staff is not including projections based on the OSPB Revenue Forecast. Please note, however, that the OSPB forecast anticipates an inflation rate of 3.0 percent (vs. the 3.2 percent anticipated by Legislative Council Staff) as well as differences in local revenues and revenues available to the State Education Fund. The OSPB inflation rate would decrease costs for the "inflation," "current law," and "policy" scenarios.

[6] Please note that the projections in this issue utilize the OSPB projections of federal mineral lease (FML) revenue deposited to the State Public School Fund based on the advice of Legislative Council Staff.

TABLE 1: TOTAL STATE SHARE OF TOTAL PROGRAM FUNDING	FY 2017-18	FY 2018-19	FY 2019-20	FY 2020-21	FY 2021-22
Projected Pupil Count	*865,935*	*871,694*	*877,695*	*883,737*	*889,882*
Local Share of Funding	$2,409,944,058	$2,455,336,133	$2,637,031,007	$2,705,593,813	$2,905,807,755
Annual Percent Change	*6.7%*	*1.9%*	*7.4%*	*2.6%*	*7.4%*
STATE SHARE OF FUNDING - LEGISLATIVE COUNCIL STAFF SEPTEMBER 2017 FORECAST					
Forecast Inflation Rate	*2.8%*	*3.2%*	*2.8%*	*2.5%*	*2.5%*
Baseline - Maintain Total Program	$4,225,007,024	$4,179,335,083	$3,997,640,209	$3,929,077,403	$3,728,863,461
Annual Increase in State Share	n/a	(45,671,941)	(181,694,874)	(68,562,806)	(200,213,94)
Statewide Average Per Pupil	7,662	7,611	7,559	7,508	7,456
Budget Stabilization Factor	(828,280,474)	(1,117,035,410)	(1,390,560,649)	(1,655,899,272)	(1,930,589,553)
Caseload - Maintain Average PPR	$4,225,007,024	$4,223,701,895	$4,087,985,505	$4,065,719,414	$3,912,582,285
Annual Increase in State Share	n/a	(1,305,129)	(135,716,390)	(22,266,091)	(153,137,129)
Statewide Average Per Pupil	7,662	7,662	7,662	7,662	7,662
Budget Stabilization Factor	(828,280,474)	(1,072,668,598)	(1,300,215,353)	(1,519,257,261)	(1,746,870,729)
Inflation - Increase Average PPR by Inflation	$4,225,007,024	$4,437,431,112	$4,479,512,110	$4,664,840,441	$4,708,832,222
Annual Increase in State Share	n/a	212,424,088	42,080,998	185,328,331	43,991,781
Statewide Average Per Pupil	7,662	7,907	8,108	8,340	8,557
Budget Stabilization Factor	(828,280,474)	(858,939,381)	(908,688,748)	(920,136,234)	(950,620,792)
Current Law - Maintain BSF as a Dollar Amount	$4,225,007,024	$4,468,090,019	$4,559,920,385	$4,756,696,201	$4,831,172,540
Annual Increase in State Share	n/a	243,082,995	91,830,366	196,775,816	74,476,339
Statewide Average Per Pupil	7,662	7,942	8,200	8,444	8,694
Budget Stabilization Factor	(828,280,474)	(828,280,474)	(828,280,473)	(828,280,474)	(828,280,474)
Eliminate Budget stabilization Factor in FY 2018-19	$4,225,007,024	$5,296,370,493	$5,388,200,858	$5,584,976,675	$5,659,453,014
Annual Increase in State Share	n/a	1,071,363,469	91,830,365	196,775,817	74,476,339
Statewide Average Per Pupil	7,662	8,893	9,144	9,381	9,625
Budget Stabilization Factor	(828,280,474)	0	0	0	0

Thus, based on the current Legislative Council Staff revenue forecast, maintaining a constant budget stabilization factor (of $828.3 million) through FY 2021-22 requires an average increase in total *state* funds of $151.5 million per year. As discussed in greater detail below, *General Fund* appropriations would need to increase by an average of $122.7 million per year over that period.

As a different view, the following graphic shows staff's projections of total program funding (including both state and local shares) based on these incremental scenarios. Each layer of the chart represents additional funding required under each scenario. The graph also includes a line to identify the costs of simply providing base per pupil funding, keeping pace with projected enrollment increases and the constitutionally required inflationary increases in base per pupil funding (this line represents the minimum level of funding implied by the Colorado Supreme Court's decision in the *Dwyer v. Colorado* case). The area above that line reflects the amount of funding available for the "factors" in the school finance formula under each scenario. As shown in the chart, maintaining total program funding FY 2017-18 levels (the baseline scenario) would leave little funding for the factors by FY 2021-22.



GENERAL FUND IMPACT

For the past several years, one-time funding in the SEF (as a result of year-end transfers from the General Fund to the SEF) reduced the pressure on the General Fund to support school finance. For example, the SEF ended FY 2013-14 with a balance of $1.05 billion as a result of year-end transfers in prior years. However, appropriations since that time have depleted the fund balance and staff currently projects that the SEF will end FY 2017-18 with a balance of approximately $150 million. As discussed above, staff's 2017 projections assume a targeted ending balance of $100 million going forward, meaning that appropriations cannot significantly exceed revenues to the fund in FY 2018-19 and beyond.

The depletion of one-time funding and required decreases in appropriations from the SEF increased pressure on the General Fund in FY 2017-18, requiring an increase of $331.9 million General Fund in FY 2017-18 to hold the budget stabilization factor relatively constant. Looking forward, the projected annual increases in General Fund have stabilized at a lower level. Table 2 (below) details the incremental changes in *General Fund* appropriations for each scenario using the LCS September 2017 revenue forecast. Please note that the table shows the annual growth required under each scenario rather than the incremental growth between scenarios within a given year.

TABLE 2: PROJECTION OF GENERAL FUND NEED FOR PUBLIC SCHOOL FINANCE (SEPTEMBER 2017 LCS FORECAST WITH $100 MILLION MINIMUM SEF BALANCE)				
	FY 2018-19	FY 2019-20	FY 2020-21	FY 2021-22
Base Appropriation	$3,923,157,330	$4,854,337,392	$5,002,818,496	$5,172,491,116
Baseline - Maintain Total Program	(185,575,482)	(125,044,142)	(95,666,004)	(205,037,049)
Caseload - Maintain Average PPR	(141,488,536)	(79,065,659)	(49,369,289)	(157,960,236)
Inflation - Increase Average PPR by Inflation	72,240,681	116,748,123	140,236,915	39,144,152
Current Law - Maintain Budget Stabilization Factor as a Dollar Amount	102,899,588	148,481,097	169,672,619	69,653,232
Eliminate Budget Stabilization Factor in FY 2018-19	931,180,062	148,481,104	169,672,620	69,653,231
Adjusted GF Appropriation to "Fully Fund" Formula (Eliminating Budget stabilization Factor)	$4,854,337,392	$5,002,818,496	$5,172,491,116	$5,242,144,347
Total Annual GF Change	$931,180,062	$148,481,104	$169,672,620	$69,653,231
Total Annual Percent Change	23.7%	3.1%	3.4%	1.3%

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

TABLE 3: FUND SOURCE DETAIL CORRESPONDING TO GENERAL FUND PROJECTIONS - LCS FORECAST (CONSTANT BUDGET STABILIZATION FACTOR - $100 MILLION MINIMUM SEF FUND BALANCE)					
	FY 2017-18	FY 2018-19	FY 2019-20	FY 2020-21	FY 2021-22
Projected Pupil Count	*865,935*	*871,694*	*877,695*	*883,737*	*889,882*
General Fund	$3,923,157,330	$4,026,056,918	$4,174,538,016	$4,344,210,634	$4,413,863,866
State Education Fund	228,639,156	357,997,221	298,037,027	325,140,225	329,963,332
State Public School Fund	73,210,538	63,618,418	65,260,619	65,260,619	65,260,619
State Public School Fund from Marijuana Excise Tax/1	0	20,417,462	22,084,723	22,084,723	22,084,723
Subtotal: State Share of Funding	$4,225,007,024	$4,468,090,019	$4,559,920,385	$4,756,696,201	$4,831,172,540
Annual Percent Change	*2.7%*	*5.8%*	*2.1%*	*4.3%*	*1.6%*
Local Share of Funding	$2,409,944,058	$2,455,336,133	$2,637,031,007	$2,705,593,813	$2,905,807,755
Annual Percent Change	*6.7%*	*1.9%*	*7.4%*	*2.6%*	*7.4%*
Total Program Funding	$6,634,951,082	$6,923,426,152	$7,196,951,392	$7,462,290,014	$7,736,980,295
Annual Percent Change	*4.1%*	*4.3%*	*4.0%*	*3.7%*	*3.7%*
Average Funding Per Pupil	$7,662	$7,942	$8,200	$8,444	$8,694
Annual Percent Change	*3.3%*	*3.7%*	*3.2%*	*3.0%*	*3.0%*

GOVERNOR'S FY 2018-19 BUDGET REQUEST

Relative to the current FY 2017-18 appropriation, the Governor's budget request proposes a $243.0 million increase in state funding for school districts' total program in FY 2018-19, including an increase of $76.9 million General Fund. When combined with an anticipated increase of $100.5 million in local revenues, the Governor's proposal provides an increase of $343.5 million for total program funding after the application of the budget stabilization factor.

In total, the Governor's request proposes to decrease the budget stabilization factor by $70.0 million in FY 2018-19 (from $828.3 million in FY 2017-18 to $758.3 million in FY 2018-19). However, the request is based on the September 2017 OSPB revenue forecast and staff notes that the impact on the budget stabilization factor depends on the inflation rate assumed in the projection, as well as projections of other available revenue. Staff notes four differences in assumptions between the Governor's request and the LCS estimates that have informed staff's projections (with the exception of federal mineral lease (FML) revenues):

- *Local Revenues:* Legislative Council Staff only includes projections of local school finance revenues in the annual December forecast. Thus, staff's projections include a total of $2,455,336,133 in local funds will be available in FY 2018-19, based on the December 2016 LCS forecast. Based on more current data, the Governor's request assumes that $55.1 million *more* local revenue will be available in FY 2018-19 (for a total of $2,510,401,123). The assumed increase in local revenues reduces pressure on the state budget by that amount (for any given level of budget stabilization factor).
- *State Education Fund:* The Governor's request assumes that available State Education Fund revenues will allow for an appropriation of $379.4 million for total program funding in FY 2018-19, while maintaining an ending balance of $100.0 million. However, staff's projections assume that only $358.0 million will be available
- *Inflation:* The Governor's request assumes an inflation rate of 3.0 percent for FY 2018-19, as compared to the 3.2 percent projected by LCS. Reducing the projected inflation rate decreases total program funding prior to the application of the budget stabilization factor by $15.0 million. Thus, using the Governor's proposed *appropriations* and the LCS projected *inflation rate* (3.2 percent) would increase the budget stabilization factor by $15.0 million relative to the assumptions in the request.
- *Marijuana Excise Tax Revenues:* As discussed in the third issue in this document, beginning in FY 2018-19, current law (enacted in S.B. 17-267) continuously appropriates 12.59 percent of annual marijuana sales tax revenues to the Department of Education specifically to support total program funding. Based on the OSPB revenue forecast, the Governor's request assumes that this provision will provide $23.0 million for total program in FY 2018-19, while the LCS forecast anticipates that $20.4 million will be available (a difference of $2.6 million).

The following table shows the components of the Governor's request relative to the FY 2017-18 appropriation, including the changes associated with inflation (which affects total program before the application of the budget stabilization factor), local revenues, marijuana sales tax revenues, and the projected ending balance of the State Education Fund assuming the General Assembly approves the Governor's proposed appropriations. As shown in the table, the assumptions in the Governor's request result in a $70.0 million reduction in the budget stabilization factor (to $758.3 million), while applying the LCS assumptions to the Governor's proposed *appropriations* would actually increase the budget stabilization factor by $2.7 million relative to the current FY 2017-18 appropriation (and $72.7 million above the Governor's request).

TABLE 4: FY 2017-18 GOVERNOR'S REQUEST			
	FY 2017-18	FY 2018-19 Request	
	Appropriation	OSPB Forecast	LCS Forecast
Total Program Funding Before Budget Stabilization Factor	$7,463,231,556	$7,736,681,277	$7,751,706,626
Local Share	$2,409,944,058	$2,510,401,123	$2,455,336,133
State Share			
General Fund	$3,923,157,330	$4,000,091,920	$4,000,091,920
State Education Fund	228,639,156	379,407,760	379,407,760
State Public School Fund Appropriated	73,210,538	65,500,000	65,500,000
State Public School Fund from Marijuana Sales Tax	0	23,000,000	20,417,462
Subtotal - State Share	$4,225,007,024	$4,467,999,680	$4,465,417,142
Total Program Funding After Budget Stabilization Factor	$6,634,951,082	$6,978,400,803	$6,920,753,275
Budget Stabilization Factor	(828,280,474)	(758,280,474)	(830,953,351)
State Education Fund Ending Balance	163,321,134	105,928,182	78,589,461

ISSUE: 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.

SUMMARY

- Local revenues, primarily from property taxes, provide the first source of funding for school finance in Colorado. State funding then fills the gap between each school district's local revenues and the district's total program amount calculated pursuant to the school finance formula.

- Local revenues account for 36.3 percent of total program funding statewide in FY 2017-18. Within that statewide average, the local share varies significantly between districts (from 5.3 percent to 99.0 percent of total program) based on differences in local property wealth (assessed value) and local school finance mill levies.

- In a property tax-supported system, local ability to support total program funding inherently varies based on local property wealth (capacity). However, disparate local tax rates (*mill levies*) supporting total program are undermining taxpayer equity in the statewide system and increasing pressure on the state budget as taxpayers statewide are forced to subsidize low mill levies in higher property value districts. Under the current system, identical taxpayers (by property value) in different school districts are paying very different tax rates, with the State forced to cover the differences in local revenue caused by reduced mill levies.

- Returning to a standard statewide mill levy would improve equity among the State's taxpayers and, depending on the level of mill levy chosen, could raise additional revenues for school finance and allow for reductions in the budget stabilization factor or allow the State to pursue other priorities.

RECOMMENDATION

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

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

DISCUSSION

TAXPAYER EQUITY

For the purposes of this discussion, staff argues that an equitable tax system would treat identical taxpayers (in this case measured by property value) similarly.

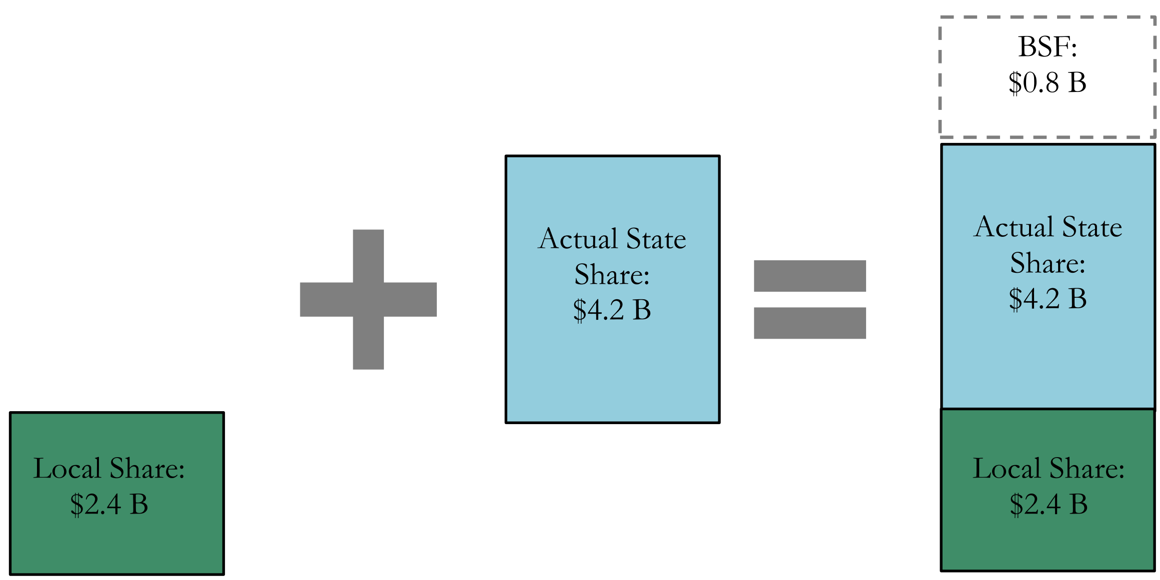
- Because school finance is a statewide system and the State makes up the difference between the local revenues available and each district's total program funding, this proposal assumes that identical taxpayers *in districts receiving state funds* should be paying identical amounts in *total program* property tax (not including overrides).
- If property tax remains the foundation of the school finance system, the State should equalize local capacity based on an equitable system of taxation rather than use state resources to subsidize inequitable tax rates.

BACKGROUND: TOTAL PROGRAM FUNDING AND THE STATE AND LOCAL SHARE

As discussed in the General Factors Driving the Budget section of this document, the School Finance Act calculates a total program funding amount for each school district by building on a statewide base per pupil funding amount to account for specific factors that affect the cost of delivering educational services (district size, cost of living, and at-risk students). Local revenues, primarily from property taxes, provide the first source of funding for school finance in Colorado. The state share of funding then fills the gap between local revenues available to each district and the total program funding amount calculated through the school finance formula.

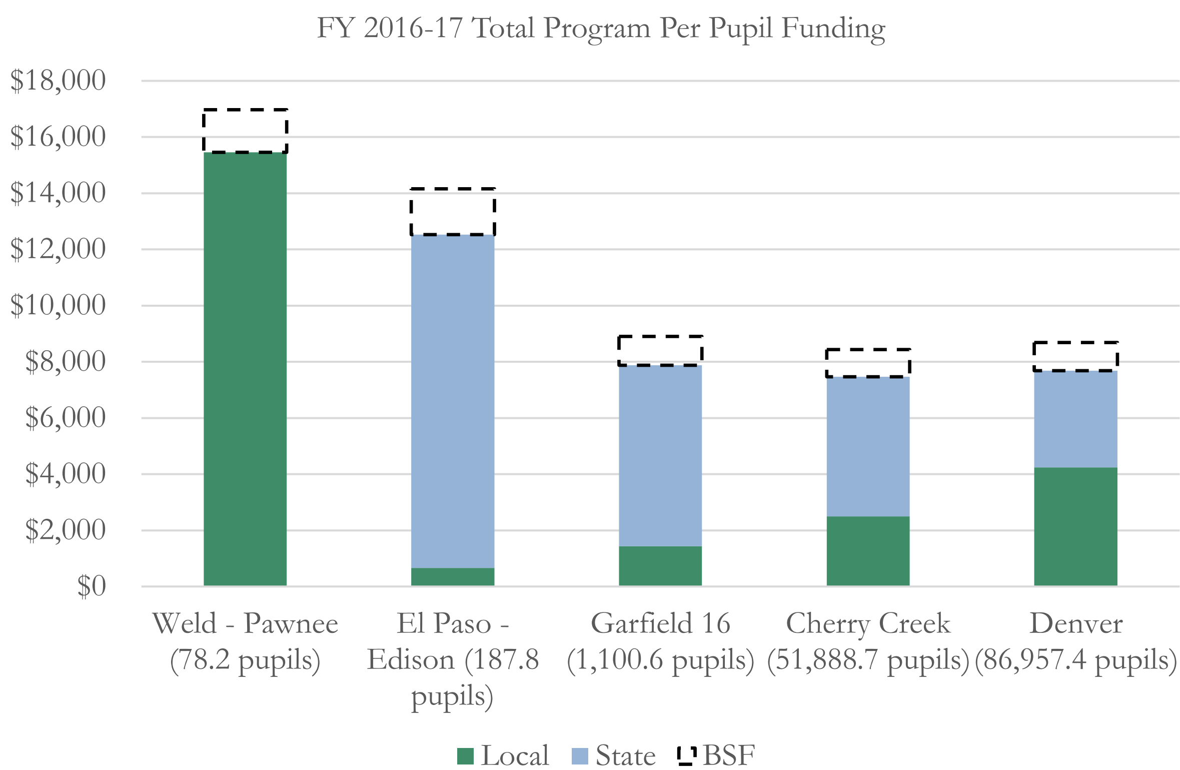
For FY 2017-18, the school finance formula (before the application of the budget stabilization factor) calls for a total of $7.5 billion in total program funding. The current (2017 Session) *state* appropriation for FY 2017-18 builds on an estimated $2.4 billion in local funds. Thus, prior to the application of the budget stabilization factor, the formula would require $5.1 billion in state funding in FY 2017-18. Based on available revenues, the General Assembly appropriated $4.2 billion in state funds for FY 2017-18, leaving a shortfall (the budget stabilization factor) of $828.3 million, which reduces each district's total program by 11.1 percent (with the entire reduction coming from the state share).

FY 2017-18 TOTAL PROGRAM FUNDING (2017 SESSION APPROPRIATION)



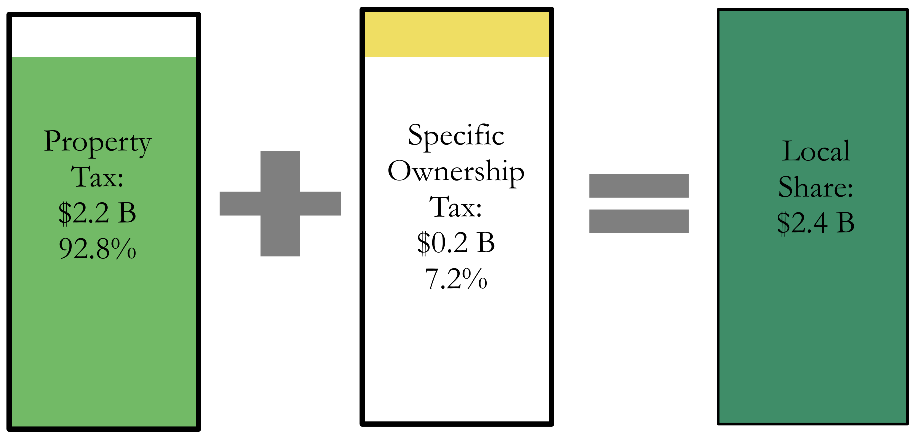
The annual appropriation for the state share of total program funding, made through a single line item, is the result of separate calculations for all 178 school districts (and the State Charter School Institute). The formula builds a total program funding amount for each school district, adjusting for enrollment (smaller districts receive more funding per pupil), cost of living, and at-risk enrollment (primarily using students eligible for free lunch as a proxy). After calculating the total program amount for each district, legislative staff and the Department then estimate the local revenues available to support each district for the year and the resulting state share necessary to fill the "gap" between available local revenues and the prescribed total program amount.

As shown in the following graph, both per pupil funding and the split between state and local revenues vary widely between districts. For example, in this example, Weld-Pawnee was entirely locally funded in FY 2016-17, with the state share eliminated by the budget stabilization factor, while local revenues supported less than 5.0 percent of total program funding in El Paso-Edison (before the application of the budget stabilization factor).



LOCAL SHARE: PROPERTY TAXES ARE THE DRIVER

Although both property taxes and specific ownership taxes (paid with vehicle registrations) support the local share, property taxes are the driver. For example, property taxes provide $2.2 billion (92.8 percent) of the anticipated local share statewide in FY 2017-18, while specific ownership taxes provide $172.7 million (7.2 percent).



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

- The *assessed value* (AV) is the taxable portion of property value in the school district. As an index of property wealth, AV varies widely among school districts. To the extent that a district's AV is highly linked to specific industries such as oil and gas, the AV may also vary significantly from year to year based on prices and production.
- The *total program mill levy* is the property tax *rate* for each school district.[7] Statutory and constitutional requirements determine each district's mill levy each year, and there is no local control of the total program mill levy. The enactment of S.B. 07-199 (School Finance) established a ceiling of 27.0 mills for the total program mill levy and effectively froze the mill levies for most school districts; as result, most district mill levies have been unchanged since FY 2007-08. However, district mill levies diverged significantly prior to 2007 and, in some cases, district rates have continued to decrease since 2007. (The FY 2017-18 JBC Staff Briefing Document for the Department of Education detailed the constitutional requirements that drove mill levy reductions prior to the mill levy "freeze".[8])

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

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

In school finance terms, this system of funding is called "equalization" because it allows similar districts (based on the factors included in the formula) to spend similar amounts regardless of property

[7] One "mill" equals one-tenth of one percent (0.001). For a property with an actual value of $100,000 and an assessed value of $7,200 (based on the 7.20 percent assessment rate for residential property), each mill of tax would raise $7.20.

[8] The FY 2017-18 Briefing Document is available at:
https://leg.colorado.gov/sites/default/files/fy2017-18_edubrf_2.pdf

wealth.[9] (Please note that this equalization only includes total program funding calculated pursuant to the formula. None of the calculations regarding the state share of funding incorporate locally approved mill levy overrides, and the state appropriations for school finance do *not* equalize local overrides.)

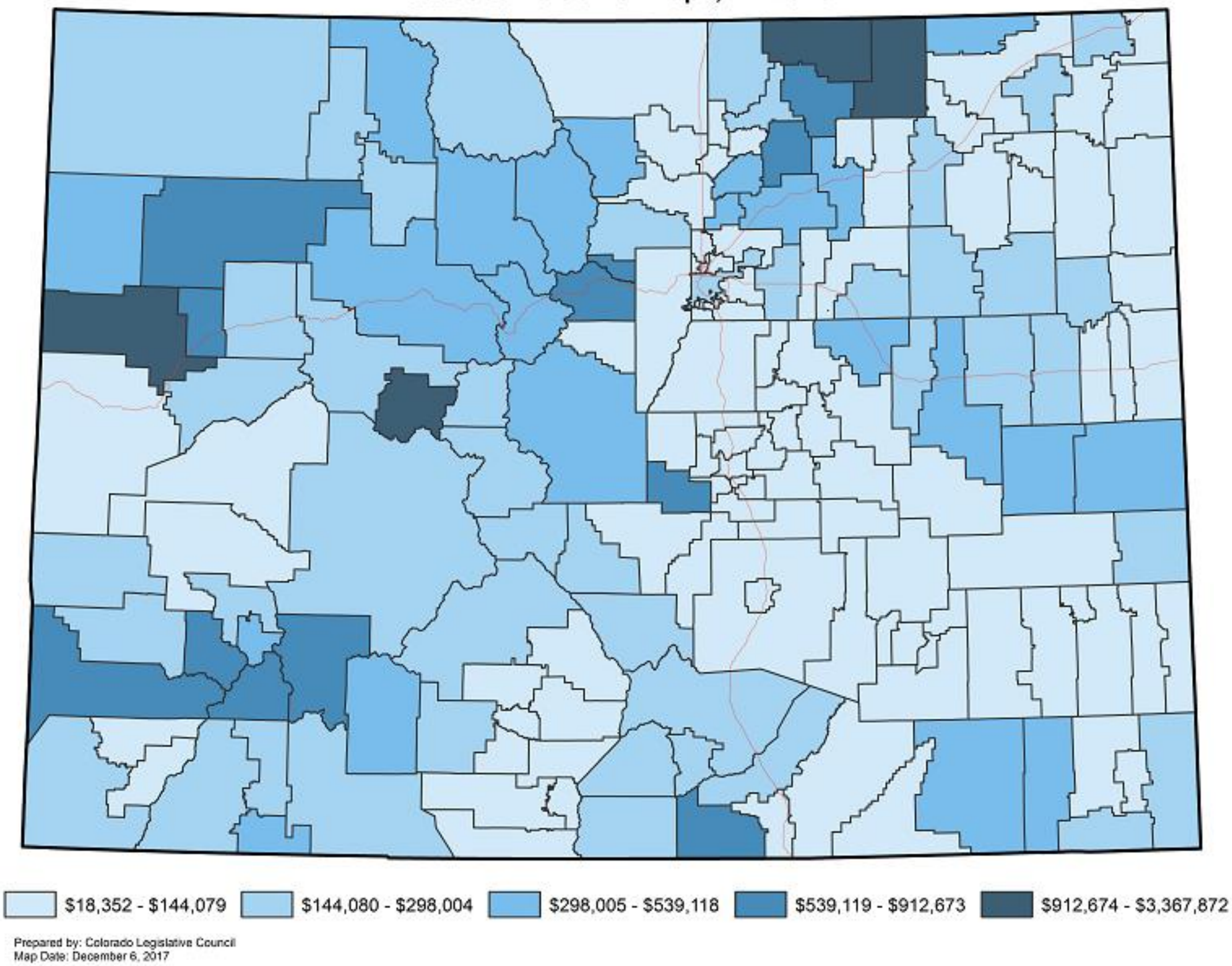
Based on presentations to the Joint Budget Committee and the Joint Education Committees during the 2016 Session, a preferred school finance system assumes equal levels of local effort (as measured by the mill levy) and then equalizes funding to account for differences in property wealth using the state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

DISPARITIES IN ASSESSED VALUE PER PUPIL

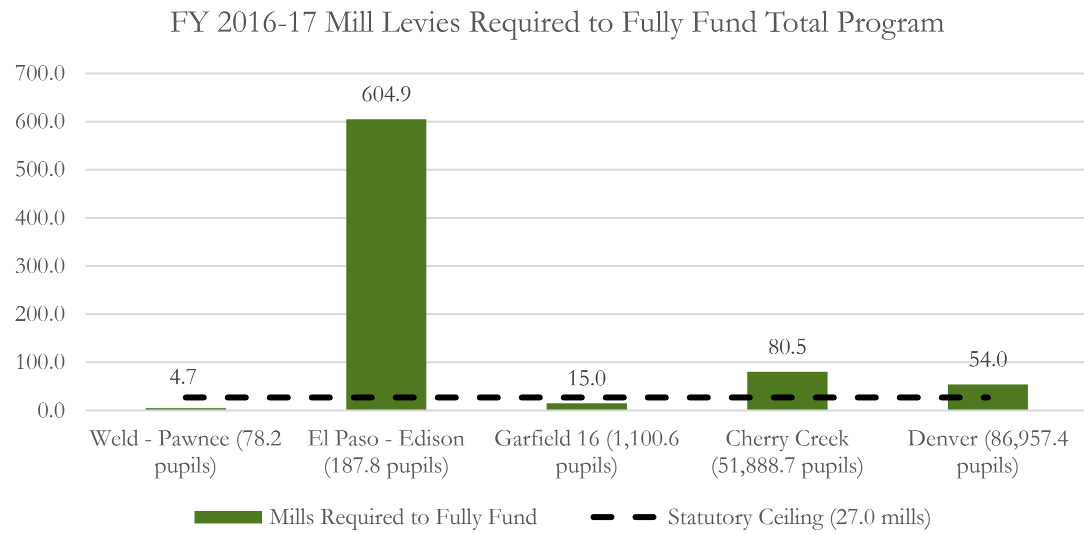
As a measure of local property wealth and capacity to support school finance, assessed value per pupil varies across the state, ranging from a low of $18,352 in Arapahoe - Byers to a high of $3,367,872 in Weld - Pawnee in FY 2016-17 (see the map on the following page). School districts with high assessed value and relatively low pupil counts (such as rural districts with significant oil and gas development) have high assessed value per pupil, indicating a high capacity to support school finance with local revenues. Conversely, districts with either relatively low assessed value or high pupil counts will generally have a lower assessed value per pupil, indicating a comparatively low local capacity on a per pupil basis.

[9] For additional discussion, see the Legislative Council Staff Publication "School Finance in Colorado", available at: http://leg.colorado.gov/publications/school-finance-colorado-booklet

Assessed Value Per Pupil, FY 2016-17



Differences in assessed valuation create dramatic differences in districts' ability to support operations with local revenues. As an illustration, the following graph shows the mill levies that five illustrative school districts would have required in FY 2016-17 in order to fully fund total program with local revenues.



As shown in the graph, Weld-Pawnee could have fully funded its total program in FY 2016-17 (with no budget stabilization factor) at 4.7 mills (approximately 0.4 mills above its current levy of 4.293 mills). Garfield 16 could have fully funded at 15.0 mills, an increase of 12.8 mills above the districts current 2.2 mills but still 12 mills below the current rate in El Paso – Edison). Conversely, Denver would have required 54.0 mills (more than double its current mill levy of 25.5), Cherry Creek would have required 80.5 (vs. its current 22.494), and El Paso – Edison would have required 604.9 mills (more than 128 times the required tax rate in Weld – Pawnee).

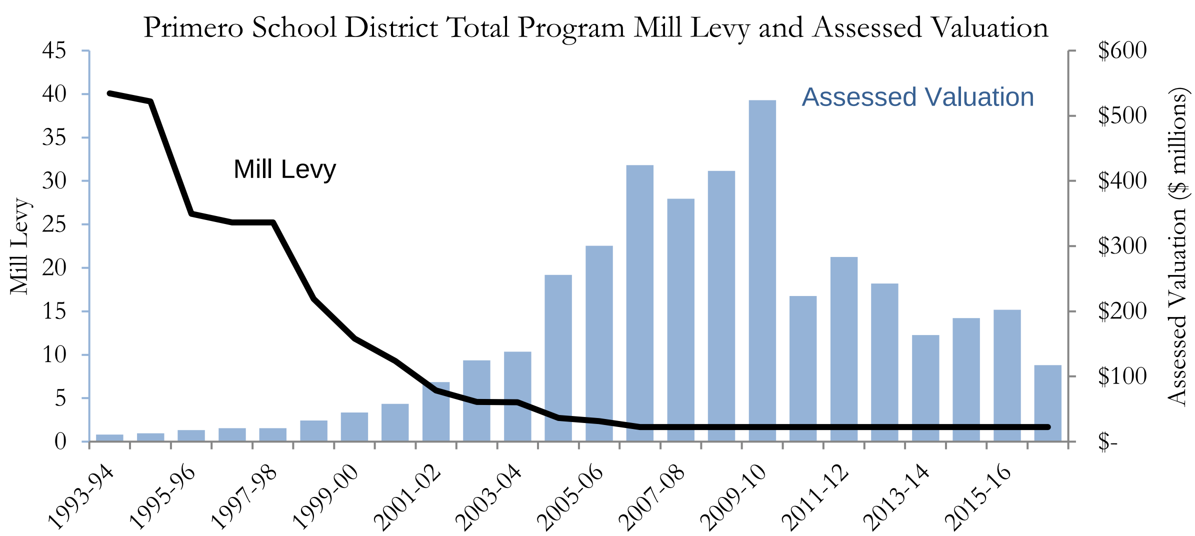
Staff argues that a preferred school finance system would build on consistent local effort and address differences in local capacity through equalization with state funds to ensure that similar school districts (based on the factors in the formula) receive similar levels of total program funding, including both state and local funds.

DISPARITIES IN LOCAL MILL LEVIES

As discussed in the FY 2017-18 JBC Staff Briefing Document for the Department of Education, Colorado previously had a consistent statewide mill levy to support school finance. Recognizing the inequities and inefficiencies created by a disparity in mill levies, where high property value districts had low mill levies and low property value districts had high mill levies, the School Finance Act of 1988 implemented a uniform statewide mill levy (originally set at 40.08 mills) and intended to phase that mill levy in over time. For example, that Act (as adjusted by H.B. 90-1314) required most school districts to impose a consistent mill levy of 37.0 mills in 1992 unless the school district would be fully locally funded at a lower mill levy.

However, since that time the implementation of the Taxpayers' Bill of Rights (TABOR, coincidentally approved by the voters in 1992) has driven disparities in local mill levies.[10]

- Under TABOR, school districts' revenues can only grow annually at a rate of inflation (measured as the Denver-Boulder-Greeley consumer price index) plus change in pupil count. If revenues exceed that limit and the school district has not obtained voter approval to retain excess revenues, the school district must reduce the mill levy to remain within the revenue limit. Importantly, once the mill levy "ratchets" down, it remains down regardless of future changes in assessed value. As a result, school districts continue to levy the reduced mill levy even when assessed values decrease. As an illustration, the following chart shows total assessed property value in the Primero School District in Las Animas County and the school district's total program mill levy for FY 1993-94 through FY 2016-17. Primero's assessed value per pupil increased largely as a result of oil and natural gas development but has since declined.

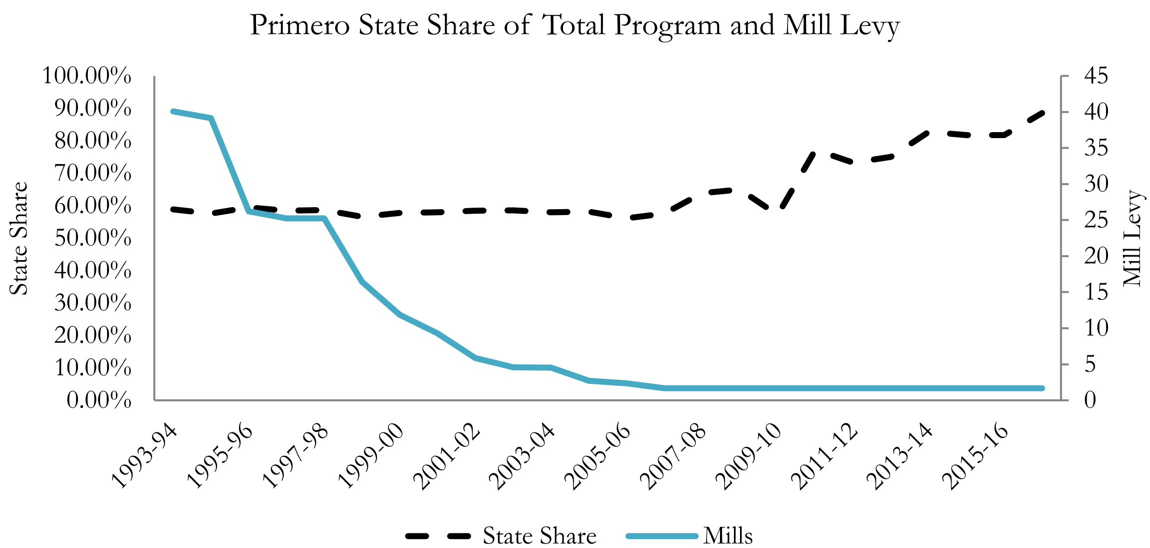


- In 2007, the General Assembly enacted S.B. 07-199 (School Finance). That bill froze mill levies for all districts that had received voter approval to retain revenues above the TABOR limit and set a *maximum* total program mill levy of 27.0 mills. Even with the "freeze" in place, mill levies can still decrease under two scenarios: 1) for the four districts that have not obtained voter approval to retain revenues above the TABOR limit;[11] and 2) for districts that are fully locally funded and must reduce their mill levies to avoid collecting revenues over and above their total program amount.
- Although 174 of Colorado's 178 school districts have obtained voter approval to retain revenues in excess of the TABOR caps, by FY 2007-08, local total program mill levies already ranged from 1.68 mills in Primero to the statutory maximum of 27.0 mills established in S.B. 07-199.

Although the actions of the General Assembly in 2007 have largely halted further divergence since FY 2007-08, the disparities were already significant and effectively locked in place. The reduced mill levies

[10] Again, see the FY 2017-18 JBC Staff Briefing Document for the Department of Education for a detailed discussion of the property value dynamics that drove mill levy changes.
[11] The four remaining districts are: Cherry Creek; El Paso – Colorado Springs District 11; El Paso – Harrison; and Steamboat.

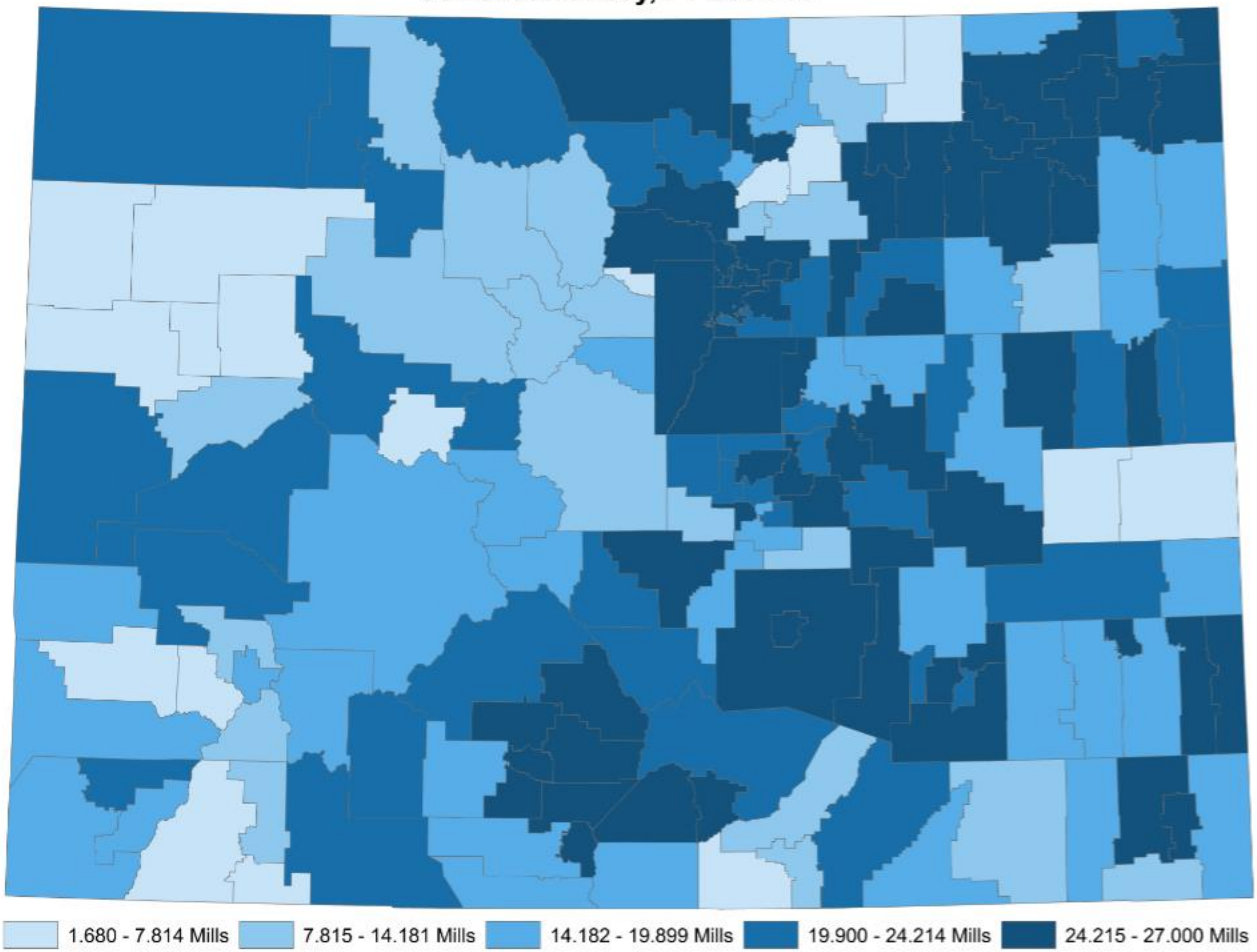
have often required increases in the state share of total program to offset the loss of local revenue capacity, placing additional pressure on the state budget (as illustrated in the following example from the Primero School District). With a mill levy set at 1.68 mills, the State covered 88.5 percent of Primero's total program funding in FY 2016-17 (after the application of the budget stabilization factor). Staff notes that the state subsidy would have been even greater without the reduction for the budget stabilization factor, as the State would have covered 90.0 percent of the district's total program under that scenario.



In FY 2016-17, Primero could have been fully funded locally with a levy set at 21.6 mills, an increase of 19.9 mills above its current rate but still 5.4 mills *below* the rate paid in 39 school districts where taxpayers are paying the maximum of 27.0 mills. Instead, taxpayers statewide are subsidizing the low mill levies in Primero and other districts with State funds originally intended to equalize differences in property value.

The map on the following page shows the variation in total program mill levies statewide in FY 2017-18.

Current Mill Levy, FY 2017-18



Data Source: Colorado Joint Budget Committee
Prepared by: Colorado Legislative Council
Map Date: November 22, 2017

ILLUSTRATIVE COMPARISONS

Partially in response to feedback from members from last Session, staff has put together two different types of comparisons to highlight the impact of the current total program property tax system on Colorado taxpayers: (1) three comparisons of identical taxpayers (same property value) in districts that are very similar under the School Finance Act but facing different total program property taxes; and (2) a look at the variation in tax rates among school districts within individual counties.

IDENTICAL TAXPAYERS IN SIMILAR DISTRICTS

For the first set of comparisons, staff examines the impact on three pairs of identical (imaginary) taxpayers living in similar school districts as measured by the School Finance Act (similar size, similar per pupil funding before the application of the budget stabilization factor, etc.).

- The two residential comparisons use the statewide median home value from 2016 of $312,400. If one assumes that the taxpayers are identical (same income tax obligation, same purchases and state sales tax obligation, etc.), then the only difference in these individuals' contributions to total program funding will be the total program property tax.
- Similarly, the nonresidential property owners both own $300,000 businesses and are otherwise identical in all of their state tax obligations.

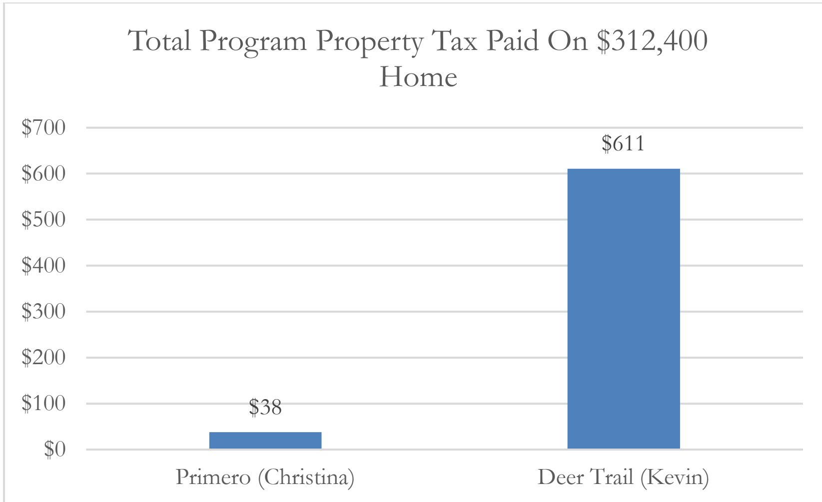
SMALL RURAL DISTRICTS – DEER TRAIL VS. PRIMERO

The first comparison looks at identical residential property owners (both own homes worth $312,400) in two small rural districts:

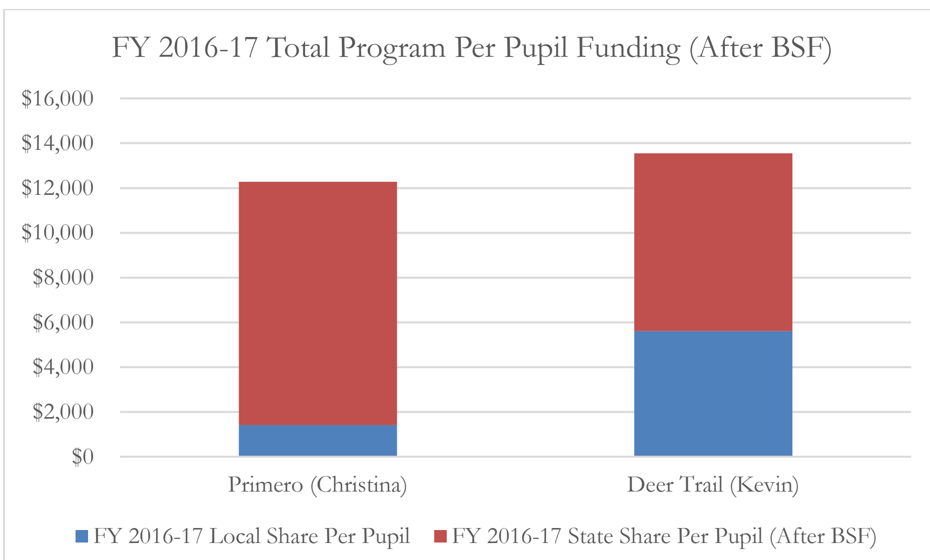
- Christina lives in Primero (Las Animas County), a district with 187 students in FY 2016-17 and total program funding $12,278 per pupil after the application of the budget stabilization factor. Primero's total program mill levy is 1.68 mills.
- Kevin lives in Deer Trail (Arapahoe County), which had 173 students in FY 2016-17 and a per pupil funding amount of $13,554 after the application of the budget stabilization factor. Deer Trail's total program mill levy is 27.0 mills, the maximum allowed under statute and 16 times the rate paid in Primero.

With identical home values, Christina paid $38 in property tax to support total program in FY 2016-17, while Kevin paid $611 in property tax for the same purpose (see graph below).

- Simply because of the disparity in tax rates, Kevin is paying more than 16 times as much in property tax for total program for the exact same value of house in a similar small, rural school district.



- It is also important to note that the State covers any shortfall in local total program revenues. As a result, income and sales tax paid statewide, including that paid by Kevin in Deer Trail, subsidizes the low mill levies in Primero and elsewhere.
- Primero could have supported its entire total program funding in FY 2016-17 (with no budget stabilization factor) with a total program mill levy of 21.6 mills (still 5.4 mills below the rate in Deer Trail). Instead, the State had to cover 88.5 percent of the district's total program funding.



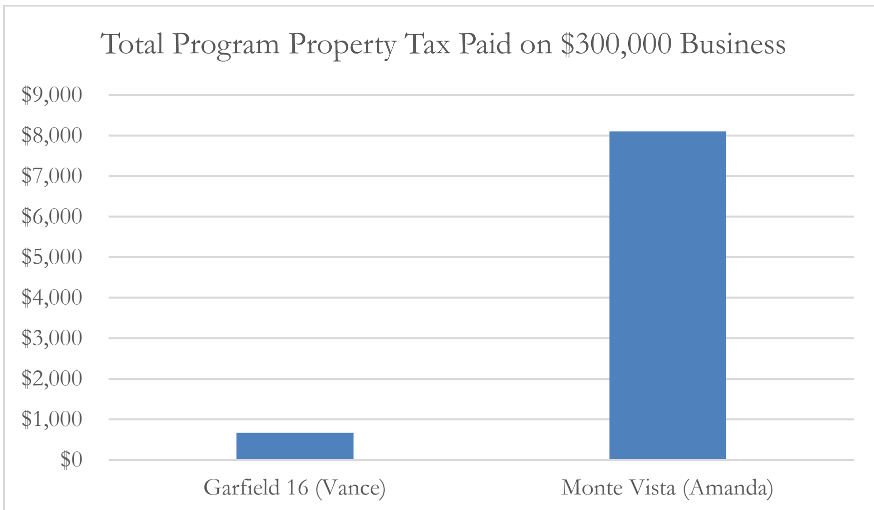
RURAL DISTRICTS – MONTE VISTA VS. GARFIELD 16

The second comparison looks at two identical non-residential property owners with $300,000 in non-residential property. Non-residential property has an assessment rate of 29.0 percent statewide, as compared to 7.2 percent for residential property. As a result, non-residential owners pay more in tax than residential property owners for each dollar of value.

- Vance has a $300,000 business in Parachute (Garfield 16 School District). Garfield 16 had 1,100 pupils and $7,875 per pupil after the application of the budget stabilization factor in FY 2016-17. Garfield 16 has a total program mill levy of 2.2 mills.

- Amanda has an identical business in Monte Vista School District (Rio Grande County). Monte Vista had 1,119 pupils and $7,619 per pupil in FY 2016-17. Monte Vista's total program mill levy is 27.0 mills, more than 12 times the rate in Parachute.

With identical businesses, Vance paid $669 in total program property tax while Amanda paid $8,100 (see graph below). As with the previous scenario, the State has to cover the shortfall created by the disparity in mill levies.

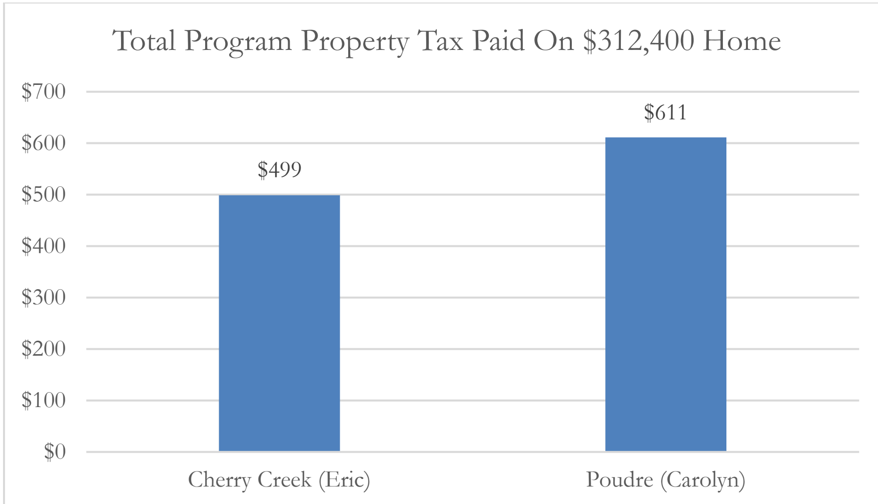


At 12.8 mills, *still 14.2 mills below the rate in Monte Vista*, Garfield 16 could have fully supported its total program funding in FY 2106-17 (with no budget stabilization factor). Instead, the State had to cover 81.8 percent of the district's total program funding in FY 2016-17 as a result of the reduced mill levy.

LARGE/URBAN DISTRICTS – POUDRE AND CHERRY CREEK

Finally, although the differences for individual taxpayers are not as striking, the system has also produced disparities in larger urban districts. Again, for this scenario the taxpayers are residential property owners with houses valued at $312,400.

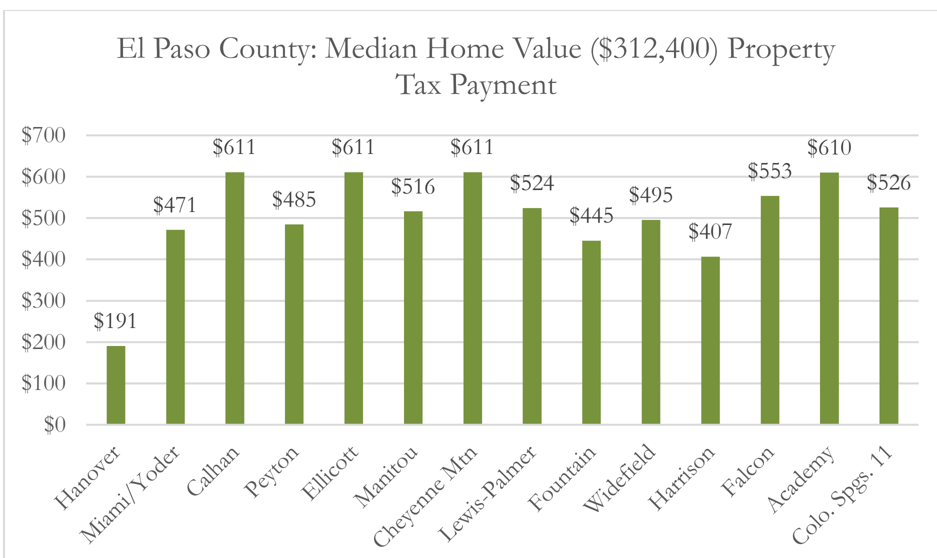
- Carolyn lives in Fort Collins (Poudre School District). In FY 2016-17, Poudre had 28,021 pupils at a per pupil funding amount of $7,046 per pupil. Poudre's total program mill levy is 27.0 mills and, like Kevin in Deer Trail, Carolyn paid $611 in total program property tax in FY 2016-17.
- Eric lives in Cherry Creek, with 51,888 pupils and $7,386 per pupil in FY 2016-17. With a total program mill levy set at 22.0 mills, Eric paid $499 for total program. As with our previous examples, the State had to backfill any shortfall created by the reduced mill levy in Cherry Creek.



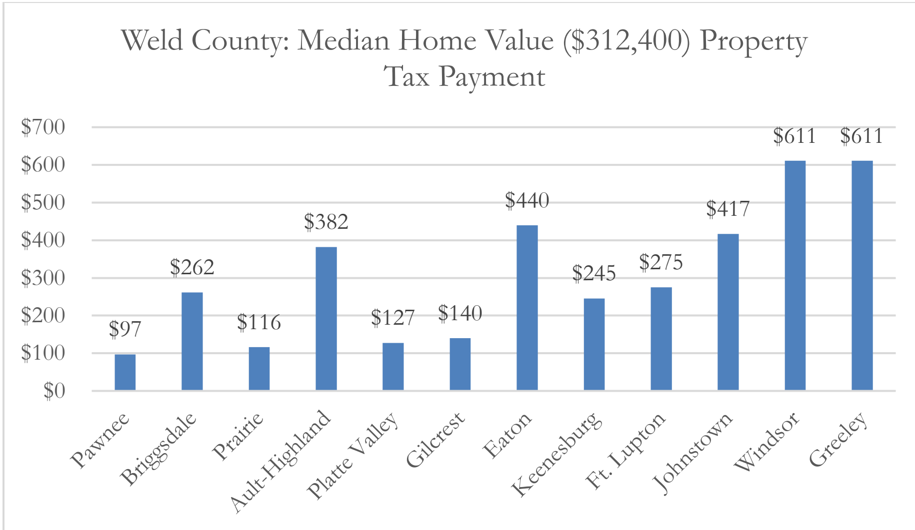
DIFFERENCES WITHIN COUNTIES

As a different frame of reference to identify "similar" districts, one can consider the differences between school districts within the same county. Staff provides two examples below, using counties with particularly large numbers of school districts: El Paso and Weld Counties.

El Paso County contains 14 school districts (or portions of the districts), with total program mill levies ranging from 8.4 mills in Hanover to 27.0 mills in three districts (Calhan, Ellicott, and Cheyenne Mountain). The following graph shows the disparities in property tax payments between the El Paso districts, again using the statewide median value home ($312,400). Payments on the median value home range from $191 in Hanover (which received 88.0 percent of its total program funding from the State in FY 2016-17) to $611 in the districts levying 27.0 mills.



Similarly, Weld County contains 12 school districts, with mill levies ranging from 4.3 mills in Pawnee to 27.0 in two districts (Greeley and Windsor). While Weld presents some complications because several districts are sometimes able to fully fund locally (depending largely on oil prices), the comparison in taxpayer impact is still striking.



Equity Concerns

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

Taxpayer Equity

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

- First, the disparities in total program mill levies (ranging from 1.68 to 27.0 mills) inherently raise concerns about equitable treatment of taxpayers because of the variation in local "effort" and state subsidization of the reduced tax rates. The current system has wide variation in mill levies *among districts that are still receiving significant state funding*. As shown in the examples above, identical taxpayers in similar districts can face markedly different tax rates, with differences covered by state tax revenues.
- Second, the current mill levies tend to be regressive, as districts with high levels of assessed value per pupil tend to have the lowest mill levies and the districts with the lowest assessed values per pupil generally having the highest rates. While the trend toward high property values and low mill levies is clear, staff also notes that districts with similar assessed values per pupil can have very different mill levies, based on whether the mil levy had happened to ratchet down prior to the enactment of the mill levy freeze in FY 2007-08.
- If the low mill levy districts were fully funded locally then one could argue that the system was equitable. Again, however, many districts with relatively high assessed values and relatively low mill levies continue to receive state funding, with some receiving more than 80 percent of their total program from the State. While there is a trend toward lower state shares at higher assessed values, the impact on districts with similar property values raises additional questions and concerns about the current system.
- Finally, and related to the other two concerns, taxpayers statewide are inherently subsidizing the inequitable mill levies through income and sales tax paid into the General Fund and the State Education Fund that is then distributed to districts with low mill levies. For example, General Fund dollars paid by taxpayers in school districts paying 27.0 mills for total program are subsidizing low mill levies in other districts where property owners are paying a fraction of the rates paid in lower property value districts.

SCHOOL DISTRICT EQUITY

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

- For example, staff's analysis indicates that setting a consistent statewide mill levy of 27.0 mills (with districts that are fully locally funded at less than 27.0 mills assessing the levy necessary to locally fund) would have raised raise approximately $360 million in additional local revenues in FY 2016-17. Holding total state funding constant under that scenario would reduce the budget stabilization factor by $360 million.
- As a second benchmark, previous analyses indicated that a consistent statewide levy of roughly 33.0 mills would have eliminated the budget stabilization factor in FY 2016-17 without adding any state funding.

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

It is important to note that the current system provides little or no incentive for most districts to increase the total program mill levy (which is backfilled by the State and not locally controlled to begin with) and continues to provide the incentive to pass overrides that will provide funds in addition to total program funding without any impact on the district's state share. Staff notes that this incentive structure is particularly strong for the four remaining districts that have neither sought nor obtained voter approval to retain revenues in excess of the TABOR revenue cap and continue to receive override funds.

STAFF CONCLUSIONS AND RECOMMENDATION

Staff continues to believe that action is warranted to improve the equity of the school finance funding system in Colorado for both taxpayers and school districts. If the goal of the school finance formula is to equalize funding for school districts based on disparities in the local funding capacity, then staff is at a loss to provide a policy rationale to support the current system which uses state funding to subsidize reduced levels of local effort in districts with comparatively high local capacity. Staff therefore recommends that Colorado return to a system requiring consistent local effort for school finance and equalizing school districts' funding with state funds.[12] Given that doing so would require increases in mill levies for some or all school districts (depending on the mill levy selected), the staff recommendation requires voter approval.

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

Continuing the recommendation from the FY 2017-18 budget process, staff recommends that the General Assembly refer a measure to the voters for a statewide vote that would amend the State Constitution to:

- Restore a consistent statewide mill levy. Districts that are fully locally funded at less than the statewide mill levy would levy the amount necessary to fully fund total program.
- Require districts that are fully locally funded (with mill levies below the statewide level) to "float" their mill levies annually to continue to fully fund total program if the necessary mill levy is below the statewide level. Mill levies below the statewide level would not be locked at a specific level requiring state funding to backfill shortfalls resulting from the reduced mill levies. Rather, state funding would fill the gap between the local revenues raised by the statewide mill levy and each district's total program funding.
- Phase in any necessary increases in the mill levy over a period of time and/or cap the amount that any individual mill levy could increase in a given year.

While staff is recommending restoring a consistent statewide mill levy, staff is not recommending a specific level for the mill levy or a specific timeline for implementation. The appropriate level and the timeline to phase in the mill levy are both policy decisions that depend entirely on the General Assembly's goals.

ISSUE: 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 finnace funding, staff recommends eliminating the statutory appropriation and making the funds subject to annual appropriation.

RECOMMENDATION

Staff recommends that the Committee sponsor legislation to eliminate the statutory appropriation of marijuana revenues to support school finance. Assuming the General Assembly maintains the transfer of marijuana sales tax revenue to the State Public School Fund to support total program funding, staff recommends: (1) ensuring that any such funds are subject to annual appropriation (like all other funds in the State Public School Fund); and (2) maintaining a system of appropriating marijuana funds in the year *after* the year of collection (e.g., appropriating funds collected in FY 2018-19 in FY 2019-20). If the General Assembly wishes to appropriate the funds in the year of collection, staff recommends increasing the targeted ending balance (reserve) in the cash fund to account for additional uncertainty.

DISCUSSION

BACKGROUND – SCHOOL FINANCE APPROPRIATIONS

The General Assembly builds annual appropriations for the state share of districts' total program funding using a set of assumptions and projections, most prominently including pupil counts, at-risk pupil counts, and projections of local revenues available for school finance. While projections form the basis of the initial appropriations, *actual* data for most of those amounts are available at mid-year based on October pupil counts and certifications of assessed valuation for local property tax revenues. Thus, the General Assembly often makes mid-year adjustments to align appropriations with actual data and improve certainty regarding the amount of funding available for school finance.

SB 17-267 STATUTORY APPROPRIATION

Senate Bill 17-267 adds a new level of uncertainty to school finance appropriations.

- Beginning in FY 2018-19, the bill transfers 12.59 percent of the State's share of marijuana special sales tax revenue to the State Public School Fund to support the state share of districts' total program funding. Based on the September 2017 Legislative Council Staff Revenue Forecast, this provision will transfer $20.4 million to the State Public School Fund in FY 2018-19 (representing 0.3 percent of current total program funding and 0.5 percent of the current state share appropriation in FY 2017-18).
- In addition, the bill statutorily (continuously) appropriates those funds, allowing the Department to spend those funds in the year of collection without an annual appropriation.
- Similar to local school finance revenues, the annual appropriation to support total program funding will have to include an assumption regarding the amount of revenue available under this provision.

- However, the final amount actually made available by this transfer, and therefore the amount the State spends on total program funding, will not be known until the close of the fiscal year.

To maintain certainty regarding the amount of money provided for the state share each year, staff recommends eliminating the statutory appropriation and making the funds subject to annual appropriation. Consistent with appropriations of other marijuana revenues (from the Marijuana Tax Cash Fund), staff recommends appropriating the marijuana revenues in the year after they are received by the State (e.g., appropriating revenues collected in FY 2018-19 in FY 2019-20). If, however, the General Assembly wishes to appropriate these particular funds in the year of collection, staff recommends adjusting the targeted ending balance in the State Public School Fund to account for the additional uncertainty regarding the amount of money available for appropriation.

ISSUE: 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.

SUMMARY

- Early college high schools provide curricula that ensure that students who successfully complete the program earn a high school diploma and complete either an associate's degree or sixty credits toward the completion of a postsecondary credential.

- The number of early colleges has increased from five schools grandfathered under the original statutory authorization in 2009 to a total of 20 schools approved by the State Board through June 2017. Early college enrollment increased from 2,211 pupils in FY 2012-13 to 3,337 in FY 2016-17, with multiple additional schools expected to begin operations in FY 2018-19.

- Based on previous legislative discussions, staff's understanding was that early college students completed the necessary requirements in the typical four-year timeline for high school, and many do so. However, some students remain beyond the fourth year to finish the program, and some schools are implementing programs specifically to serve 5th and 6th year high school students.

- Increasing the number of students remaining beyond year four raises budgetary and policy concerns. First, keeping the students in high school inherently increases enrollment and the cost of school finance, with the State bearing all of the cost. Second, the system substitutes state funds for other resources (e.g., Pell grants) that would be available if the students had graduated from high school. Finally, the system raises questions about the equity of access to these opportunities.

- Based on advice from the Department of Law, the Department and the State Board have little legal authority over early college enrollment and operations beyond the designation of early college programs and school finance processes regarding per pupil revenue for concurrent enrollment.

RECOMMENDATION

Staff recommends that the Committee discuss the potential budgetary and policy concerns associated with early colleges with the Department at the upcoming hearing. Staff recommends that the Committee and the General Assembly consider legislative sideboards for the early college program to maximize the use of non-state revenues (such as Pell grants and local funds) where possible. For example, the General Assembly could require early colleges to officially graduate their students in four years to make them eligible for Pell Grant funds for years 5 and beyond, reducing pressure on the State budget.

DISCUSSION

BACKGROUND – EARLY COLLEGES

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 schools, which include district (non-charter), district charter, and State Charter Institute (CSI) schools, partner with one or more institutions of higher education to provide postsecondary coursework and credentials. Section 22-35-103 (10), C.R.S., enacted in H.B. 09-1319 (Concurrent Enrollment Programs Act), defines early college, grandfathers five schools that were already operating, and authorizes the State Board of Education to designate additional schools as early colleges.

EARLY COLLEGE FUNDING

Early colleges are funded through the K-12 school finance system and receive per pupil funding (at the school district's per pupil amount) for each student enrolled in the early college. The early college then uses a portion of each student's per pupil funding to pay tuition to partnering institutions of higher education at rates negotiated in cooperative agreements between either the school district or the charter school and the partner institution. Students are also eligible for college opportunity fund (COF) stipends, paid to the partnering institutions of higher education.

INCREASING NUMBER OF SCHOOLS AND INCREASING ENROLLMENT

The number of early colleges has increased since 2009, from five schools grandfathered in the original legislation to a total of 20 schools authorized by the State Board as of June 2017. The past two years have seen particularly large increases, with four schools approved in 2016 and seven approved in 2017 (see following table, which is in order of approval by the State Board). The schools include district (non-charter), district charter, and State Charter School Institute (CSI) schools.

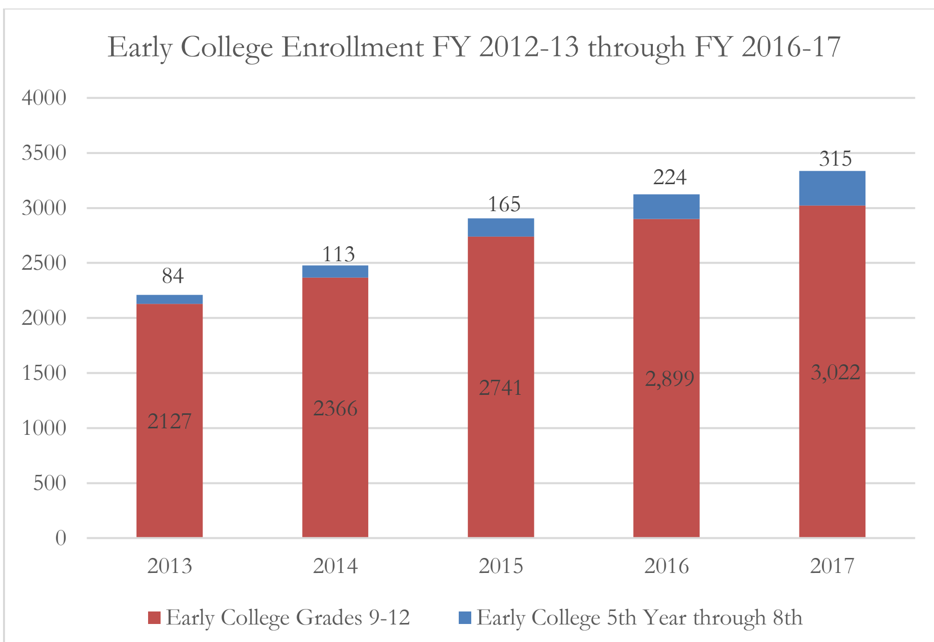
EARLY COLLEGE HIGH SCHOOLS			
SCHOOL	LOCATION	DISTRICT	APPROVAL YEAR
Chavez-Huerta Preparatory Academy	Pueblo	Pueblo City	2009 (Grandfathered)
Colorado Springs Early College High School	Colo. Springs	CSI	2009 (Grandfathered)
Early College of Arvada	Arvada	CSI	2009 (Grandfathered)
Mapleton Early College High School	Mapleton	Mapleton	2009 (Grandfathered)
Southwest Early College High School	Denver	Denver	2009 (Grandfathered)
Colorado Early Colleges Fort Collins	Fort Collins	CSI	2012
Early College High School	Colo. Springs	Colo. Springs 11	2013
Colorado Early College - Parker/Douglas	Parker	CSI	2015
Fred N. Thomas Career Education Center Middle College	Denver	Denver	2015
Battle Mountain Early College High School	Eagle	Eagle	2016
Eagle Valley Early College High School	Eagle	Eagle	2016
Pikes Peak Early College	Colo. Springs	Falcon	2016
West Early College	Denver	Denver	2016
Denver School of Innovation and Sustainable Design	Denver	Denver	2017
Dr. Martin Luther King Jr. Early College	Denver	Denver	2017
High Tech Early College	Denver	Denver	2017
Colorado Early College – Aurora	Aurora	CSI	2017
Early College Academy	Greeley	Greeley	2017
Lake County High School Early College	Leadville	Lake County	2017
Manual High School	Denver	Denver	2017

As one would expect given the increasing number of schools, early college enrollment has also increased in recent years, from a total of 2,211 students in FY 2012-13 to 3,337 students in FY 2016-17 (with further increase anticipated for FY 2017-18). As additional schools begin operations, including five Denver schools approved in 2016 and 2017 that are scheduled to begin operations in fall of 2018, enrollment may increase rapidly.

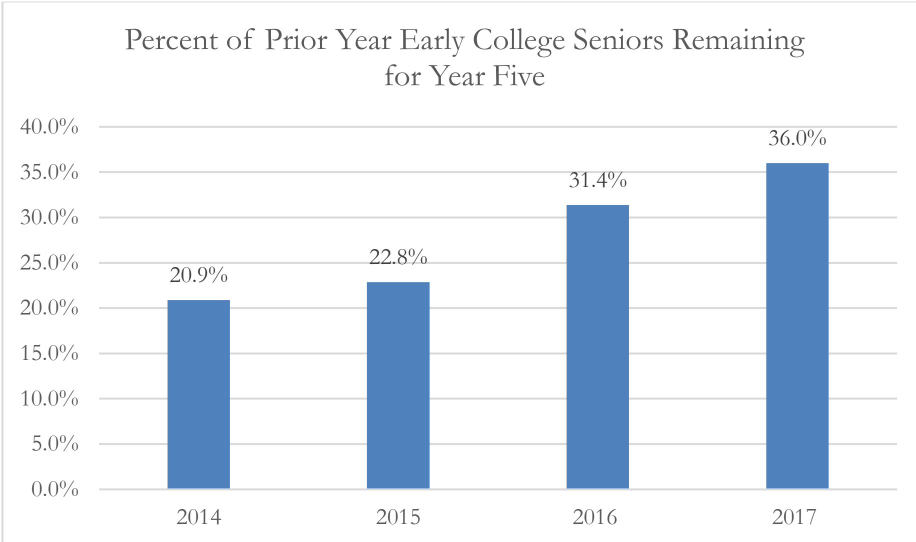
Cost and Length of Early College Programs

If a student graduates within the typical four year timeline (after grade 12), then there is no additional school finance-related cost to the State associated with that student. However, students remaining in high school beyond grade 12 do increase cost to the State by continuing to require per pupil funding for the additional years. Such cost is entirely borne by the State because the local share of funding does not increase with the number of students. Thus, for example, each student remaining one of the Denver early colleges beyond grade 12 would require an additional $7,939 in state share payments (based on the current per pupil appropriation for Denver in FY 2017-18).

Previous discussions of the early college model have often focused on the rigor required to complete high school graduation requirements and an associate's degree (or sixty postsecondary credits) in the typical four-year timeline for high school. Not all students complete the curriculum in four years (for example, for the 2016-17 school year, 315 out of a total of 3,337 (9.4 percent) early college students were beyond 12th grade). The percentage of early college students beyond grade 12 has increased from 3.8 percent of early college enrollment in FY 2012-13 to 9.4 percent in FY 2016-17.



Similarly, the share of early college 12th graders remaining for a 5th year of high school has increased since 2013. Staff's estimates indicate that the percentage of early college seniors remaining for the fifth year increased from 20.9 percent of 2013 seniors remaining in 2014 to 36.0 percent of 2016 seniors remaining in 2017 (see graph below).



In fact, some early colleges are explicitly extending to include 5th and 6th year enrollment. For example:

- Denver Public Schools' early college website states that early colleges allow students to remain enrolled until age 21 and that early college students in Denver "have the option of completing a fifth year of college-only classes."[13]
- Eagle County Schools specifically describe the early college programs as offering *two free years* of college (grades 13 and 14).[14] The Eagle County programs require students to transfer to the early college by May of their *senior* year of high school, meaning that the curriculum does not necessarily exist below grade 13. Staff also notes that the Eagle County website indicates that the district pays up to $5,000 per student in college expenses per year. With $7,960 per student in per pupil revenue in FY 2017-18, the district would be retaining $2,960 per student for students that are not actually attending Eagle County schools. The amount retained would be higher if the college expenses are less than $5,000 (which is likely depending on the partnering institution).

Concerns and Points to Consider

The increasing prevalence of early college programs, especially programs operating on an extended high school model (beyond grade 12) raises several concerns for the Committee and the General Assembly's consideration.

- *K-12 Budget Impact:* As discussed above, every student that remains in an early college program requires per pupil funding from the State. Because the local share of funding does not increase with enrollment, the State is effectively responsible for the entire cost of the additional (beyond grade 12) students. That state funding is then not available to support other K-12 students and/or reduce the budget stabilization factor. While not a particularly significant impact given current early college enrollment (333 students beyond grade 12 in FY 2016-17), significant growth in early college enrollment would increase the impact on the state budget. In addition, unlike students in the Accelerating Students through Concurrent Enrollment (ASCENT) Program, which are funded at a flat rate statewide, early college students are funded at each district's per pupil amount, making early college students more expensive per pupil than ASCENT students.

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[13] See: https://collegeandcareer.dpsk12.org/early-college/
[14] See: http://www.eagleschools.net/article/free-college-%E2%80%94-no-longer-pipe-dream

- *Efficiency and Other Revenue Sources:* Retaining students in high school in the early college model precludes the use of other resources (e.g., Pell Grants) to defray the cost of providing postsecondary education. Given that Pell Grants generally require students to have *graduated* from high school, retaining the students as high school students requires the State to substitute state funding for Pell Grant funds that would otherwise be available (approximately $3,000 per student for eligible students).
- *District/Early College "Profit" Incentive:* As discussed above, the school districts and early colleges pass through a portion of the per pupil revenue provided by the State to cover college expenses at partner institution(s). However, the ability to retain a portion (in some cases a significant portion) of the revenue associated with each student, including for students that are no longer attending the district's schools, may create a financial incentive to continue to count students beyond grade 12 with the cost falling on the State.
- *Control of Fifth (and Subsequent) Year Enrollment:* Related to the first concern, the Long Bill explicitly caps the number of students able to participate in the ASCENT program each year, presumably in an effort to control the cost of the program and the impact on overall education funding. Outside of requiring State Board of Education approval for early colleges (with no requirement to consider the financial impact), there is no similar constraint on early college enrollment. Thus, the General Assembly caps the number of *less expensive* students participating in the ASCENT program but not the number of *more expensive* early college students. At the rate the early college program is growing, staff anticipates that early college 5th year (and potentially 6th year) enrollment will soon surpass ASCENT enrollment.
- *Legislative Intent:* Staff cannot definitively speak to legislative intent regarding early colleges retaining students beyond grade 12. However, staff's understanding is that ASCENT was meant to be *the* program for fifth-year seniors for concurrent enrollment purposes. Staff is not aware of any decision (to date) to offer free postsecondary education beyond grade 12 on a broad scale (outside of the ASCENT Program). The school districts and early colleges appear to be assuming that the decision has been made.
- *Equity of Access:* Staff is also concerned about a lack of equitable access to these programs. With the exception of Lake County High School Early College in Leadville, all of the existing and approved early colleges are in major population centers, and nearly all are along the I-25 corridor from Fort Collins to Pueblo. If the State is going to offer and pay for free postsecondary education (through an associate's degree or 60 credits), then staff would argue that the opportunity should be available to high school students statewide and *not* restricted to students along the I-25 corridor or those that happen to have the opportunity to attend an early college.

Staff recommends that the Committee and the General Assembly consider additional "sideboards" to clarify the intent of the early college system and maximize the efficiency of use of state funds.

ISSUE: 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.

SUMMARY

- Beginning in FY 2019-20, H.B. 17-1375 (Distributing Mill Levy Override Revenues to Schools) requires school districts to share mill levy override revenues with district-authorized charter schools on an equal per pupil basis. Some districts are already sharing revenues with district-authorized charters but the bill requires a plan for such sharing by FY 2019-20. The bill also creates the Mill Levy Equalization Fund to support *state* payments to equalize local override revenues for CSI schools based on override payments in each CSI school's geographic district.

- Request R6 seeks an increase of $5,523,862 General Fund to support mill levy equalization payments to CSI schools in FY 2018-19. 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. Thus, in FY 2018-19, the proposal would only equalize revenues for CSI schools located in districts that are sharing with the district-authorized charters (one year prior to the requirements in H.B. 17-1375).

- In addition to inherent equity concerns related to local override revenues, the proposal raises concerns about the impact of CSI mill levy equalization on the state budget. The request for FY 2018-19 seeks $5.5 million General Fund based on estimates of the per pupil amounts to be shared with *district-authorized* charters in FY 2018-19. However, the request uses dated information, including FY 2016-17 override revenues and the percentages shared with district charters in FY 2015-16. As a result, the cost for FY 2018-19 may be higher than anticipated. The Department estimates that equalizing payments for all CSI schools (including those not currently sharing with district-authorized charters) would require $18.5 million in FY 2018-19, and that amount will increase as local override revenues increase.

RECOMMENDATION

Staff recommends that the Committee discuss request R6 with the Department and with CSI at the upcoming hearing, including the anticipated impact on the state budget in FY 2018-19 and subsequent years as well as potential incentives for schools to seek CSI (rather than district) authorization, thereby increasing the policy's demands on the state budget.

DISCUSSION

BACKGROUND – CSI

The State Charter School Institute (CSI) is a statewide charter school authorizer, functioning as an independent agency in the Department of Education. Governed by a nine-member board, the CSI is allowed to authorize charter schools located within a school district's boundaries if the school district has not retained exclusive chartering authority (ECA). With the permission of the geographic district, CSI can also authorize schools within districts that have retained ECA. There are 41 CSI schools operating in FY 2017-18, located in 16 different school districts and serving more than 17,000 students.

CSI schools are funded through the School Finance Act based on the per pupil revenues for schools in the geographic district in which each school is located. However, as state-authorized schools, CSI schools do not receive *any* local share of school finance revenue and per pupil funding for CSI students is entirely supported by the State. Similarly, CSI schools do not have access to local school districts' mill levy override revenues.

H.B. 17-1375

Historically, district-authorized charter schools' access to local mill levy override revenues has varied depending on the district authorizing the school. House Bill 17-1375 requires *all* districts to share override revenues with district-authorized charter schools on an equal per pupil basis *beginning in FY 2019-20*. As noted above, state-authorized CSI schools do not have access to local override revenues. In response, H.B. 17-1375 created the Mill Levy Equalization Fund to support *state* payments to CSI schools to equalize the local override revenues available in CSI schools' geographic districts.

REQUEST R6 – CSI MILL LEVY EQUALIZATION

With request R6, the Department is seeking an increase of $5,523,862 General Fund to support mill levy equalization payments for CSI schools in FY 2017-18. The Department proposes to appropriate that amount into the Mill Levy Equalization Fund and then reappropriate the same amount out of the cash fund (as reappropriated funds) to support the actual equalization payments.

The proposal would distribute funding to CSI schools on a per pupil basis in an amount equal to the per pupil amounts of override funding that school districts are sharing with district-authorized charter schools within each CSI school's respective geographic district. Thus, in FY 2018-19, the proposal would only equalize revenues for CSI schools located in districts that are sharing with the district-authorized charters in FY 2018-19 (one year prior to the requirements in H.B. 17-1375).

It is important to note that the R6 request represents a preliminary estimate of equalization amounts under the proposed policy, and the numbers will change when new data are available. The estimates use FY 2016-17 override revenues for the districts in question and calculate estimated payments to the CSI schools <u>based on the percentages of per pupil override revenue that the districts shared with district-authorized charters in FY 2015-16.</u> As a result, if override revenues have increased for FY 2018-19 (which seems likely) or districts are sharing a greater percentage of revenues than in FY 2015-16, then the cost of the proposed *policy* would increase above the $5.5 million requested in R6. The following table shows the data underlying the Department's calculations. As shown in the table, in FY 2015-16, one of the CSI accounting districts did not have overrides (Calhan). On the other end, Roaring Fork shared equally with charters in that district, while most districts were somewhere in between (with an overall average of 29.6 percent).

R6 - CSI Mill Levy Equalization Preliminary Calculation				
Geographic District	School Name	Override Funding at Full Equalization (2016-17 Revenues)	Estimated Equalization Based on Percentage Shared in FY 2015-16	Percent
Adams 12 Five Star	Academy of Charter Schools	$1,973,093	$59,192	3.0%
Adams 12 Five Star	Global Village Academy - Northglenn	978,130	29,344	3.0%
Adams 12 Five Star	New America School - Thornton	391,234	11,737	3.0%
Adams 12 Five Star	Pinnacle Charter School Elementary	1,248,036	37,441	3.0%
Adams 12 Five Star	Pinnacle Charter School High	543,893	16,317	3.0%
Adams 12 Five Star	Pinnacle Charter School Middle	375,585	11,268	3.0%
Aurora	Colorado Early College - Aurora	281,809	134,986	47.9%
Aurora	Montessori Del Mundo	239,470	114,706	47.9%
Aurora	New America School - Lowry	450,894	215,978	47.9%
Aurora	New Legacy Charter High School	121,741	58,314	47.9%
Brighton 27J	High Point Academy	31,024	31,769	102.4%
Calhan	Frontier Charter Academy	0	0	n/a
Colo. Springs 11	Colorado Military Academy	609,458	224,890	36.9%
Colo. Springs 11	Colo. Springs Charter Academy	541,087	199,661	36.9%
Colo. Springs 11	Colo. Springs Early Colleges	768,913	283,729	36.9%
Colo. Springs 11	Global Village Academy - Colo. Springs	456,176	168,329	36.9%
Colo. Springs 11	James Irwin Charter Academy	353,130	130,305	36.9%
Colo. Springs 11	Launch High School	91,130	33,627	36.9%
Colo. Springs 11	Mountain Song Community School	374,022	138,014	36.9%
Colo. Springs 11	Pikes Peak Prep	304,717	112,441	36.9%
Colo. Springs 11	Thomas MacLaren State Charter School	563,870	208,068	36.9%
Commerce City	Community Leadership Academy	375,989	0	0.0%
Commerce City	Victory Prep Academy High	142,771	0	0.0%
Commerce City	Victory Prep Academy Middle	177,499	0	0.0%
Douglas	Colorado Early Colleges - Douglas	269,305	274,960	102.1%
Durango	Animas High School	625,334	90,723	14.5%
Durango	Mountain Middle School	560,335	99,432	17.7%
Eagle	Stone Creek School	745,298	756,477	101.5%
East Grand	Indian Peaks Charter School	57,389	0	0.0%
Mesa Valley	Caprock Academy	341,633	0	0.0%
Mesa Valley	Monument View Montessori	12,256	0	0.0%
Poudre	Colorado Early College - Fort Collins	1,428,407	621,357	43.5%
Poudre	Global Village Academy - Fort Collins	378,268	164,547	43.5%
Poudre	T.R. Paul Academy of Arts and Knowledge	263,216	114,499	43.5%
Roaring Fork	Ross Montessori School	534,451	534,451	100.0%
Roaring Fork	Two Rivers Community School	495,278	495,278	100.0%
Salida	Salida Montessori Charter School	125,020	0	0.0%
Steamboat	Mountain Village Montessori	249,216	152,022	61.0%
Westminster 50	Crown Pointe Charter Academy	459,430	0	0.0%
Westminster 50	Early College of Arvada	389,467	0	0.0%
Westminster 50	Ricardo Flores Magnon Academy	317,886	0	0.0%
Total		**$18,645,860**	**$5,523,862**	**29.6%**

Beyond simply trying to provide equity (within geographic districts) in terms of available revenues, the Department points to a variety of disparities between CSI schools and traditional district schools to justify the need for equalization funds:

- *Staff Pay:* CSI schools often have to pay teachers and administrators less than other schools.
- *Turnover:* CSI reports higher rates of turnover than other schools, including a 29.1 percent turnover rate for teachers compared to a 16.9 percent rate for schools statewide.
- *Facilities:* CSI schools pay a higher percentage of revenues for facilities than traditional schools and report that they often must settle for paying elevated rents for inferior facilities. Facility costs make up 18.3 percent of total CSI school spending vs. 3.8 percent of total spending for non-CSI schools.

POINTS TO CONSIDER

The Department's proposal highlights a variety of issues for the Committee's (and the General Assembly's) consideration.

- *Timing:* House Bill 17-1375 requires districts to have a plan for sharing override revenues for FY 2019-20. Did the General Assembly intend to equalize CSI revenues in FY 2018-19?
- *State Budget Impact:* The Department's preliminary estimates anticipate a need for $5.5 million General Fund for equalization payments in FY 2018-19 based on the proposed policy. Staff expects that amount will increase for FY 2018-19 as new data on override revenues and districts' sharing with charters becomes available. In addition, looking beyond FY 2018-19, the impact will undoubtedly increase. Based on the data supporting the request (FY 2016-17 override revenues) complete equalization as anticipated in FY 2019-20 would require $18.6 million General Fund. Again, staff anticipates that the impact will increase based on increases in total override revenues.
- *No Additional State Revenues:* Staff also notes that local districts inherently receive *more revenue* from overrides; it is the additional revenue generated by overrides that is in question for local districts. The State, however, has no control over local overrides (beyond statutory caps on override revenues for each district) and does not have any mechanism to generate additional revenues to support the equalization payments proposed in R6. Rather, any equalization payments made by the State must come at the expense of other state priorities such as reducing the budget stabilization factor.
- *Impact of CSI Authorization (1):* Prior to mill levy equalization, authorization by CSI vs. local districts did not affect school finance funding or the cost required of the State. While CSI and local districts may have competed to attract schools, there was no additional cost to the State as a result of that competition. However, given the revenue dynamics discussed above, increasing CSI enrollment under the proposed equalization policy will inherently increase costs to the State.
- *Impact of CSI Authorization (2):* This request also highlights that many CSI schools could have been district-authorized charter schools. Of the current portfolio of 41 CSI schools, 13 were previously approved by local districts and transferred to CSI (schools choose CSI or local districts for a variety of reasons, including financial differences), six were new schools that were also approved by local districts but chose CSI, and 20 were new schools that did not even apply for authorization by a local district and went straight to CSI. Of the current portfolio of schools, two were originally denied by a local district before applying to CSI. If those schools were authorized by districts, they would have access to the local revenues under H.B 17-1375.
- *Incentive Structure:* Staff is also concerned that the proposed policy creates additional incentives for both potential schools and local districts to seek CSI authorization. If charters (and their students) move to CSI, then local override revenues will be spread over fewer students, increasing the amount of override revenue per pupil. The State would then match that increased amount per pupil, and have to equalize payments for more students, further increasing the cost to the State. Both the local district and the charter school receive more revenue per pupil (creating a potential incentive), with all additional cost borne by the State.

- *Override Inequities:* More broadly, the data provided by the Department highlight the inequitable distribution of override revenues *between school districts*. Each district's level of sharing with local charter schools adds an additional wrinkle to the discussion but the variation in local override revenues among school districts presents concerns about equity in the State's school finance system.
- *Equalization within Districts vs. Within CSI:* The proposal would make equalization payments based on the rate of sharing between local districts and their district-authorized charter schools under H.B. 17-1375. Staff notes, however, that sharing on that basis will create wide variation in the equalization payments provided *within CSI*. That is, CSI schools in districts with high override revenues (per pupil) would receive large equalization payments while the CSI school in Calhan will receive none as long as Calhan does not have local overrides. As a result, the proposed policy promoting local equity creates inequality within CSI.

ISSUE: 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).

SUMMARY

- The CSDB, located in Colorado Springs, is a "Type 1" agency within the Department of Education established to provide comprehensive educational services for students who are blind and/or deaf. Colorado students form the ages of birth through twenty-one with a documented hearing and/or vision loss are eligible to receive services either at or through the CSDB.

- Over the past year, external groups have voiced a variety of concerns about the operations and performance of the CSDB, including discussions with the Committee. In response to those concerns, staff has worked with the CSDB, the Department, and external stakeholders to review both the operations and performance of the school *and* the role of the Department in overseeing the CSDB.

- This research has raised potential concerns about the school's operations, including academic expectations and performance, which staff believes warrant an independent external review by experts in the field of deaf education, blind education, and special education.

- In addition, the process has raised significant concerns about the Department's oversight of CSDB through both the statewide accountability process and special education specific oversight by the Exceptional Student Services Unit (ESSU), including concerns that go beyond the ESSU's oversight of CSDB to include the ESSU's monitoring and oversight of special education outcomes in school districts.

RECOMMENDATION

Staff recommends that the Committee discuss the CSDB's performance and status with both the Department and the CSDB at the upcoming hearing. Staff specifically recommends discussing the role of the Department in oversight of the CSDB, including through the statewide accountability process and through the Exceptional Student Services Unit, and whether legislation is necessary to clarify the Department's authority. In light of the potential concerns highlighted through this process, staff further recommends that the Committee ask the Department to contract for an independent external financial and performance review/audit of CSDB's operations, including both on-campus and off-campus services. Staff is confident that the Department has sufficient resources to support the external review without additional funds, and legislation should not be necessary.

BACKGROUND – COLORADO SCHOOL FOR THE DEAF AND THE BLIND

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. 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. As a "Type 1" agency within the Department of Education, the CSDB is overseen by a seven-member board appointed by the Governor and confirmed by the Senate.

The CSDB currently occupies 18 buildings on 37 acres. 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:

- Assessment and identification of educational needs;
- Special curricula;
- Equipment and materials;
- Supplemental related services;
- Special short-term programs;
- Program planning and staff development;
- Programs for parents, families, and the public; and
- 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 206 students (ages 3 to 21) in the 2016-17 school year, an increase of 7 students from the 2015-16 school year. The on-campus enrollment included 138 deaf/hard of hearing students and 68 blind/visually impaired students. Of the 206 total students, 78 resided at CSDB (returning home on weekends) and the remaining 128 students only attended classes during the day.

Colorado School for the Deaf and the Blind: FY 2016-17 Enrollment		
	On-campus Students	
Description	Number	*Annual % Change*
Deaf/ Hearing Impaired	138	*-2.1%*
Blind/ Visually Impaired	68	*17.2%*
Total Enrollment	**206**	***3.5%***
Number of Residential Students	78	*0.0%*
Number of FTE for Whom Facility School Funding is Received	176	*-9.7%*
Percent of FTE for Whom Per Pupil Operating Revenues are Transferred from Districts	*85.4%*	

In addition to the on-campus enrollment, the school provided in-home services to 339 children from birth to age 3 (and their families) through the early intervention (CO-Hears) program and 99 children from birth to age 8 through the Early Literacy Development Initiative (ELDI). The school also provided "outreach" services to 79 school-age students being served in local districts, supported in part by fees paid by the local school districts.

External Concerns

Over the past year, external stakeholders (particularly Colorado Hands & Voices and the Colorado Association of the Deaf) have voiced a variety of concerns regarding CSDB operations and management to the Committee and to JBC staff. With discussions to date focused on the School for the Deaf, a brief summary of some stakeholders' areas of concern includes:

- *Academics (on-campus):* The stakeholders have indicated that the school's academic expectations appear to be too low and its outcomes are inadequate, particularly given the school's per pupil spending. The groups indicate that the school lacks qualified staff in math and science, with negative impacts on expectations and outcomes.
- *AEC Designation and Accountability (on-campus):* The CSDB has been designated as an alternative education campus (AEC) since 2010, which reduces expectations of academic performance in the statewide accountability system and compares CSDB's performance to other AEC programs. While the school clearly qualifies as an AEC under statute (Section 22-7-604.5 (1)(a)(VI)(A), C.R.S.), the stakeholders argue that CSDB is not really comparable to the other AEC programs and that the performance expectations are too low.
- *Board and CDE Oversight:* Stakeholders argue that the CSDB Board does not appear to function as a governing board with close oversight of the school, is not easily accessible to the public, and may not have the expertise to address student achievement or school administration in deaf and/or blind education. They also argue that the Department of Education (CDE) does not provide adequate support to the Board or oversight of the school.
- *Lack of Spoken Language Instruction and Exposure (on-campus):* The School for the Deaf is largely a "voices off" American Sign Language (ASL) environment. While not disputing the role of ASL for most of its students, Colorado Hands & Voices and others have expressed concern about inadequate spoken language instruction for students suited to such instruction (particularly related to those using cochlear implants).
- *Admissions and Enrollment (on-campus):* CSDB staff often argue that the school's student population faces particularly large challenges, for example as a result of language delays, explaining potentially lower-than-expected results. The stakeholders note that the school's admission policies allow the school to refuse admission (and to exit students already admitted) based on a variety of criteria

(such as cognitive function at less than 40 percent of grade level, behavior challenges, etc.). When accepting students that require 1:1 paraprofessional support, the school requires the student's home district to pay the cost of the additional support. The stakeholders note that none of those options are available to local districts serving deaf or blind students with additional needs.

- *Regional vs. State Program:* The groups note that 60 percent of enrollment appears to be day students living in the Colorado Springs area and argue that the school therefore appears to be functioning more as a regional program than a statewide program.
- *Outreach Services to School Districts (off-campus):* Hands & Voices has argued that the outreach services provided to support deaf students served in local school districts are inadequate, that students are not receiving frequent enough and targeted support services, particularly given rates charged to school districts for the services. There is also a perception that CSDB and CDE have some duplication and lack of coordination regarding outreach services. Stakeholder groups are also concerned about the overall management of the outreach program, including a perceived lack of transparency in staffing allocation decisions.
- *Early Intervention Services (birth-to-three, off-campus)*: The stakeholders are concerned about overall management of the early intervention (CO-Hears) program, including the allocation of staff/FTE around the State, inadequate staffing, confidentiality concerns, and changes in job requirements for CO-Hears staff. They argue that the program is falling short of best practice implementation for early intervention programs.

Based on these concerns, the groups have asked the Department of Education and the Committee to conduct an independent external audit of the school.

Staff Research and Response

In response to the external groups' concerns, staff has worked with the Department, CSDB, and the stakeholder groups to research the groups' concerns, including academic expectations and outcomes at CSDB as well as the role(s) of the Department in overseeing operations and outcomes at the school. Based on staff's research, many of the specific concerns outlined above are accurate descriptions of the operations of the school. For example, while many CSDB students certainly face significant challenges in terms of language delays (among others), the school does have the authority to turn away students based on a variety of criteria not available to local school districts and also has the authority to require local districts to pay for additional support required by students coming to CSDB. Similarly, the school is an ASL-focused school and does not appear to emphasize spoken language instruction as much as some stakeholders would like. The CSDB, however, would most likely disagree that many of the specific issues raised are actually problems.

Staff does not have the expertise to opine on the specific instructional methods or staffing choices of the school (on-campus or off-campus). Staff is also not comfortable with the apparent role of either the Committee or JBC Staff as the oversight entity for the CSDB. Given potential concerns about the school's educational performance and the lack of oversight by the Department (both of which are discussed below), staff agrees that the request for an independent external review is appropriate and recommends that the Committee ask the Department to contract for the review.

Academic Results

Educational outcomes are a key focus of the statewide accountability system. As discussed below, because the CSDB is designated as an AEC, it is compared to other AECs under the accountability system. As a different frame of reference, staff has worked with the Department to allow for comparisons between CSDB and local school districts serving an adequate sample size of deaf and/or blind students (for reporting and privacy purposes, this only covers districts serving at least 15 students with the disability in question). Staff argues that this is a more meaningful frame of reference than comparing the CSDB to other AEC campuses serving dramatically different populations.[15]

While staff cannot verify that the populations (CSDB vs. districts) are statistically comparable, the data do raise concerns. As shown in the following tables, based on "mean scale scores" and "median growth percentiles" (two common and legally reportable samples for these data), CSDB ranks at or near the bottom among the applicable districts for both hearing and vision disabilities in 2017 (as well as in 2016, though the 2016 data are not shown here). Staff notes that all of these data are based on the same statewide (CMAS) assessments.

Comparison of Deaf/Hard of Hearing Assessment Data 2017 CMAS Assessments

District	Participation	Sample (N)	English Language Arts: Mean Scale Score	English Language Arts: Median Growth Percentile	Mathematics: Mean Scale Score	Mathematics: Median Growth Percentile
Adams 12 Five Star/1	90.2%	54	719.3	55.0	717.1	40.0
Aurora	100.0%	37	695.6	46.5	695.8	41.0
Boulder - St. Vrain	96.0%	23	732.6	n/a	730.3	n/a
Cherry Creek	71.8%	28	723.5	45.0	724.5	52.0
Colo. Springs 11	100.0%	20	702.4	n/a	704.4	n/a
Denver	100.0%	70	719.9	57.0	724.3	49.5
Douglas	74.3%	26	732.5	n/a	727.7	n/a
El Paso - Academy	66.7%	16	742.9	n/a	738.3	n/a
Jefferson	92.1%	77	710.0	50.0	711.5	50.0
Weld - Greeley	94.1%	16	690.7	n/a	697.4	n/a
CSDB (Deaf School)	98.0%	46	682.6	28.0	689.5	43.5
Statewide (All)	91.0%	625	713.2	48.0	713.2	47.0

/1Adams 12 Five Star had 90.2 percent participation (54 students) for English Language Arts and 86.9 percent (52 students) for mathematics in 2017.

Comparison of Blind/Visually Impaired Assessment Data 2017 CMAS Assessments

District	Participation	Sample (N)	English Language Arts Mean Scale Score	Mathematics Mean Scale Score
Jefferson	85.0%	17.0	719.3	717.1
CSDB (Blind School)	92.0%	21.0	732.6	730.3
Statewide/1	80.4%	134.0	695.6	695.8

1/Statewide, 80.4 percent of blind students (134 students) participated in English language arts and 81.4 percent (136) participated in the mathematics assessments.

Staff is aware that the CSDB may be serving a population of students facing more challenges than the comparable populations in many local school districts (many CSDB students move to CSDB because of challenges in the school districts). However, staff does believe that the data presented above warrant further examination, particularly given CSDB's status as the center of expertise in Colorado.

[15] Section 22-7-604.5, C.R.S., outlines the eligibility criteria for AEC designation. CSDB qualifies because more than 90 percent of its students have an individualized education program (IEP).

PER PUPIL SPENDING

The external groups point to the level of funding provided to CSDB, particularly on a per pupil basis, as important context and argue that the school should be achieving stronger results given its level of funding. With total expenditures of $14,480,573 in FY 2016-17, the CSDB served 723 children through four major types of programs:

- *On-campus Education:* The school served an average enrollment 206 children from ages 3 (preschool) up to 21 on campus in FY 2016-17. With approximately $11.7 million spent to support on-campus education in FY 2016-17, that equates to $56,799 per student.
- *On-campus Residential:* CSDB students from outside the El Paso County area can live in dormitories on campus during the week (going home on weekends). In FY 2016-17, 78 students lived on campus. With residential program costs of $2.3 million, that equated to $29,435 per residential student in FY 2016-17.
- *Off-campus Outreach:* By statute, the school provides services to local school districts serving deaf and/or blind students, upon request of the school district. The outreach services are supported with a mixture of state funds and fees for services paid by local school districts. In FY 2016-17, the CSDB spent $1,126,525 in state (personal services) funds to support a variety of outreach activities. In addition, the annual Long Bill authorizes CSDB to collect and expend up to $755,000 for these services each year, though collections in recent years have been well below that amount ($364,164 in FY 2016-17). In FY 2016-17, outreach services supported a total of 79 students being served in local school districts throughout the State, at an average cost of $13,888 per student.
- *Off-campus Early Intervention:* The Early Intervention line item supports services to children from birth to age 8 off-campus through two programs. The CO-Hear program supports deaf children and their families from birth to age three (339 children in FY 2016-17 at a total cost of $940,145, or $2,773 per child). The Early Literacy Development Initiative serves children from birth to age 8 (99 children in FY 2016-17 at a total cost of $492,228, or $4,972 per child).

It is difficult to compare these amounts to local school districts based on standard per pupil (school finance) measures that would not capture categorical funding, etc., available to school districts serving deaf and blind students. Staff notes that school districts of comparable size (roughly 200 students on campus) would often receive approximately $13,000 per pupil through the School Finance Act (after the application of the budget stabilization factor), and add to that amount through other revenue streams such as categorical funds for disabled students. Staff does not have comparable spending amounts from local districts that are specific to deaf or blind students. It is clear, however, that the per pupil spending amounts at CSDB ($56,799 per pupil in FY 2016-17 for on-campus educational expenses) are higher than the levels seen in local districts for that size of population.

OVERSIGHT OF CSDB, ACCOUNTABILITY, AND AEC STATUS

Staff's research has raised significant concerns about the Department's oversight of CSDB – and potentially about the Department's oversight of special education services in school districts statewide. While the external groups in communication with the Committee have voiced the same concerns to the Department, including the request for an external audit/review of CSDB operations, the Department has appeared reluctant to exercise any oversight (either proactive or reactive) of the CSDB.

As a result, a significant amount of the oversight responsibility has fallen on the Committee for oversight through the budget process. However, staff simply does not have the expertise to evaluate the deaf education or blind education programs at the school or to evaluate the adequacy of the school's expectations and results. <u>Staff does not believe that this level of oversight of the school's educational programs is an appropriate role for the Committee or JBC Staff and recommends that the General Assembly enact statutory changes if necessary to clarify the Department's authority to oversee CSDB and require additional oversight. Staff recommends addressing the need for statutory change (or lack thereof) with the Department at the upcoming hearing.</u>

Staff has identified three potential paths for departmental oversight (general oversight as a state agency, the statewide accountability system, and special education oversight through the Exceptional Student Services Unit), each of which is discussed briefly below.

GENERAL OVERSIGHT OF CSDB AS A STATE AGENCY UNDER CDE

As a state agency within the Department of Education's budget, staff had previously assumed that the Department had a degree of oversight authority over CSDB. In fact, Section 22-2-112 (1)(m), C.R.S., includes the following duty for the Commissioner of Education: "To supervise, manage, and control the Colorado school for the deaf and the blind at Colorado Springs." However, the Department of Law has apparently told the Department that this language is an error and should have been eliminated when the General Assembly converted the school to a Type 1 agency under the management of an independent board. Based on the Department of Law's counsel, the Department does not believe that it has oversight authority over CSDB outside of the statewide accountability process and oversight of special education (discussed below).

However, at least partially in response to the concerns raised through this process, the Department and CSDB do report an increased level of engagement between the two entities. For example, statute (Section 22-80-103 (1)(b), C.R.S.) authorizes the Commissioner of Education or her designee to serve as an ex officio nonvoting member of the CSDB Board. The Department is now using that authority, with the State Director of Special Education serving as the Commissioner's designee. Both CDE and CSDB report an increased level of contact.

STATEWIDE ACCOUNTABILITY PROCESS AND AEC STATUS

The Department oversees every school and district in the State through the statewide accountability process established in S.B. 09-163. Through the accountability system, the Department creates a school performance framework (SPF) to evaluate the performance of each school. As discussed above, the CSDB has been designated as an AEC since 2010. The school's AEC status modifies expectations for the school under the accountability system, and under the current system of comparison the school has received a "Performance" rating (the highest rating available) for each year since its designation.

As an AEC, CSDB is currently compared to other AECs for accountability purposes. Staff notes the following:

- With a 2016 school performance framework score of 33.5 out of 100, that qualifies as "Performance" because of the school's AEC status. To illustrate the impact of AEC status, any score below 34.0 would put a non-AEC school in "Turnaround" status, the lowest rating in the accountability system.
- Comparing CSDB to other AECs appears to be comparing "apples and oranges." While CSDB's enrollment (with every student on an IEP) clearly qualifies the school as an AEC under statute,[16]

[16] The statutory threshold is at least 90.0 percent of students on an IEP.

staff notes that CSDB's student population is quite different from most AECs for whom the designation is based on very different risk criteria (e.g., students that have been committed to the Department of Human Services following adjudication as a juvenile delinquent, students that have dropped out of school or have high rates of absence, etc.).

In short, it is clear that CSDB qualifies as an AEC under statute. However, even with the AEC status, staff is concerned about the Department's current frame of comparison for the school (other AECs). Staff argues that a better comparison would consider CSDB performance relative to schools and districts serving similar populations (sufficiently large populations of deaf and/or blind children). It is staff's understanding that the Department and the State Board could make that change without any change in statute, and staff recommends discussing that concept with the Department at the upcoming hearing.

EXCEPTIONAL STUDENT SERVICES UNIT/SPECIAL EDUCATION

As the State Education Agency (SEA), the Department (acting through the Exceptional Student Services Unit or ESSU) has responsibilities under state and federal law to ensure adequate service for students with disabilities. Similar to the accountability system above, the ESSU creates an administrative unit (AU) determination for each AU (generally school districts or BOCES, though state facilities such as CSDB are also AUs) in Colorado. The determination process "flags" administrative units in need of assistance or intervention by the Department.

- In 2016 and 2017, CSDB received the highest rating of "Meets Requirements."[17]
- However, the current measures are highly focused on compliance and many do not appear to be very relevant to CSDB. For example, the determination process considers whether an AU appears to suspend a disproportionate number of students with disabilities and whether an AU appears to "over-identify" racial and ethnic groups as having disabilities. Every student at CSDB has a disability, and staff does not believe that over-identification of deafness and/or blindness is an issue, as these are physical/medical determinations. Not surprisingly, CSDB received 100 out of 100 possible points for compliance.
- In 2017, the determination process did include new measures of results (weighted at 25 percent of the overall determination) in addition to the compliance measures (weighted at 75 percent). For results in 2017, CSDB scored 177.9 out of 300, which also scored as "Meets Requirements."
- Because the results system includes a variety of new measures for which data were not available from the previous year, every AU received 80 "free" points for specific measures (out of the Department's total of 177.9 points for results). Based on input from the Department, disregarding those "free" points would have flagged the school as needing assistance.
- In addition, the Department has indicated that the 2018 determinations will be weighted as 50.0 percent compliance and 50.0 percent results. That weighting may also have flagged CSDB as in need of assistance given the 2017 results.

Similar to the accountability framework (discussed above), staff has concerns about the current application of the special education determination process to CSDB, and potentially to other districts as well.

- A focus on compliance measures that are not particularly relevant to the school is unlikely to yield useful information.

[17] CSDB's 2017 determination matrix is available at: https://www.cde.state.co.us/cdesped/matrix2017_csdb_66050

- Based on discussions with the Department, the use of new measures and "free" points is apparently masking performance/results issues that would otherwise have flagged CSDB (and most likely other districts) as in need of assistance in the 2017 process. Staff appreciates the Department's increasing focus on results in the AU determination process; however, staff is concerned that the process for this year did not allow the ESSU to recognize AUs in need of assistance or intervention, potentially including CSDB.

As discussed below, "flagging" through the AU determination process is one of the only factors that would trigger active monitoring and oversight by the Department. Based on the case study of CSDB in 2016 and 2017, staff is concerned that districts and students in need of additional support will not receive the necessary assistance from CDE simply because of the mechanics of the reporting process.

BROADER ESSU CONCERNS

During discussions of CSDB's special education performance, Department/ESSU staff indicated the importance of treating CSDB like any other school district. During those discussions, it was not clear what, beyond an adverse AU determination, would prompt any level of proactive oversight and monitoring of a school district. Specifically, in response to staff's questions, Department/ESSU staff indicated that the Department would not respond to a district/AU where disaggregated data (required by federal law) indicated that a specific population of students with disabilities was not being served (e.g., when the overall determination indicated that the AU was performing but the disaggregated data indicated that specific disabled population was not being adequately served).

Staff's understanding of the role of a state education agency (SEA) under federal law would require exactly that type of proactive monitoring and response, as a civil rights issue under the federal Individuals with Disabilities Education Act. Staff understands that the AU determination process provides a systemic look (with specific systemic concerns discussed above) at special education performance in each AU. However, staff believes that the ability to identify underserved populations (whether they be specific disabled populations or other specific groups) is precisely why the law requires reporting of disaggregated data. Ignoring such issues based on the overall (systemic) performance of an AU may risk civil rights violations for underserved students.

ISSUE: 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.

RECOMMENDATION

Based on the lack of use of the programs, staff recommends that the Committee review the list of unfunded programs and that the General Assembly enact legislation repealing any programs that it does not intend to fund going forward. The Committee could sponsor such a "cleanup" bill as a JBC bill or (probably preferably) refer the issue to another committee. The General Assembly may also wish to consider including standard language in future grant program legislation that would either: (1) automatically repeal programs after five years of implementation (with the possibility of renewal at that time); or (2) repeal programs that are unfunded for a specific period of time (e.g., five years).

DISCUSSION

Working with the Office of Legislative Legal Services and the Department, staff has identified twelve grant programs within Title 22 that have not received funding in at least five years (see table below).

STATUTE				
STATUTE	PROGRAM	PURPOSE	CASH FUND CREATED	YEAR LAST FUNDED
22-5.5-106	Funding for Regional Services Areas	Grant funds from the State Education Fund supported planning and implementation of regional service cooperatives.	No	FY 2009-10
22-7-305	Parent Involvement in Education Grant Program	Grants to support the creation and implementation of programs to improve parent involvement in schools.	Yes (gifts, grants, donations)	None
22-7-701 through 708	Teacher Development Grant Program	Grants (originally GF) to schools to provide teacher development schedules (professional development).	Yes	FY 2001-02
22-7-801 through 807	Summer School Grant Program	Grants to support summer school programs for specific students entering grades five through eight.	No	FY 2009-10
22-9.5-101 through 104	Principal Development Scholarship Program	Stipends for school principals to support on-going professional development.	Yes	FY 2006-07
22-9.7-101 through 104	Early Childhood Educator Development Scholarship Program	Stipends for early childhood educators to offset costs of obtaining associate of arts degree in early childhood education.	Yes (gifts, grants, donations)	None
22-37-101 through 105	Grant Program for In-school or In-home Suspension	Grants to encourage experimentation in the management of suspended students and to evaluate education programs for such students.	No	FY 2001-02
22-69-104	Alternative Teacher Compensation Plan Grant Program	Grants to school districts to support the design and development of alternative compensation plans.	No	FY 2008-09

Statute				
Statute	Program	Purpose	Cash Fund Created	Year Last Funded
22-81-203	Science and Technology Education Center Grant Program	Grants to provide matching funds for the development and operation of science and technology education centers.	Yes	FY 2008-09
22-81.5-101 through 107	Colorado Information Technology Education Grant Program	Grants to support integration of information technology into curricula for grades nine through twelve.	Yes	None
22-82.3-101 through 109	Healthy Choices Dropout Prevention Pilot Program	Grants to provide services to improve academic achievement and physical and mental health and improve high school completion.	Yes	FY 2010-11
22-89-101 through 105	Wind for Schools Grant Program	Grants from the Colorado Energy Office (CEO) to fund wind energy projects at qualified schools. Note: The CEO requested the repeal of this program as part of the FY 2017-18 budget process.	No	Inactive federal program

Given the time elapsed since each of these program's was last funded, in the interest of statutory cleanup staff recommends that the General Assembly repeal any programs that it does not intend to fund going forward.

	FY 2015-16 Actual	FY 2016-17 Actual	FY 2017-18 Appropriation	FY 2018-19 Request	Request vs. Appropriation

DEPARTMENT OF EDUCATION
Dr. Katy Anthes, 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

	FY 2015-16 Actual	FY 2016-17 Actual	FY 2017-18 Appropriation	FY 2018-19 Request		Request vs. Appropriation
State Board of Education	307,789	304,977	311,194	459,188	*	
FTE	1.3	2.0	2.0	2.0		
General Fund	307,789	304,977	311,194	459,188		
General Department and Program Administration	4,110,736	4,193,254	4,252,945	4,378,699		
FTE	33.2	35.7	34.6	34.6		
General Fund	1,763,782	1,801,744	1,792,802	1,865,734		
Cash Funds	129,160	133,392	177,081	179,110		
Reappropriated Funds	2,217,794	2,258,118	2,283,062	2,333,855		
Office of Professional Services	2,560,240	2,283,938	2,517,511	2,698,620	*	
FTE	24.6	24.5	25.0	25.0		
Cash Funds	2,560,240	2,283,938	2,517,511	2,698,620		
Division of On-line Learning	351,450	208,327	359,549	365,701		
FTE	2.8	1.6	3.3	3.3		
Cash Funds	351,450	208,327	359,549	365,701		

Appendix A: Number Pages

	FY 2015-16 Actual	FY 2016-17 Actual	FY 2017-18 Appropriation	FY 2018-19 Request	Request vs. Appropriation
Health, Life, and Dental	4,740,929	4,418,375	5,180,585	5,446,454	
General Fund	1,700,148	1,644,414	2,058,491	2,124,013	
Cash Funds	565,607	395,127	634,569	743,392	
Reappropriated Funds	508,433	429,949	455,053	469,264	
Federal Funds	1,966,741	1,948,885	2,032,472	2,109,785	
Short-term Disability	88,638	70,761	80,504	73,221	
General Fund	27,057	23,121	28,627	25,605	
Cash Funds	11,949	6,898	10,868	10,632	
Reappropriated Funds	9,944	8,124	8,759	8,010	
Federal Funds	39,688	32,618	32,250	28,974	
S.B. 04-257 Amortization Equalization Disbursement	1,897,700	1,876,156	2,285,634	2,273,850	
General Fund	581,811	615,755	816,141	798,660	
Cash Funds	255,387	182,451	307,885	329,380	
Reappropriated Funds	212,557	214,983	248,127	248,181	
Federal Funds	847,945	862,967	913,481	897,629	
S.B. 06-235 Supplemental Amortization Equalization Disbursement	1,833,003	1,856,621	2,285,634	2,273,850	
General Fund	561,976	609,351	816,141	798,660	
Cash Funds	246,680	180,548	307,885	329,380	
Reappropriated Funds	205,310	212,744	248,127	248,181	
Federal Funds	819,037	853,978	913,481	897,629	

Appendix A: Number Pages

	FY 2015-16 Actual	FY 2016-17 Actual	FY 2017-18 Appropriation	FY 2018-19 Request	Request vs. Appropriation
Salary Survey for Classified Employees	0	0	188,593	184,711	
General Fund	0	0	168,594	64,589	
Cash Funds	0	0	5,772	26,818	
Reappropriated Funds	0	0	8,462	20,208	
Federal Funds	0	0	5,765	73,096	
Salary Survey for Exempt Employees	0	0	680,756	1,290,002	
General Fund	0	0	140,551	451,079	
Cash Funds	0	0	111,628	187,295	
Reappropriated Funds	0	0	86,104	141,136	
Federal Funds	0	0	342,473	510,492	
Merit Pay	376,729	0	0	0	
General Fund	119,026	0	0	0	
Cash Funds	25,664	0	0	0	
Reappropriated Funds	42,695	0	0	0	
Federal Funds	189,344	0	0	0	
Merit Pay for Classified Employees	0	0	78,144	0	
General Fund	0	0	69,572	0	
Cash Funds	0	0	2,474	0	
Reappropriated Funds	0	0	3,627	0	
Federal Funds	0	0	2,471	0	
Merit Pay for Exempt Employees	0	0	276,288	0	
General Fund	0	0	57,825	0	
Cash Funds	0	0	45,734	0	
Reappropriated Funds	0	0	35,145	0	
Federal Funds	0	0	137,584	0	

Appendix A: Number Pages

	FY 2015-16 Actual	FY 2016-17 Actual	FY 2017-18 Appropriation	FY 2018-19 Request	Request vs. Appropriation
Workers' Compensation	435,200	506,964	506,676	519,397	
General Fund	166,333	193,794	226,318	232,001	
Cash Funds	38,081	65,432	66,120	67,779	
Reappropriated Funds	53,443	43,115	34,239	35,099	
Federal Funds	177,343	204,623	179,999	184,518	
Legal Services	480,453	664,830	840,439	760,817	
General Fund	264,318	351,527	485,811	439,786	
Cash Funds	210,552	294,293	333,064	301,510	
Reappropriated Funds	5,583	19,010	21,564	19,521	
Administrative Law Judge Services	177,671	224,252	252,579	210,726	
Cash Funds	147,004	185,545	208,981	174,352	
Reappropriated Funds	30,667	38,707	43,598	36,374	
Payment to Risk Management and Property Funds	79,031	108,806	152,910	144,445 *	
General Fund	79,031	108,806	152,910	144,445	
Leased Space	847,521	918,507	1,172,191	1,172,191	
General Fund	49,430	63,222	60,782	60,782	
Cash Funds	94,708	168,459	224,762	224,762	
Reappropriated Funds	12,389	20,213	17,198	17,198	
Federal Funds	690,994	666,613	869,449	869,449	
Capitol Complex Leased Space	749,257	723,654	842,164	773,186	
General Fund	165,536	159,143	236,777	217,382	
Cash Funds	89,544	83,204	113,045	103,787	
Reappropriated Funds	125,859	115,415	152,358	139,880	
Federal Funds	368,318	365,892	339,984	312,137	

Appendix A: Number Pages

	FY 2015-16 Actual	FY 2016-17 Actual	FY 2017-18 Appropriation	FY 2018-19 Request	Request vs. Appropriation
Reprinting and Distributing Laws Concerning Education	32,424	32,089	35,480	35,480	
Cash Funds	32,424	32,089	35,480	35,480	
Salary Survey	425,241	6,029	0	0	
General Fund	140,890	6,029	0	0	
Cash Funds	27,942	0	0	0	
Reappropriated Funds	45,344	0	0	0	
Federal Funds	211,065	0	0	0	
SUBTOTAL - (A) Administration and Centrally-Appropriated Line Items	19,494,012	18,397,540	22,299,776	23,060,538	3.4%
FTE	61.9	63.8	64.9	64.9	(0.0%)
General Fund	5,927,127	5,881,883	7,422,536	7,681,924	3.5%
Cash Funds	4,786,392	4,219,703	5,462,408	5,777,998	5.8%
Reappropriated Funds	3,470,018	3,360,378	3,645,423	3,716,907	2.0%
Federal Funds	5,310,475	4,935,576	5,769,409	5,883,709	2.0%

(B) Information Technology

	FY 2015-16 Actual	FY 2016-17 Actual	FY 2017-18 Appropriation	FY 2018-19 Request	Request vs. Appropriation
Information Technology Services	3,472,743	3,476,490	4,051,818	4,618,507 *	
FTE	23.4	24.1	28.2	31.2	
General Fund	3,384,893	1,411,712	3,425,355	3,991,664	
Cash Funds	0	2,000,000	0	0	
Reappropriated Funds	87,850	64,778	626,463	626,843	

	FY 2015-16 Actual	FY 2016-17 Actual	FY 2017-18 Appropriation	FY 2018-19 Request	Request vs. Appropriation
CORE Operations	281,533	282,536	236,105	247,935	
General Fund	78,863	107,278	89,650	94,141	
Cash Funds	7,119	35,374	29,560	31,042	
Reappropriated Funds	121,724	139,884	116,895	122,752	
Federal Funds	73,827	0	0	0	
Information Technology Asset Maintenance	862,146	860,001	862,146	862,146	
General Fund	862,146	860,001	862,146	862,146	
Disaster Recovery	17,792	19,722	19,722	19,722	
General Fund	17,792	19,722	19,722	19,722	
Payments to OIT	734,984	340,453	805,047	744,086	
General Fund	359,423	176,332	403,242	380,095	
Cash Funds	0	0	12,249	4,617	
Reappropriated Funds	375,561	164,121	389,556	359,374	
SUBTOTAL - (B) Information Technology	5,369,198	4,979,202	5,974,838	6,492,396	8.7%
FTE	23.4	24.1	28.2	31.2	10.6%
General Fund	4,703,117	2,575,045	4,800,115	5,347,768	11.4%
Cash Funds	7,119	2,035,374	41,809	35,659	(14.7%)
Reappropriated Funds	585,135	368,783	1,132,914	1,108,969	(2.1%)
Federal Funds	73,827	0	0	0	0.0%

	FY 2015-16 Actual	FY 2016-17 Actual	FY 2017-18 Appropriation	FY 2018-19 Request	Request vs. Appropriation
(C) Assessments and Data Analyses					
Colorado Student Assessment Program	28,213,207	32,338,513	32,470,491	32,519,687	
FTE	18.3	20.0	11.8	11.8	
Cash Funds	22,396,850	26,246,321	25,586,546	25,597,239	
Federal Funds	5,816,357	6,092,192	6,883,945	6,922,448	
Federal Grant for State Assessments and Related Activities	2,247,224	0	2,247,224	2,247,224	
FTE	5.9	0.0	5.7	5.7	
Federal Funds	2,247,224	0	2,247,224	2,247,224	
Longitudinal Analyses of Student Assessment Results	571,764	677,686	736,392	747,227	
FTE	2.4	3.5	4.1	4.1	
General Fund	325,528	397,769	438,392	447,082	
Cash Funds	246,236	279,917	298,000	300,145	
Basic Skills Placement or Assessment Tests	0	13,736	50,000	50,000	
Cash Funds	0	13,736	50,000	50,000	
Preschool to Postsecondary Education Alignment	590,655	634,838	630,153	638,994	
FTE	2.8	3.9	4.0	4.0	
General Fund	7,232	35,351	35,400	35,400	
Cash Funds	583,423	599,487	594,753	603,594	
Educator Effectiveness Unit Administration	1,314,102	1,668,358	1,865,610	1,915,954	
FTE	8.4	10.8	12.5	12.5	
General Fund	1,203,898	1,571,005	1,736,357	1,786,431	
Cash Funds	110,204	97,353	129,253	129,523	

	FY 2015-16 Actual	FY 2016-17 Actual	FY 2017-18 Appropriation	FY 2018-19 Request	Request vs. Appropriation
Accountability and Improvement Planning	1,757,947	1,725,741	1,732,237	1,753,560	
FTE	3.7	3.8	11.4	11.4	
General Fund	1,207,615	1,175,409	1,181,905	1,203,228	
Federal Funds	550,332	550,332	550,332	550,332	
Educator Effectiveness Implementation	2,018,622	803,134	0	0	
FTE	0.0	0.0	0.0	0.0	
Federal Funds	2,018,622	803,134	0	0	
SUBTOTAL - (C) Assessments and Data Analyses	36,713,521	37,862,006	39,732,107	39,872,646	0.4%
FTE	41.5	42.0	49.5	49.5	(0.0%)
General Fund	2,744,273	3,179,534	3,392,054	3,472,141	2.4%
Cash Funds	23,336,713	27,236,814	26,658,552	26,680,501	0.1%
Federal Funds	10,632,535	7,445,658	9,681,501	9,720,004	0.4%
(D) State Charter School Institute					
State Charter School Institute Administration, Oversight, and Management	3,167,162	3,395,208	3,500,000	3,500,000	
FTE	11.4	14.0	11.7	11.7	
Cash Funds	335,402	563,448	0	0	
Reappropriated Funds	2,831,760	2,831,760	3,500,000	3,500,000	
Institute Charter School Assistance Fund	1,431,252	1,224,425	460,000	460,000	
Cash Funds	1,431,252	1,224,425	460,000	460,000	
Other Transfers to Institute Charter Schools	8,988,771	10,037,439	9,000,000	9,000,000	
Cash Funds	5,365,792	0	0	0	
Reappropriated Funds	3,622,979	10,037,439	9,000,000	9,000,000	

	FY 2015-16 Actual	FY 2016-17 Actual	FY 2017-18 Appropriation	FY 2018-19 Request	Request vs. Appropriation
Transfer of Federal Moneys to Institute Charter Schools	5,972,652	6,212,198	7,600,000	7,600,000	
FTE	1.7	1.7	4.5	4.5	
Reappropriated Funds	0	0	7,600,000	7,600,000	
Federal Funds	5,972,652	6,212,198	0	0	
Department Implementation of Section 22-30.5-501 et seq., C.R.S.	192,836	156,014	227,505	231,648	
FTE	1.3	1.0	1.6	1.6	
Reappropriated Funds	192,836	156,014	227,505	231,648	
CSI Mill Levy Equalization	0	0	0	11,047,724 *	
General Fund	0	0	0	5,523,862	
Reappropriated Funds	0	0	0	5,523,862	
SUBTOTAL - (D) State Charter School Institute	19,752,673	21,025,284	20,787,505	31,839,372	53.2%
FTE	14.4	16.7	17.8	17.8	0.0%
General Fund	0	0	0	5,523,862	0.0%
Cash Funds	7,132,446	1,787,873	460,000	460,000	0.0%
Reappropriated Funds	6,647,575	13,025,213	20,327,505	25,855,510	27.2%
Federal Funds	5,972,652	6,212,198	0	0	0.0%

(E) Indirect Cost Assessment

	FY 2015-16 Actual	FY 2016-17 Actual	FY 2017-18 Appropriation	FY 2018-19 Request	Request vs. Appropriation
Indirect Cost Assessment	617,191	549,469	647,730	647,730	
Cash Funds	355,325	321,464	372,907	372,907	
Federal Funds	261,866	228,005	274,823	274,823	

	FY 2015-16 Actual	FY 2016-17 Actual	FY 2017-18 Appropriation	FY 2018-19 Request	Request vs. Appropriation
SUBTOTAL - (E) Indirect Cost Assessment	617,191	549,469	647,730	647,730	0.0%
FTE	0.0	0.0	0.0	0.0	0.0%
Cash Funds	355,325	321,464	372,907	372,907	0.0%
Federal Funds	261,866	228,005	274,823	274,823	0.0%
TOTAL - (1) Management and Administration	81,946,595	82,813,501	89,441,956	101,912,682	13.9%
FTE	141.2	146.6	160.4	163.4	1.9%
General Fund	13,374,517	11,636,462	15,614,705	22,025,695	41.1%
Cash Funds	35,617,995	35,601,228	32,995,676	33,327,065	1.0%
Reappropriated Funds	10,702,728	16,754,374	25,105,842	30,681,386	22.2%
Federal Funds	22,251,355	18,821,437	15,725,733	15,878,536	1.0%

Appendix A: Number Pages

	FY 2015-16 Actual	FY 2016-17 Actual	FY 2017-18 Appropriation	FY 2018-19 Request	Request vs. Appropriation

(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

	FY 2015-16 Actual	FY 2016-17 Actual	FY 2017-18 Appropriation	FY 2018-19 Request	Request vs. Appropriation
Administration	1,621,008	1,702,643	1,764,489	1,814,201	
FTE	17.1	17.6	17.9	17.9	
Cash Funds	81,027	83,169	143,286	144,344	
Reappropriated Funds	1,539,981	1,619,474	1,621,203	1,669,857	
Financial Transparency System Maintenance	0	0	0	600,000	
Cash Funds	0	0	0	600,000	
State Share of Districts' Total Program Funding	3,979,778,973	4,115,127,505	4,225,007,024	4,467,999,680	*
General Fund	3,299,295,175	2,761,013,233	3,000,088,997	3,077,023,587	
General Fund Exempt	0	830,201,667	923,068,333	923,068,333	
Cash Funds	680,483,798	523,912,605	301,849,694	467,907,760	
Hold-harmless Full-day Kindergarten Funding	7,778,615	7,894,791	8,183,726	8,553,227	*
Cash Funds	7,778,615	7,894,791	8,183,726	8,553,227	
District Per Pupil Reimbursements for Juveniles Held in Jail	0	0	10,000	10,000	
Cash Funds	0	0	10,000	10,000	
At-risk Supplemental Aid	5,006,308	4,700,867	5,094,358	5,094,358	
Cash Funds	5,006,308	4,700,867	5,094,358	5,094,358	
At-risk Per Pupil Additional Funding	5,000,000	5,000,000	5,000,000	5,000,000	
Cash Funds	5,000,000	5,000,000	5,000,000	5,000,000	

	FY 2015-16 Actual	FY 2016-17 Actual	FY 2017-18 Appropriation	FY 2018-19 Request	Request vs. Appropriation
Small Rural Districts Additional Funding	10,000,000	0	0	0	
Cash Funds	10,000,000	0	0	0	
SUBTOTAL - (A) Public School Finance	4,009,184,904	4,134,425,806	4,245,059,597	4,489,071,466	5.7%
FTE	17.1	17.6	17.9	17.9	0.0%
General Fund	3,299,295,175	2,761,013,233	3,000,088,997	3,077,023,587	2.6%
General Fund Exempt	0	830,201,667	923,068,333	923,068,333	0.0%
Cash Funds	708,349,748	541,591,432	320,281,064	487,309,689	52.2%
Reappropriated Funds	1,539,981	1,619,474	1,621,203	1,669,857	3.0%
(B) Categorical Programs					
(I) District Programs Required by Statute					
Special Education - Children with Disabilities	338,537,983	332,269,769	327,205,053	331,276,980	*
FTE	83.9	90.4	63.0	63.0	
General Fund	71,572,347	71,572,347	71,572,347	71,572,347	
Cash Funds	93,663,058	95,565,575	100,019,617	103,881,144	
Reappropriated Funds	0	0	191,090	191,090	
Federal Funds	173,302,578	165,131,847	155,421,999	155,632,399	
English Language Proficiency Program	27,269,957	27,611,429	31,521,469	32,655,877	*
FTE	2.6	4.1	4.6	4.6	
General Fund	3,101,598	3,101,598	3,101,598	3,101,598	
Cash Funds	15,041,326	15,684,186	17,181,450	18,309,083	
Federal Funds	9,127,033	8,825,645	11,238,421	11,245,196	

	FY 2015-16 Actual	FY 2016-17 Actual	FY 2017-18 Appropriation	FY 2018-19 Request		Request vs. Appropriation
SUBTOTAL -	365,807,940	359,881,198	358,726,522	363,932,857		1.5%
FTE	86.5	94.5	67.6	67.6		(0.0%)
General Fund	74,673,945	74,673,945	74,673,945	74,673,945		0.0%
Cash Funds	108,704,384	111,249,761	117,201,067	122,190,227		4.3%
Reappropriated Funds	0	0	191,090	191,090		0.0%
Federal Funds	182,429,611	173,957,492	166,660,420	166,877,595		0.1%
(II) Other Categorical Programs						
Public School Transportation	58,321,985	57,179,306	58,101,722	59,337,549	*	
FTE	2.0	2.0	2.0	2.0		
General Fund	36,922,227	36,922,227	36,922,227	36,922,227		
Cash Funds	21,399,758	20,257,079	21,179,495	22,415,322		
Transfer to the Department of Higher Education for Distribution of State Assistance for Career and Technical Education	25,436,648	25,639,363	26,164,481	26,599,207	*	
General Fund	17,792,850	17,792,850	17,792,850	17,792,850		
Cash Funds	7,643,798	7,846,513	8,371,631	8,806,357		
Special Education Programs for Gifted and Talented Children	12,023,342	12,049,347	12,355,524	12,507,488	*	
FTE	2.4	1.8	1.5	1.5		
General Fund	5,500,000	5,500,000	5,500,000	5,500,000		
Cash Funds	6,523,342	6,549,347	6,855,524	7,007,488		
Expelled and At-risk Student Services Grant Program	7,434,927	7,487,442	7,493,560	9,497,338	*	
FTE	1.3	1.1	1.0	1.0		
General Fund	5,788,807	5,788,807	5,788,807	5,788,807		
Cash Funds	1,646,120	1,698,635	1,704,753	3,708,531		

	FY 2015-16 Actual	FY 2016-17 Actual	FY 2017-18 Appropriation	FY 2018-19 Request	Request vs. Appropriation
Small Attendance Center Aid	959,379	1,076,550	1,076,550	1,076,550	
General Fund	787,645	787,645	787,645	787,645	
Cash Funds	171,734	288,905	288,905	288,905	
Comprehensive Health Education	972,961	942,030	1,005,396	1,132,566 *	
FTE	1.7	0.8	1.0	1.0	
General Fund	300,000	294,529	300,000	300,000	
Cash Funds	672,961	647,501	705,396	832,566	
SUBTOTAL -	105,149,242	104,374,038	106,197,233	110,150,698	3.7%
FTE	7.4	5.7	5.5	5.5	0.0%
General Fund	67,091,529	67,086,058	67,091,529	67,091,529	0.0%
Cash Funds	38,057,713	37,287,980	39,105,704	43,059,169	10.1%
SUBTOTAL - (B) Categorical Programs	470,957,182	464,255,236	464,923,755	474,083,555	2.0%
FTE	93.9	100.2	73.1	73.1	(0.0%)
General Fund	141,765,474	141,760,003	141,765,474	141,765,474	0.0%
Cash Funds	146,762,097	148,537,741	156,306,771	165,249,396	5.7%
Reappropriated Funds	0	0	191,090	191,090	0.0%
Federal Funds	182,429,611	173,957,492	166,660,420	166,877,595	0.1%

(C) Grant Programs, Distributions, and Other Assistance

(I) Health and Nutrition

	FY 2015-16 Actual	FY 2016-17 Actual	FY 2017-18 Appropriation	FY 2018-19 Request	Request vs. Appropriation
Federal Nutrition Programs	190,883,847	193,322,921	156,554,412	156,585,942	
FTE	15.4	14.8	9.0	9.0	
General Fund	75,101	85,618	88,564	92,786	
Federal Funds	190,808,746	193,237,303	156,465,848	156,493,156	

	FY 2015-16 Actual	FY 2016-17 Actual	FY 2017-18 Appropriation	FY 2018-19 Request	Request vs. Appropriation
State Match for School Lunch Program	2,472,644	2,472,644	2,472,644	2,472,644	
Cash Funds	2,472,644	2,472,644	2,472,644	2,472,644	
Child Nutrition School Lunch Protection Program	1,501,764 0.3	1,506,476 0.4	1,661,258	1,661,989	
General Fund	655,912	674,482	811,258	811,258	
Cash Funds	845,852	831,994	850,000	850,731	
Start Smart Nutrition Program Fund	1,370,721	700,000	900,000	900,000	
General Fund	1,370,721	700,000	900,000	900,000	
Start Smart Nutrition Program	938,120	952,399	1,300,000	1,300,373	
Cash Funds	52,509	400,000	400,000	400,000	
Reappropriated Funds	885,611	552,399	900,000	900,373	
Federal Funds	0	0	0	0	
Breakfast After the Bell	29,409,054	22,758	29,412,780	29,413,594	
FTE	0.1	0.3	0.3	0.3	
General Fund	19,798	22,758	23,524	24,338	
Federal Funds	29,389,256	0	29,389,256	29,389,256	
S.B. 97-101 Public School Health Services	153,845	170,979	170,979	174,810	
FTE	1.5	1.5	1.4	1.4	
Reappropriated Funds	0	170,979	170,979	174,810	
Federal Funds	153,845	0	0	0	
School Health Professionals Grant Program	2,229,507	2,229,808	11,970,783	11,944,543	
FTE	0.3	0.1	4.0	4.0	
Cash Funds	2,229,507	2,229,808	11,970,783	11,944,543	

Appendix A: Number Pages

	FY 2015-16 Actual	FY 2016-17 Actual	FY 2017-18 Appropriation	FY 2018-19 Request	Request vs. Appropriation
School Cardiopulmonary Resuscitation and Automated External Defibrillator Training Program	2,201	0	0	0	
FTE	0.0	0.0	0.0	0.0	
Cash Funds	2,201	0	0	0	
SUBTOTAL -	228,961,703	201,377,985	204,442,856	204,453,895	NaN
FTE	17.6	17.1	14.7	14.7	0.0%
General Fund	2,121,532	1,482,858	1,823,346	1,828,382	0.3%
Cash Funds	5,602,713	5,934,446	15,693,427	15,667,918	(0.2%)
Reappropriated Funds	885,611	723,378	1,070,979	1,075,183	0.4%
Federal Funds	220,351,847	193,237,303	185,855,104	185,882,412	0.0%
(II) Capital Construction					
Division of Public School Capital Construction Assistance	664,344	1,080,105	1,382,625	1,407,245	
FTE	7.5	11.8	15.0	15.0	
Cash Funds	664,344	1,080,105	1,382,625	1,407,245	
Public School Capital Construction Assistance Board - Lease Payments	54,418,487	45,873,514	75,000,000	75,000,000	
Cash Funds	54,418,487	45,873,514	75,000,000	75,000,000	
Public School Capital Construction Assistance Board - Cash Grants	12,201,302	34,631,027	70,000,000	70,000,000	
Cash Funds	12,201,302	34,631,027	70,000,000	70,000,000	
Financial Assistance Priority Assessment	785,247	198,767	150,000	150,000	
Cash Funds	785,247	198,767	150,000	150,000	

	FY 2015-16 Actual	FY 2016-17 Actual	FY 2017-18 Appropriation	FY 2018-19 Request	Request vs. Appropriation
State Aid for Charter School Facilities	22,000,000	25,000,000	25,000,000	25,000,000	
Cash Funds	22,000,000	25,000,000	25,000,000	25,000,000	
SUBTOTAL -	90,069,380	106,783,413	171,532,625	171,557,245	0.0%
FTE	7.5	11.8	15.0	15.0	0.0%
Cash Funds	90,069,380	106,783,413	171,532,625	171,557,245	0.0%
(III) Reading and Literacy					
Early Literacy Competitive Grant Program	5,176,398	4,980,279	5,197,604	5,219,998	
FTE	9.0	9.6	8.0	8.0	
Cash Funds	5,176,398	4,980,279	5,197,604	5,219,998	
Early Literacy Program Per Pupil Intervention Funding	33,008,207	33,241,695	33,242,424	33,242,424	
FTE	0.0	0.0	1.0	1.0	
Cash Funds	33,008,207	33,241,695	33,242,424	33,242,424	
Early Literacy Assessment Tool Program	2,795,730	2,978,866	2,997,072	2,997,072	
Cash Funds	2,795,730	2,978,866	2,997,072	2,997,072	
Adult Education and Literacy Grant Program	946,471	961,375	961,444	968,863	
FTE	1.3	0.7	1.0	1.0	
General Fund	0	961,375	961,444	968,863	
Cash Funds	946,471	0	0	0	
SUBTOTAL -	41,926,806	42,162,215	42,398,544	42,428,357	0.1%
FTE	10.3	10.3	10.0	10.0	0.0%
General Fund	0	961,375	961,444	968,863	0.8%
Cash Funds	41,926,806	41,200,840	41,437,100	41,459,494	0.1%

	FY 2015-16 Actual	FY 2016-17 Actual	FY 2017-18 Appropriation	FY 2018-19 Request	Request vs. Appropriation
(IV) Professional Development and Instructional Support					
Content Specialists	451,095	477,003	810,740	820,335	
FTE	3.3	3.4	5.0	5.0	
Cash Funds	451,095	477,003	810,740	820,335	
School Bullying Prevention and Education Cash Fund	2,000,000	900,000	2,000,000	2,000,000	
General Fund	2,000,000	0	0	0	
Cash Funds	0	900,000	2,000,000	2,000,000	
Office of Dropout Prevention and Student Reengagement	4,108,953	1,017,278	2,018,414	2,022,341	
FTE	0.0	0.2	1.2	1.2	
General Fund	2,000,000	0	18,414	21,922	
Cash Funds	0	899,700	2,000,000	2,000,419	
Reappropriated Funds	1,991,375	0	0	0	
Federal Funds	117,578	117,578	0	0	
Stipends for Nationally Board Certified Teachers	1,189,496	1,139,934	1,384,000	1,384,000	
Cash Funds	1,189,496	1,139,934	1,384,000	1,384,000	
Quality Teacher Recruitment Program	2,967,000	2,502,500	3,000,000	3,000,000	
Cash Funds	2,967,000	2,502,500	3,000,000	3,000,000	
English Language Learners Technical Assistance	361,236	349,346	373,245	384,447	
FTE	4.6	3.7	5.0	5.0	
General Fund	313,045	298,703	321,448	331,545	
Cash Funds	48,191	50,643	51,797	52,902	

	FY 2015-16 Actual	FY 2016-17 Actual	FY 2017-18 Appropriation	FY 2018-19 Request	Request vs. Appropriation
English Language Proficiency Act Excellence Awards Program	500,000	500,000	500,000	500,000	
Cash Funds	500,000	500,000	500,000	500,000	
English Language Learners Professional Development and Student Support Program	27,000,000	27,000,000	27,000,000	27,000,000	
Cash Funds	27,000,000	27,000,000	27,000,000	27,000,000	
Advanced Placement Incentives Pilot Program	259,522	260,608	260,931	260,931	
FTE	0.5	0.3	0.3	0.3	
Cash Funds	259,522	260,608	260,931	260,931	
School Turnaround Leaders Development Program	1,999,150	2,000,432	2,000,991	2,001,900	
FTE	0.7	0.4	1.2	1.2	
Cash Funds	1,999,150	2,000,432	2,000,991	2,001,900	
Computer Science Education Grants for Teachers	0	0	500,000	548,375	
FTE	0.0	0.0	0.4	0.4	
Cash Funds	0	0	500,000	548,375	
Educator Perception	0	26,500	0	0	
General Fund	0	26,500	0	0	
SUBTOTAL -	40,836,452	36,173,601	39,848,321	39,922,329	0.2%
FTE	9.1	8.0	13.1	13.1	0.0%
General Fund	4,313,045	325,203	339,862	353,467	4.0%
Cash Funds	34,414,454	35,730,820	39,508,459	39,568,862	0.2%
Reappropriated Funds	1,991,375	0	0	0	0.0%
Federal Funds	117,578	117,578	0	0	0.0%

	FY 2015-16 Actual	FY 2016-17 Actual	FY 2017-18 Appropriation	FY 2018-19 Request	Request vs. Appropriation
(V) Facility Schools					
Facility Schools Unit and Facility Schools Board	192,917	282,019	272,974	277,842	
FTE	2.6	2.3	3.0	3.0	
Reappropriated Funds	192,917	282,019	272,974	277,842	
Facility School Funding	14,013,515	13,705,499	14,508,589	14,508,589	
Cash Funds	14,013,515	13,705,499	14,508,589	14,508,589	
SUBTOTAL -	14,206,432	13,987,518	14,781,563	14,786,431	0.0%
FTE	2.6	2.3	3.0	3.0	0.0%
Cash Funds	14,013,515	13,705,499	14,508,589	14,508,589	0.0%
Reappropriated Funds	192,917	282,019	272,974	277,842	1.8%
(VI) Other Assistance					
Appropriated Sponsored Programs	238,721,042	218,760,785	278,175,453	278,363,516	
FTE	71.9	70.9	68.7	68.7	
Cash Funds	831,255	597,612	2,702,223	2,707,816	
Reappropriated Funds	0	0	1,195,100	1,209,689	
Federal Funds	237,889,787	218,163,173	274,278,130	274,446,011	
School Counselor Corps Grant Program	9,998,279	9,991,766	10,000,000	10,002,802	
FTE	2.9	3.1	2.0	2.0	
Cash Funds	9,998,279	9,991,766	10,000,000	10,002,802	
BOCES Funding per Section 22-5-122, C.R.S.	3,287,932	3,282,779	3,308,255	3,310,782	
FTE	0.8	0.8	1.0	1.0	
Cash Funds	3,287,932	3,282,779	3,308,255	3,310,782	

	FY 2015-16 Actual	FY 2016-17 Actual	FY 2017-18 Appropriation	FY 2018-19 Request	Request vs. Appropriation
Contingency Reserve Fund	0	1,233,048	2,000,000	2,000,000	
General Fund	0	63,863	1,000,000	1,000,000	
Cash Funds	0	1,105,322	0	0	
Reappropriated Funds	0	63,863	1,000,000	1,000,000	
Supplemental On-line Education Services	480,000	960,000	1,020,000	1,020,000	
Cash Funds	480,000	960,000	1,020,000	1,020,000	
Interstate Compact on Educational Opportunity for Military Children	23,015	20,619	20,619	20,619	
Cash Funds	23,015	20,619	20,619	20,619	
College and Career Readiness	166,630	164,865	181,145	187,029	
FTE	1.5	1.4	2.0	2.0	
General Fund	166,630	164,865	181,145	187,029	
Colorado Student Leaders Institute Pilot Program	218,825	218,825	218,825	218,825	
Cash Funds	218,825	218,825	218,825	218,825	
Career Development Success Pilot Program	0	0	1,000,000	2,000,000 *	
General Fund	0	0	1,000,000	2,000,000	
SUBTOTAL -	252,895,723	234,632,687	295,924,297	297,123,573	0.4%
FTE	77.1	76.2	73.7	73.7	0.0%
General Fund	166,630	228,728	2,181,145	3,187,029	46.1%
Cash Funds	14,839,306	16,176,923	17,269,922	17,280,844	0.1%
Reappropriated Funds	0	63,863	2,195,100	2,209,689	0.7%
Federal Funds	237,889,787	218,163,173	274,278,130	274,446,011	0.1%

	FY 2015-16 Actual	FY 2016-17 Actual	FY 2017-18 Appropriation	FY 2018-19 Request	Request vs. Appropriation
SUBTOTAL - (C) Grant Programs, Distributions, and Other Assistance	668,896,496	635,117,419	768,928,206	770,271,830	0.2%
FTE	124.2	125.7	129.5	129.5	(0.0%)
General Fund	6,601,207	2,998,164	5,305,797	6,337,741	19.4%
Cash Funds	200,866,174	219,531,941	299,950,122	300,042,952	0.0%
Reappropriated Funds	3,069,903	1,069,260	3,539,053	3,562,714	0.7%
Federal Funds	458,359,212	411,518,054	460,133,234	460,328,423	0.0%
(D) Indirect Cost Assessment					
Indirect Cost Assessment	2,529,155	2,650,303	2,650,303	2,650,303	
Cash Funds	25,000	25,000	25,000	25,000	
Reappropriated Funds	55,571	55,571	55,571	55,571	
Federal Funds	2,448,584	2,569,732	2,569,732	2,569,732	
SUBTOTAL - (D) Indirect Cost Assessment	2,529,155	2,650,303	2,650,303	2,650,303	0.0%
FTE	0.0	0.0	0.0	0.0	0.0%
Cash Funds	25,000	25,000	25,000	25,000	0.0%
Reappropriated Funds	55,571	55,571	55,571	55,571	0.0%
Federal Funds	2,448,584	2,569,732	2,569,732	2,569,732	0.0%
TOTAL - (2) Assistance to Public Schools	5,151,567,737	5,236,448,764	5,481,561,861	5,736,077,154	4.6%
FTE	235.2	243.5	220.5	220.5	(0.0%)
General Fund	3,447,661,856	2,905,771,400	3,147,160,268	3,225,126,802	2.5%
General Fund Exempt	0	830,201,667	923,068,333	923,068,333	0.0%
Cash Funds	1,056,003,019	909,686,114	776,562,957	952,627,037	22.7%
Reappropriated Funds	4,665,455	2,744,305	5,406,917	5,479,232	1.3%
Federal Funds	643,237,407	588,045,278	629,363,386	629,775,750	0.1%

	FY 2015-16 Actual	FY 2016-17 Actual	FY 2017-18 Appropriation	FY 2018-19 Request	Request vs. Appropriation

(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.

	FY 2015-16 Actual	FY 2016-17 Actual	FY 2017-18 Appropriation	FY 2018-19 Request	Request vs. Appropriation
Administration	920,541	1,042,164	1,077,426	1,117,534	
FTE	10.1	10.7	14.3	14.3	
General Fund	796,803	810,208	823,566	862,238	
Cash Funds	123,738	231,956	253,860	255,296	
Federal Library Funding	2,761,501	2,880,840	3,089,065	3,126,491	
FTE	25.3	23.7	23.8	23.8	
Federal Funds	2,761,501	2,880,840	3,089,065	3,126,491	
Colorado Library Consortium	1,000,000	1,000,000	1,000,000	1,000,000	
General Fund	1,000,000	1,000,000	1,000,000	1,000,000	
Colorado Virtual Library	353,628	359,796	379,796	379,796	
General Fund	353,628	359,796	359,796	359,796	
Cash Funds	0	0	20,000	20,000	
Colorado Talking Book Library, Building Maintenance and Utilities Expenses	68,708	89,677	90,660	90,660	
General Fund	68,708	89,677	90,660	90,660	
Reading Services for the Blind	410,000	410,000	410,000	410,000	
General Fund	50,000	50,000	50,000	50,000	
Reappropriated Funds	360,000	360,000	360,000	360,000	

	FY 2015-16 Actual	FY 2016-17 Actual	FY 2017-18 Appropriation	FY 2018-19 Request	Request vs. Appropriation
State Grants to Publicly-Supported Libraries Program	2,495,099 0.5	2,498,245 0.5	2,500,000	2,501,519	
General Fund	2,495,099	2,498,245	2,500,000	2,501,519	
Indirect Cost Assessment	55,327	55,327	55,327	55,327	
Federal Funds	55,327	55,327	55,327	55,327	
TOTAL - (3) Library Programs	8,064,804	8,336,049	8,602,274	8,681,327	0.9%
FTE	35.9	34.9	38.1	38.1	0.0%
General Fund	4,764,238	4,807,926	4,824,022	4,864,213	0.8%
Cash Funds	123,738	231,956	273,860	275,296	0.5%
Reappropriated Funds	360,000	360,000	360,000	360,000	0.0%
Federal Funds	2,816,828	2,936,167	3,144,392	3,181,818	1.2%

	FY 2015-16 Actual	FY 2016-17 Actual	FY 2017-18 Appropriation	FY 2018-19 Request	Request vs. Appropriation

(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

	FY 2015-16 Actual	FY 2016-17 Actual	FY 2017-18 Appropriation	FY 2018-19 Request	Request vs. Appropriation
Personal Services	10,120,936	10,491,538	10,523,084	10,703,518 *	
FTE	133.6	135.7	153.1	153.1	
General Fund	8,580,073	8,880,680	8,868,984	9,049,418	
Reappropriated Funds	1,540,863	1,610,858	1,654,100	1,654,100	
Early Intervention Services	1,185,635	1,223,251	1,226,824	1,237,922	
FTE	10.0	10.0	10.0	10.0	
General Fund	1,185,635	1,223,251	1,226,824	1,237,922	
Shift Differential	110,479	104,188	114,584	120,452	
General Fund	110,479	104,188	114,584	120,452	
Operating Expenses	724,989	663,972	668,291	668,291	
General Fund	724,989	663,972	668,291	668,291	
Vehicle Lease Payments	14,534	14,350	22,963	29,931 *	
General Fund	14,534	14,350	22,963	29,931	
Utilities	487,724	579,224	602,580	602,580	
General Fund	487,724	579,224	602,580	602,580	

	FY 2015-16 Actual	FY 2016-17 Actual	FY 2017-18 Appropriation	FY 2018-19 Request	Request vs. Appropriation
Allocation of State and Federal Categorical Program Funding	129,425	127,038	170,000	170,000	
FTE	0.2	0.4	0.4	0.4	
Reappropriated Funds	129,425	127,038	170,000	170,000	
Medicaid Reimbursements for Public School Health Services	249,190	287,902	403,244	404,371	
FTE	1.2	1.3	1.5	1.5	
Reappropriated Funds	249,190	287,902	403,244	404,371	
SUBTOTAL - (A) School Operations	13,022,912	13,491,463	13,731,570	13,937,065	1.5%
FTE	145.0	147.4	165.0	165.0	0.0%
General Fund	11,103,434	11,465,665	11,504,226	11,708,594	1.8%
Reappropriated Funds	1,919,478	2,025,798	2,227,344	2,228,471	0.1%
(B) Special Purpose					
Fees and Conferences	460	34,306	120,000	120,000	
Cash Funds	460	34,306	120,000	120,000	
Outreach Services	383,155	450,159	1,025,000	1,027,669	
FTE	3.2	2.9	6.2	6.2	
Cash Funds	296,366	338,863	755,000	756,463	
Reappropriated Funds	86,789	111,296	270,000	271,206	
Tuition from Out-of-state Students	64,086	51,060	200,000	200,000	
Cash Funds	64,086	51,060	200,000	200,000	

	FY 2015-16 Actual	FY 2016-17 Actual	FY 2017-18 Appropriation	FY 2018-19 Request	Request vs. Appropriation
Grants	530,826	453,585	1,202,331	1,205,705	
FTE	3.7	1.8	9.0	9.0	
Reappropriated Funds	530,826	453,585	1,202,331	1,205,705	
SUBTOTAL - (B) Special Purpose	978,527	989,110	2,547,331	2,553,374	0.2%
FTE	6.9	4.7	15.2	15.2	0.0%
Cash Funds	360,912	424,229	1,075,000	1,076,463	0.1%
Reappropriated Funds	617,615	564,881	1,472,331	1,476,911	0.3%
TOTAL - (4) School for the Deaf and the Blind	14,001,439	14,480,573	16,278,901	16,490,439	1.3%
FTE	151.9	152.1	180.2	180.2	0.0%
General Fund	11,103,434	11,465,665	11,504,226	11,708,594	1.8%
Cash Funds	360,912	424,229	1,075,000	1,076,463	0.1%
Reappropriated Funds	2,537,093	2,590,679	3,699,675	3,705,382	0.2%
TOTAL - Department of Education	5,255,580,575	5,342,078,887	5,595,884,992	5,863,161,602	4.8%
FTE	564.2	577.1	599.2	602.2	0.5%
General Fund	3,476,904,045	2,933,681,453	3,179,103,221	3,263,725,304	2.7%
General Fund Exempt	0	830,201,667	923,068,333	923,068,333	0.0%
Cash Funds	1,092,105,664	945,943,527	810,907,493	987,305,861	21.8%
Reappropriated Funds	18,265,276	22,449,358	34,572,434	40,226,000	16.4%
Federal Funds	668,305,590	609,802,882	648,233,511	648,836,104	0.1%

APPENDIX B
RECENT LEGISLATION AFFECTING DEPARTMENT BUDGET

2016 SESSION BILLS

S.B. 16-072 (INCREASE ANNUAL B.E.S.T. LEASE-PURCHASE PAYMENT): Increases the statutory cap on annual lease-purchase payments made by the Building Excellent Schools Today (B.E.S.T.) Program. Raises the cap on total lease purchase payments from $80.0 million (up to $40.0 million state funds) allowed under current law to:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

2017 SESSION BILLS

S.B. 17-025 (MARIJUANA EDUCATION MATERIALS RESOURCE BANK): Requires the Department, with assistance from the Department of Public Health and Environment and the Marijuana Educational Oversight Committee, to create and maintain a resource bank of materials and curricula related to marijuana. Requires the Department to solicit input regarding materials and curricula and allows the Department to contract for services related to the development of the resource bank and curricula. For FY 2017-18, appropriates $47,000 cash funds from the Marijuana Tax Cash Fund to the Department of Education.

S.B. 17-160 (SUPPLEMENTAL BILL): Modifies FY 2016-17 appropriations to the Department.

S.B. 17-173 (SCHOOL FINANCE MID-YEAR ADJUSTMENTS): Makes mid-year school finance-related statutory adjustments to reflect actual pupil counts and the local revenues available for school finance in FY 2016-17. Maintains the state share of districts' total program funding at the original appropriated level for FY 2016-17. After adjusting for a $23.1 million decrease in local revenues available for school finance (below the level anticipated in the original FY 2016-17 appropriation) and a lower-than-anticipated student count (reducing total program funding before the application of the budget stabilization factor by $25.5 million), maintaining state funding at a constant level reduces the budget stabilization factor by $2.4 million in FY 2016-17. For FY 2016-17, appropriates $3,950 cash funds from the State Education Fund to the Department of Education for the Hold-harmless Full-day Kindergarten program line item.

S.B. 17-254 (LONG BILL): General appropriations act for FY 2017-18. Includes provisions modifying FY 2015-16 and FY 2016-17 appropriations to the Department.

S.B. 17-267 (Sustainability of Rural Colorado): Among other provisions, increases the rate of retail marijuana sales tax (currently 10 percent and scheduled to decrease under current law to 8 percent) to 15 percent effective July 1, 2017 and specifies the following uses of associated revenue:

- Offsets a portion of the state retail marijuana sales tax rate increase by exempting retail sales of marijuana upon which the state retail marijuana sales tax is imposed from the 2.9 percent general state sales tax, but provides that local governments can continue to impose their local general sales taxes on retail sales of marijuana;
- Holds local governments that currently receive an allocation of 15 percent of state retail marijuana sales tax revenue based on the current tax rate of 10 percent harmless by specifying that on and after July 1, 2017, they receive an allocation of 10 percent of state retail marijuana sales tax revenue based on the new rate of 15 percent;
- For FY 2017-18, credits $30 million of the 90 percent of the state retail marijuana sales tax revenue that the state retains to the State Public School Fund for distribution to rural school districts; and
- For FY 2018-19 and subsequent years, credits 12.59 percent of the state retail marijuana tax revenue that the state retains to the State Public School Fund to support the state share of districts' total program funding.

For FY 2017-18 and subsequent years, includes statutory appropriations to the Department of Education for all marijuana sales tax proceeds transferred to the State Public School Fund. For more information, see the corresponding bill description in the "Recent Legislation" section at the end of Part III of the Department of Health Care Policy and Financing.

S.B. 17-296 (School Finance): Amends the "Public School Finance Act of 1994" and other statutory provisions to provide funding for school districts for FY 2017-18, making the following changes:

- Increases the *statewide base per pupil funding* amount from $6,367.90 to $6,546.20 (2.8 percent) to account for the annual change in the Denver-Boulder-Greeley consumer price index in CY 2016;
- Renames the negative factor the budget stabilization factor;
- Maintains the budget stabilization factor at a constant dollar amount ($828.3 million) from FY 2016-17 to FY 2017-18 and specifies that the budget stabilization factor cannot exceed that amount in FY 2018-19;
- Adjusts requirements concerning the distribution of mill levy override revenues to charter schools;
- Creates the Mill Levy Equalization Fund to, subject to available appropriations, support mill levy equalization payments for institute charter schools on a per pupil basis; and
- Authorizes supplemental assistance from the Contingency Reserve Fund for districts that, because of at least a 20 percent enrollment increase over projected levels, may experience an unusual financial burden to implement or expand a school program. Requires recipient districts to reimburse the State for such assistance following the adjustment in the district's distribution of school finance payments to account for the increased enrollment.

The bill also creates a computer science education grant program for teachers who wish to pursue additional postsecondary education and training in order to then provide computer science education to K-12 students. For FY 2017-18, appropriates $500,000 cash funds from the State Education Fund and 0.4 FTE to the Department of Education for computer science education grants to teachers.

H.B. 17-1181 (REQUIRED STATE ASSESSMENT FOR NINTH-GRADE STUDENTS): Repeals the requirement that public schools administer the state English language arts and mathematics assessments to ninth-grade students and instead requires local education providers to administer a ninth grade assessment aligned with the pre-exam and college entrance exams administered to tenth and eleventh grade students. Requires administration of the assessment during the spring semester, on a schedule to be set annually by the Department of Education. For FY 2017-18, decreases appropriations to the Department of Education for the Colorado Student Assessment Program by $642,786 cash funds from the State Education Fund.

H.B. 17-1276 (RESTRICT RESTRAINTS ON PUBLIC SCHOOL STUDENTS): Prohibits the use of a chemical, mechanical, or prone (face-down) restraint on a public school student. Exceptions are allowed for the use of mechanical or prone restraints when the student is openly displaying a deadly weapon or the person applying the restraint is an armed security officer or a certified peace officer, has received specified training, and has made a referral to a law enforcement agency. The prohibition does not apply to schools operated in state-owned facilities within the Division of Youth Corrections. Creates reporting requirements for any incident involving the use of any type of restraint on a student and requires the State Board of Education to promulgate rules establishing a formal complaint process about the use of restraint or seclusion by any school employee or volunteer. For FY 2017-18, appropriates $18,414 General Fund and 0.3 FTE to the Department of Education.

H.B. 17-1340 (LEGISLATIVE INTERIM COMMITTEE ON SCHOOL FINANCE): Creates a legislative interim committee to study school finance issues and make legislative recommendations concerning how to most accurately meet the educational needs of students through the funding of K-12 education in Colorado. Specifies the membership of the interim committee and requires that members be appointed by July 1, 2017. Specifies a list of issues the committee must consider and authorizes the committee to consider additional issues. The committee will meet up to five times per interim in the 2017 and 2018 interims and may introduce up to five bills during each of the 2018 and 2019 legislative sessions. Subject to available appropriations, requires the committee to contract with a private entity to assist in gathering information for the study and analyzing the chosen issues. For FY 2017-18, appropriates $380,869 cash funds from the State Public School Fund and 0.4 FTE to the Legislative Department.

APPENDIX C
FOOTNOTES AND INFORMATION REQUESTS

UPDATE ON LONG BILL FOOTNOTES

5 Department of Education, Assistance to Public Schools, Public School Finance, State Share of Districts' Total Program Funding – It is the General Assembly's intent that a portion of the amount appropriated for this line item, not to exceed $250,000 for fiscal year 2017-18, be transferred to the Legislative Council for the purpose of funding the biennial cost of living analysis pursuant to Section 22-54-104 (5)(c)(III)(B), C.R.S.

COMMENT: Legislative Council Staff has contracted with Pacey Economics, Inc., for the analysis and will certify the new cost of living factors during the 2018 Session. The new cost of living factors will affect the FY 2018-19 and FY 2019-20 budget cycles.

6 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 2017-18. It is the intent of the General Assembly that the Department of Education be authorized to utilize up to $4,210,800 of this appropriation to fund qualified students designated as ASCENT Program participants. This amount is calculated based on an estimated 600 FTE participants funded at a rate of $7,018 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.

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

The Department's FY 2018-19 budget request assumes a continuation level of ASCENT participation (600 slots) in FY 2018-19, unchanged from the FY 2017-18 appropriation.

7 Department of Education, Assistance to Public Schools, Grant Programs, Distributions, and Other Assistance, Capital Construction, Public School Capital Construction Assistance Board – Cash Grants – This appropriation remains available until the completion of the project or the close of FY 2019-20, whichever comes first. At project completion or the end of the three-year period, any unexpected balance reverts to the Public School Capital Construction Assistance Fund.

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

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

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

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

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

COMMENT: The General Assembly added this footnote to the FY 2013-14 Long Bill and has continued it in each subsequent Long Bill. The Department reports that approximately 80 percent of grantees used grant funds to support early literacy efforts in FY 2016-17. The remaining 20 percent, which tend to be academic libraries and some school districts, purchased educational resources that did not fit a strict definition of early literacy.

Background Information: Senate Bill 00-085 created the State Grants to Publicly-Supported Libraries Program to provide funds to enable public libraries, school libraries, and academic libraries to purchase educational resources that they would otherwise be unable to afford. The program operated for FY 2000-01 through FY 2001-02. The Governor vetoed the appropriations to the program for FY 2002-03, and the line items were unfunded from FY 2002-13 through FY 2012-13. The Committee reinstated the program for FY 2013-14 with an appropriation of $2.0 million General Fund to the State Grants to Publicly-Supported Libraries Fund line item and $2.0 million reappropriated funds for the State Grants to Publicly-Supported Libraries Program line item. The General Assembly continued that level of funding in FY 2014-15. In FY 2015-16, the General Assembly eliminated the dual line item structure of the program and appropriated $2.5 million General Fund directly to the State Grants to Publicly-Supported Libraries Program, an increase of $500,000 above the prior year appropriation. The Department has used the $500,000 increase to increase the base amount for every grant recipient. The program has awarded $2,462,000 to 316 grantees statewide (representing 96.7 percent of 327 potential applicants) in FY 2017-18, with a base amount of $3,500 per grantee (regardless of the size of the population served) and additional amounts on a per capita basis.

The Department reports that grantees used FY 2016-17 grant funds to: launch new e-book resources for parents and families, create new collections for toddler story time, buy online resources, and enhance collections related to early childhood development and other topics associated with early literacy and educational materials. The Department anticipates similar uses in FY 2017-18.

UPDATE ON REQUESTS FOR INFORMATION

2 Department of **Education**, Assistance to Public Schools, Categorical Programs; and Department of **Higher Education**, Division of Occupational Education, Distribution of State Assistance for Career and Technical Education pursuant to Section 23-8-102, C.R.S. -- The Department of Education is requested to work with the Department of Higher Education and to provide to the Joint Budget Committee information concerning the distribution of state funds available for each categorical program, excluding grant programs. The information for special education programs for children with disabilities, English language proficiency programs, public school transportation, career and technical education, and small attendance center aid is requested to include the following: (a) a comparison of the state funding distributed to each district or administrative unit for each program in fiscal year 2016-17 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 2015-16 and actual district expenditures for each program in fiscal year 2015-16. 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 2015-16 and actual district expenditures in fiscal year 2015-16.

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

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

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

Statutory Reimbursement Formula: State funding is provided through a statutory formula for five categorical programs. Table A provides a comparison of the state funding available and the maximum statutory reimbursement for each of these programs for FY 2016-17. Based on this comparison, state funding for English language proficiency programs (including both categorical funding and $27.0 million appropriated to the English Language Learners Professional Development and Student Support Program) was the least adequate in FY 2016-17, covering 27.1 percent of the maximum appropriation for that year.

TABLE A: Maximum Amount of State Funds Districts Were Statutorily Eligible to Receive for FY 2016-17

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	$164,517,697	$247,276,250	66.5%	$82,758,553
English Language Proficiency Program b/	Driven by the number of eligible students and statewide average per pupil operating revenue	45,785,784	168,817,109	27.1%	123,031,325
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)	57,882,392	94,751,317	61.1%	36,868,925
Colorado Vocational Distributions Act	Driven by the number of students participating in vocational education programs and the costs of such services per FTE in relation to each districts per pupil operating revenue	26,898,695	25,639,363	104.9%	(1,259,332)
Small Attendance Center Aid	Driven by the number of eligible schools, such schools' enrollment, and eligible districts' per pupil funding	1,076,550	1,149,600	93.6%	73,050
TOTAL					$241,472,521

a/ The estimated increase to fund the statutory maximum for special education for children with disabilities is based on the following: $118,126,250 ($1,250 for each student with disabilities); $124,650,000 (assuming districts received $6,000 per student for 100 percent of the 20,775 students with specified disabilities, rather than for 33.6 percent of these students); $4,000,000 for high cost grants; and $500,000 for "educational orphans." Staff has not attempted to estimate the costs of "fully funding" the high cost grant program.

b/ The State funds provided for the English Language Proficiency Program in FY 2016-17 include $18,785,784 provided through the English Language Proficiency Program categorical program and $27,000,000 distributed through the English Language Learners Professional Development and Student Support program which is outside of the categorical program but offsets districts' costs to provide services to English language learners.

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

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

This analysis indicates that districts spent $1.0 billion in FY 2015-16 on five categorical programs, over and above state and federal funding made available for these programs – the equivalent of 16.3 percent of districts' total program funding for FY 2015-16. Districts spent the largest portion of their total program funding to provide special education services to children with disabilities ($576.9 million), followed by public school transportation services ($184.0 million) and English language proficiency programs ($168.5 million).

TABLE B: Categorical Program Revenues and Expenditures: FY 2015-16						
	(a)	(b)	(c) = (a) + (b)	(d)	(e) = (c)/(d)	(f) = (d) - (c)
Long Bill Line Item	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/	$196,944,965	$155,837,973	$352,782,938	$929,662,243	37.9%	576,879,305
English Language Proficiency Program b/	43,938,192	8,828,128	52,766,321	221,251,369	23.8%	168,485,048
Other Categorical Programs						
Public School Transportation	58,053,299	0	58,053,299	242,083,532	24.0%	184,030,233
Career and Technical Education	26,510,445	5,782,506	32,292,951	97,237,273	33.2%	64,944,322
Special Education - Gifted and Talented Children	9,667,657	0	9,667,657	31,602,020	30.6%	21,934,363
TOTAL						**$1,016,273,271**

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

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

6 Department of **Education**, School for the Deaf and Blind; Department of Education, Assistance to Public Schools, Categorical Programs, District Programs Required by Statute, Special Education Programs for Children with Disabilities; and Department of **Human Services**, Executive Director's Office, Special Purpose, Commission for the Deaf and Hard of Hearing – The Commission for the Deaf and Hard of Hearing is requested to provide, by November 1, 2017 a report about the availability of resources for children who are deaf and hard of hearing. The Committee requests the report include the following information: what resources are currently available, what gaps in services exist, what are possible solutions to those gaps, the cost of the solutions and possible funding sources. The Committee requests the Commission work with the Department of Education and the School for the Deaf and the Blind in developing responses to the Committee's questions.

COMMENT: The Departments provided the requested report. In terms of gaps, the report focused on shortages of qualified personnel, including both teachers of the deaf and qualified sign language interpreters. The report also noted that changes in the population of deaf students, particularly a reported increase in co-occurring disabilities, have contributed to challenges finding and retaining qualified staff.

1 Department of Education, Assistance to Public Schools, Public School Finance, State Share of Districts' Total Program Funding -- The Department is requested to provide to the Joint Budget Committee, on or before November 1, 2016, information concerning the Colorado Preschool Program. The information provided is requested to include the following for fiscal year 2016-17: (a) data reflecting the ratio of the total funded pupil count for the Program to the total funded pupil count for kindergarten; (b) data indicating the number of three-year-old children who participated in the Program; (c) data indicating the number of children who participated in the Program for a full-day rather than a half-day; and (d) the state and local shares of total program funding that are attributable to the Program.

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

https://www.cde.state.co.us/cpp/2017legreport

District Participation: The Colorado Preschool Program (CPP) serves 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.

The number of school districts participating in the CPP has increased from 32 in FY 1988-89 to 174 (of 178) in FY 2016-17; the State Charter School Institute also participates in the CPP. The four school districts that are not currently participating are small, rural districts, including Elbert – Agate, Otero – Manzanola, Otero – Swink, and Washington – Lone Star.

Total Number of Slots: The number of state-funded half-day preschool program "slots" is limited in statute. Since the program began operating in January 1989, its target population has been expanded and the maximum number of children that may be served has increased from 2,000 to 28,360. The General Assembly increased the number of authorized CPP slots from 14,360 in FY 2006-07 to 16,360 in FY 2007-08 and 20,160 in FY 2008-09. In addition, in FY 2008-09, the General Assembly repealed a provision allowing districts to use some of the CPP slots to provide a full-day kindergarten program, thereby freeing up 2,454 slots to serve additional preschool children. In FY 2013-14, the General Assembly added 3,200 slots through a new program within CPP, called ECARE, which allows school districts to use the slots for half-day preschool, full-day preschool, or to provide full-day kindergarten, depending on the needs of the district. In FY 2014-15, the General Assembly added 5,000 slots to the ECARE program, bringing the total number of CPP slots to 28,360, including 8,200 ECARE slots.

For FY 2016-17, participating districts and the State Charter School Institute received funding to serve a total of 28,360 pupils. For comparison purposes, the number of pupils in public kindergarten programs statewide was 64,022. Thus, on a statewide basis, the total number of CPP slots authorized for FY 2016-17 represented 44.3 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 2016-17 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 36.7 percent. If every district had received CPP slots in proportion to its at-risk population entering kindergarten programs the following year (using the number of children in kindergarten programs in FY 2016-17 as a proxy), a total of 23,496 CPP slots would have been necessary. This analysis implies that the State has provided for 4,864 more slots than would have been necessary to provide half-day preschool to all at-risk children (under the School Finance Act definition, which is more restrictive than the CPP eligibility criteria), assuming all slots were used for preschool children rather than kindergarten.

The following table uses the School Finance Act definition of "at-risk" for purposes of estimating the shortfall (or surplus) of CPP *preschool* slots for fiscal years FY 2006-07 through FY 2016-17.

Historic Comparison of Statewide CPP/ECARE Slots and Estimated At-risk Population					
Fiscal Year	(a) Number of Authorized CPP Half-Day Preschool Slots	(b) Number of Children in Kindergarten Funded Through School Finance Act	(c) = a/b Ratio	(d) Percent of Children Considered At-risk Under School Finance Formula	(e) = (b*d)-a Number of Additional Slots Required to Serve Children "At-risk" Per Formula
2006-07	12,206	60,774	20.1%	31.5%	6,938
2007-08	13,906	61,426	22.6%	31.6%	5,505
2008-09	20,160	63,304	31.8%	32.1%	148
2009-10	20,160	63,457	31.8%	34.8%	1,917
2010-11	20,160	64,483	31.3%	36.6%	3,441
2011-12	20,160	66,263	30.4%	37.1%	4,404
2012-13	20,160	66,844	30.2%	37.5%	4,920
2013-14 [a/]	23,360	67,137	34.8%	37.6%	1,904
2014-15 [b/]	28,360	65,296	43.4%	37.1%	(4,135)

Historic Comparison of Statewide CPP/ECARE Slots and Estimated At-risk Population					
	(a)	(b)	(c) = a/b	(d)	(e) = (b*d)-a
Fiscal Year	Number of Authorized CPP Half-Day Preschool Slots	Number of Children in Kindergarten Funded Through School Finance Act	Ratio	Percent of Children Considered At-risk Under School Finance Formula	Number of Additional Slots Required to Serve Children "At-risk" Per Formula
2015-16 [b/]	28,360	64,635	43.9%	37.1%	(4,400)
2016-17 [b/]	28,360	64,022	44.3%	36.7%	(4,864)

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

[/b] Slots for FY 2014-15 through FY 2016-17 include a total of 8,200 slots approved for the Early Childhood At-risk Enhancement (ECARE) program created in S.B. 13-260, an increase of 5,000 above the FY 2013-14 number of slots, as approved in H.B. 14-1298. School districts may use ECARE slots for either preschool or full-day kindergarten.

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

The following table compares the number of CPP slots allocated to those districts with more than 1,000 pupils in public kindergarten programs with the percent of each district's pupils that are considered "at-risk" for purposes of the School Finance Act. Column (e) provides an estimate of the gap between the number of CPP slots and the number of at-risk pupils. For example, Denver's 4,274 CPP *preschool* slots represent about 58.6 percent of children in kindergarten. However, approximately 59.4 percent of Denver's students are considered "at-risk." Thus, based on this analysis, Denver has 61 fewer slots than would be expected using the at-risk definition *in the school finance formula*. Please note, however, the statutory criteria used to identify students as eligible for CPP are different than the criteria used in the school finance formula, so the ratios are inherently somewhat different. For informational purposes, column (f) shows the number of CPP/ECARE slots that each of these districts is using for full-day kindergarten and column (g) shows the total number of CPP/ECARE slots allocated to each district.

Large District Usage of CPP and ECARE Slots in FY 2016-17							
	(a)	(b)	(c) = a/b	(d)	(e) = (b*d)-a	(f)	(g) = (a)+(f)
Larger Districts (with 1,000+ kindergarten pupils)	Total CPP/ECARE Preschool Funded Slots (FY 16-17)	Kindergarten Funded Students (FY 16-17)	Ratio	Percent of Pupils "At-risk" per School Finance Formula (FY 16-17)	Gap Between Number of At-Risk 4-year-olds and CPP Preschool Slots	CPP/ECARE Funded Kindergarten Slots (FY 16-17)	Total CPP/ECARE Slots (FY 16-17)
Denver	4,274	7,294	58.60%	59.43%	61	1,700	5,974

Large District Usage of CPP and ECARE Slots in FY 2016-17							
	(a)	(b)	(c) = a/b	(d)	(e) = (b*d)-a	(f)	(g) = (a)+(f)
Larger Districts (with 1,000+ kindergarten pupils)	Total CPP/ECARE Preschool Funded Slots (FY 16-17)	Kindergarten Funded Students (FY 16-17)	Ratio	Percent of Pupils "At-risk" per School Finance Formula (FY 16-17)	Gap Between Number of At-Risk 4-year-olds and CPP Preschool Slots	CPP/ECARE Funded Kindergarten Slots (FY 16-17)	Total CPP/ECARE Slots (FY 16-17)
Arapahoe - Aurora	1,678	3,121	53.76%	61.04%	341	0	1,678
Jefferson	1,514	5,934	25.51%	26.97%	(63)	0	1,514
Pueblo - Pueblo City	826	1,363	60.60%	75.00%	(251)	306	1,132
El Paso - Colorado Springs	847	2,327	36.40%	52.02%	329	0	847
Mesa - Mesa Valley	493	1,535	32.12%	44.24%	228	350	843
Adams - Brighton	370	1,235	29.96%	30.99%	(15)	334	704
Adams - Northglenn	703	2,658	26.45%	35.84%	289	0	703
Weld - Greeley	513	1,708	30.04%	59.45%	499	100	613
El Paso - Harrison	396	1,063	37.25%	67.22%	342	92	488
Boulder - Boulder	376	1,957	19.21%	18.62%	(28)	56	432
Arapahoe - Cherry Creek	471	3,509	13.42%	24.53%	411	0	471
Boulder - St. Vrain	423	2,195	19.27%	26.39%	165	0	423
Larimer - Poudre	353	2,111	16.72%	24.72%	180	0	353
Larimer - Thompson	200	1,170	17.09%	31.46%	75	94	294
Douglas	220	4,478	4.91%	9.64%	177	0	220
Arapahoe - Littleton	183	1,021	17.92%	16.92%	(30)	0	183
El Paso - Falcon	125	1,467	8.52%	26.64%	327	0	125
El Paso - Academy	78	1,676	4.65%	10.84%	90	0	78

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

Participation of Children Under Age Four: Since FYU 2002-03, all districts have been allowed to serve eligible three-year-old children through CPP as long as the child lacks overall learning readiness that is attributable to at least three significant family risk factors. In FY 2016-17, 133 of 174 (76.4 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 134 districts in FY 2015-16.

These districts used 6,008 CPP slots (29.0 percent of CPP preschool slots, not including ECARE slots used for kindergarten) to serve a total of 5,590 children under the age of four.[18] This compares to 5,792 slots in FY 2015-16.

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 (non-ECARE) slots that can be used for this purpose to five percent of the total. A total of 61 school districts and the State Charter School Institute used 1,635 CPP slots to serve children through a full-day program.

State and Local Funding: The CPP is funded through the School Finance Act by allowing districts to count each participating child as a half-day pupil. Thus, the program has always been financed with both state and local funds. The amount of funding that each district receives per participant is based on the statutory formula that determines per pupil funding. The Department provided details concerning the portion of each participating district's total program funding that was earmarked for CPP in FY 2016-17.

Statewide, $107.9 million of districts' total program funding was earmarked for CPP/ECARE (1.7 percent of total program funding), including $72.8 million in state funding (67.4 percent of total CPP funding).

2 Department of Education, Assistance to Public Schools, Grant Programs and Other Distributions -- The Department is requested to provide information to the Joint Budget Committee by November 1, 2017, 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 2015-16 and 2016-17.

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

SUMMARY OF FY 2016-17 BOCES GRANT WRITING ALLOCATIONS PURSUANT TO SEC. 22-2-122 (3), C.R.S.				
BOCES	TOTAL ALLOCATIONS	EXPELLED AND AT-RISK STUDENTS	EARLY LITERACY	STATE SCHOOL COUNSELOR CORPS GRANT
East Central	$32,416	$2,000	$14,698	$15,718
Northeast	25,933	25,933	0	0
San Luis Valley	24,312	0	24,312	0
Centennial	21,070	21,070	0	0
South Central	21,070	0	0	21,070
Southeastern	19,450	0	0	19,450
Pikes Peak	17,829	17,829	0	0
San Juan	12,966	0	12,966	0
Mountain	8,104	8,104	0	0

[18] This figure includes 418 slots that were used to provide full-day preschool services for three-year-olds, and 417 slots that were used to serve children younger than age three under a pilot waiver.

SUMMARY OF FY 2016-17 BOCES GRANT WRITING ALLOCATIONS PURSUANT TO SEC. 22-2-122 (3), C.R.S.				
BOCES	TOTAL ALLOCATIONS	EXPELLED AND AT-RISK STUDENTS	EARLY LITERACY	STATE SCHOOL COUNSELOR CORPS GRANT
Northwest	11,346	0	0	11,346
Santa Fe Trail	9,725	0	0	9,725
Uncompaghre	8,104	0	0	8,104
Ute Pass	4,862	0	0	4,862
Mount Evans	4,862	0	0	4,862
Rio Blanco	3,242	0	0	3,242
Front Range	1,621	0	0	1,621
TOTAL	**$226,912**	**$74,936**	**$51,976**	**$100,000**

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

For FY 2015-16 and FY 2016-17, the General Assembly also appropriated $3,132,785 each year for distributions to BOCES to assist member districts in meeting the State's educational priorities. The Department's response to this request for information also detailed the distribution of those funds. The distributions for each year are shown in the following tables.

Distributions to BOCES to Implement State Educational Priorities in FY 2016-17 Sec. 22-5-122, C.R.S.	
BOCES	Total Allocations
Centennial	$280,014

Pikes Peak	251,680
East Central	234,715
Expeditionary	214,617
South Central	205,211
San Luis Valley	194,364
Northeast	177,747
Southeastern	168,278
Mountain	152,934
San Juan	147,802
Adams County	142,787
Grand Valley	132,672
Northwest	129,683
Santa Fe Trail	120,115
Uncompaghre	111,455
Front Range	99,765
Ute Pass	96,293
Mount Evans	95,486
Colorado Digital BOCES	87,394
Rio Blanco	86,988
TOTAL	**$3,130,000**

Distributions to BOCES to Implement State Educational Priorities in FY 2015-16 Sec. 22-5-122, C.R.S.	
BOCES	Total Allocations
Centennial	$278,742
Pikes Peak	250,733
East Central	233,480
Expeditionary	214,415
South Central	204,622
San Luis Valley	193,657
Northeast	168,920
Southeastern	167,772
Mountain	161,170
San Juan	147,400
Adams County	142,864
Grand Valley	132,544
Northwest	129,391
Santa Fe Trail	119,837
Uncompaghre	111,233
Front Range	99,677
Ute Pass	96,193
Mount Evans	95,365
Colorado Digital BOCES	95,083
Rio Blanco	86,901
TOTAL	**$3,130,000**

APPENDIX D
DEPARTMENT ANNUAL PERFORMANCE REPORT

Pursuant to Section 2-7-205 (1)(a)(I), C.R.S., by November 1 of each year, the Office of State Planning and Budgeting is required to publish an **Annual Performance Report** for the *previous fiscal year* for the Department of Education. This report is to include a summary of the department's performance plan and most recent performance evaluation for the designated fiscal year. In addition, pursuant to Section 2-7-204 (3)(a)(I), C.R.S., the department is required to develop a **Performance Plan** and submit the plan for the *current fiscal year* to the Joint Budget Committee and appropriate Joint Committee of Reference by July 1 of each year.

As of the date the of this briefing, the Department of Education's FY 2016-17 Annual Performance Report has not been made available by the Office of State Planning and Budgeting. The department's the FY 2017-18 Performance Plan can be found at the following link:

https://www.colorado.gov/pacific/performancemanagement/department-performance-plans