JOINT
BUDGET
COMMITTEE

STAFF BUDGET BALANCING
FY 2019-20 & FY 2020-21

DEPARTMENT OF EDUCATION

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

PREPARED BY:
CRAIG HARPER, JBC STAFF
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JOINT BUDGET COMMITTEE STAFF
200 E. 14TH AVENUE, 3RD FLOOR · DENVER · COLORADO · 80203
TELEPHONE: (303) 866-2061 · TDD: (303) 866-3472
https://leg.colorado.gov/agencies/joint-budget-committee

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HOW TO USE THIS DOCUMENT

The **first section** of the document provides a brief overview of the context and assumptions of staff's recommendations.

The **second section** of this document includes a summary table showing:

- Committee action on Long Bill appropriations through March 16, 2020; and
- Staff recommended changes to Long Bill appropriations, assuming that General Fund appropriations in FY 2020-21 must be kept at approximately the same level as FY 2019-20 to bring the budget into balance. This recommendation is based on the Legislative Council Staff March 16, 2020, revenue forecast, assumes that the statutory General Fund reserve will be increased in FY 2020-21 as proposed by the Governor, and assumes that only the federal increase in the Medicaid matching funds rate will be available to help cover shortfalls.

The table is followed by descriptions of each change recommended by staff.

A **third section** of the document (if applicable) summarizes staff recommendations that require statutory changes. This may include appropriation reductions that cannot be implemented without a statutory change, changes that affect the amount of available General Fund (e.g., a transfer from a cash fund), or any other items that are not captured in the Long Bill appropriations table. The recommendations in the second section are also based on the assumption that General Fund appropriations in FY 2020-21 must be kept at approximately the level of FY 2019-20 to bring the budget into balance.

A **fourth section** of the document includes additional staff recommendations and options for the Committee to consider if deeper cuts are required. For purposes of this section, staff has assumed additional reductions of 10.0 to 20.0 percent in General Fund appropriations and transfers will be required to bring the budget into balance in FY 2020-21.

CONTEXT AND ASSUMPTIONS

As noted above, consistent with the other staff balancing documents, the first sections of this document are based on a scenario assuming relatively flat General Fund revenues from FY 2019-20 to FY 2020-21. In addition, current law requires the General Assembly to prevent growth in the budget stabilization factor (under current law, the budget stabilization factor cannot exceed $572.4 million in FY 2020-21). For the purposes of the staff recommendations (both for the Long Bill and for items requiring statutory change), staff has assumed that the revenues necessary to hold the budget stabilization factor flat would come from within the Department's budget.

Based on Committee action and staff recommendations through March 16, 2020, the Long Bill appropriation would have required an increase of $72.7 million General Fund, including an increase of $86.1 million General Fund for total program funding and a net decrease of $13.4 million in other areas. As a result, staff's goal was to identify roughly $72 million in reductions and adjustments in other areas of the Department's budget. In total, staff's recommendations in section 1 of the document (including Long Bill adjustments as well as statutory changes and cash fund transfers) could offset $70.9 million of that increase, resulting in an increase of $1.3 million "new" General Fund above the FY 2019-20 appropriation (as adjusted by recommendations in this document) if the Committee adopted all of the staff recommendations.

For a bit of context, with General Fund appropriations totaling $4.4 billion in FY 2019-20, the Department represents 36.0 percent of the statewide General Fund appropriations. Thus, avoiding reductions to the Department's budget during a significant downturn is simply not possible. However, the Committee should also note that for FY 2019-20, total program and categorical funding represent 98.1 percent of the Department's General Fund appropriations, leaving only 1.9 percent of General Fund appropriations for all other programs. Given that the Committee cannot reduce categorical funding (pursuant to amendment 23) and all stakeholders have prioritized school finance and avoiding growth in the budget stabilization factor, the menu of options to reduce General Fund appropriations is limited. As a result, the staff recommendation includes a range of recommended General Fund reductions as well as a larger number of adjustments to other fund sources to make those sources available for school finance.

The Committee should note the following with respect to the staff recommendations:

- First, as with the other staff balancing documents, the recommendations are tied to the March 2020 Legislative Council Staff Revenue Forecast. Changes in the relevant revenues (including General Fund, State Education Fund, federal mineral lease, marijuana taxes, etc.) will change the viability of the recommendation.
- Second, this document also does not reflect likely changes to the State's share of funding for school finance for FY 2020-21 (such as potential declines in local revenues and increasing costs associated with likely increases in the counts of at-risk students as a result of the economic situation). Based on changes in revenue expectations and likely formula cost increases, this

scenario most likely underestimates the increase in state appropriations that would be required to hold the budget stabilization factor constant at $572.4 million.

Based on input from a variety of stakeholders (including the Department and external stakeholders), the recommendation prioritizes school finance (total program funding) while seeking to protect fund and programs serving vulnerable students. Staff notes that all stakeholders sought to prioritize total program funding and the mitigation of growth in the budget stabilization factor. The Rural Alliance was also particularly concerned about both the impact of the budget stabilization factor on rural districts and the loss of one-time funding dedicated to rural schools that the General Assembly has provided for the past several years.

The staff recommendation eliminates nearly all of the funding associated with new budget requests for FY 2020-21. However, eliminating those increases (that were above the FY 2019-20 appropriation) does not free up existing funds. In order to find additional funds within the Department's budget, the recommendation includes reductions and adjustments to a number of other programs (predominately grant programs). The largest adjustment is a reduction of $25.0 million to cash grants under the Building Excellent Schools Today (B.E.S.T.) Program and a recommended transfer of that amount from the program's cash fund to the State Public School Fund to support school finance.

Based on consultations with the Department and external stakeholders, and staff's intention to avoid reductions to programs that benefit particularly vulnerable populations, the current recommendations:

- Leave early literacy funding (as adjusted by S.B. 19-199) intact.
- Leave non-categorical funding for English language learners intact, with the exception of $500,000 for the English Language Learners Excellence Awards Program. The recommendation does not reduce the current allocation of $27.0 million cash funds from the State Education Fund for the Professional Development and Student Support Program.
- Maintain $10.0 million for the Counselor Corps Grant Program (with no reduction to grants from FY 2019-20). External stakeholders have emphasized the important role counselors will play as students return to school under the current circumstances.
- Maintain the Behavioral Health Care Professionals Matching Grant Program at FY 2018-19 appropriation levels ($11.9 million cash funds from the Marijuana Tax Cash Fund). The recommendations would reduce appropriations for this program by $3.0 million below FY 2019-20, eliminating an increase provided for FY 2019-20 but would still provide $6.2 million to support a new cohort of grantees in FY 2020-21.

While the current recommendations maintain those levels of funding, staff recognizes that sustaining those appropriations may not be possible if revenues continue to decline.

SUMMARY OF STAFF BUDGET BALANCING RECOMMENDATIONS FOR LONG BILL

Department Of Education						
	Total Funds	General Fund	Cash Funds	Reappropriated Funds	Federal Funds	FTE
FY 2019-20 Appropriation						
SB 19-207 Long Bill	$5,851,129,906	$4,190,124,616	$999,232,465	$42,327,029	$619,445,796	605.4
Other 2019 Session legislation	334,767,863	215,045,949	119,471,914	250,000	0	11.0
HB 20-1244 (Supplemental Bill)	0	525,098	0	0	(525,098)	0.0
HB 20-1260 (Mid-year School Finance)	9,046,331	9,046,331	0	0	0	0.0
Long Bill supplemental (figure setting)	0	0	0	0	0	0.0
Capture anticipated reversions	(9,520,000)	(1,430,000)	(8,090,000)	0	0	0.0
TOTAL	**$6,185,424,100**	**$4,413,311,994**	**$1,110,614,379**	**$42,577,029**	**$618,920,698**	**616.4**
FY 2020-21 Recommended Appropriation						
FY 2019-20 Appropriation	$6,185,424,100	$4,413,311,994	$1,110,614,379	$42,577,029	$618,920,698	616.4
R1 Total program increase	81,998,089	86,063,210	(4,065,121)	0	0	0.0
R2 Categorical programs increase	6,422,958	0	6,422,958	0	0	0.0
R3 CSDB teacher salary increase	79,329	79,329	0	0	0	0.0
R4 CSDB utilities	59,542	59,542	0	0	0	0.0
R7 Departmental infrastructure	497,618	244,969	0	252,649	0	6.2
R8 CSI mill levy override equalization	4,000,000	2,000,000	0	2,000,000	0	0.0
R9 Empowering parents with school information	466,395	98,335	368,060	0	0	1.9
R12/BA3 School improvement funds	1,000,000	1,000,000	0	0	0	0.0
BA5 Concurrent enrollment grant program increase	1,000,000	1,000,000	0	0	0	0.0
BA6 Student re-engagement grant program increase	1,000,000	1,000,000	0	0	0	0.0
BA7 Career development success program increase	1,000,000	1,000,000	0	0	0	0.0
Annualize prior year budget actions	4,559,178	(3,072,948)	9,132,126	(1,500,000)	0	0.2
Centrally appropriated items	3,660,350	1,222,819	656,379	508,663	1,272,489	0.0
Continue comp. quality PE instruction	1,100,000	0	1,100,000	0	0	0.7
Facility schools adjustment	783,589	0	783,589	0	0	0.0
Non-prioritized items	23,383	0	0	23,383	0	0.0
Schools of Choice Adjustment	0	0	0	0	0	0.0
Fund source adjustments	0	(2,638)	0	2,638	0	0.0
Annualize prior year legislation	(8,545,763)	(17,969,367)	9,544,241	(218,717)	98,080	(0.2)
Other technical adjustments	(510,558)	0	(256,006)	(240,078)	(14,474)	(3.0)
Subtotal - JBC Action as of 3/16/20	**6,284,018,210**	**4,486,035,245**	**1,134,300,605**	**43,405,567**	**620,276,793**	**622.2**
Remove R3 CSDB salaries	(79,329)	(79,329)	0	0	0	0.0
Remove R7 Departmental Infrastructure	(497,618)	(497,618)	0	0	0	(6.2)
Remove R8 and reduce CSI mill levy equalization	(11,000,000)	(5,500,000)	0	(5,500,000)	0	0.0
Remove R9 empowering parents	(466,395)	(98,335)	(368,060)	0	0	(1.9)
Remove R12/BA3 school improvement	(1,000,000)	(1,000,000)	0	0	0	0.0
Remove BA5 concurrent enrollment grant	(1,000,000)	(1,000,000)	0	0	0	0.0
Remove BA6 student re-engagement	(1,000,000)	(1,000,000)	0	0	0	0.0
Remove BA7 and reduce career development success	(1,000,000)	(1,000,000)	0	0	0	0.0
Adjustments related to 2019 legislation	(5,420,074)	(2,420,074)	(3,000,000)	0	0	(1.4)
Eliminate state grants to libraries program	(3,001,519)	(3,001,519)	0	0	0	0.0

DEPARTMENT OF EDUCATION						
	TOTAL FUNDS	GENERAL FUND	CASH FUNDS	REAPPROPRIATED FUNDS	FEDERAL FUNDS	FTE
Eliminate quality teacher recruitment program	(3,000,000)	0	(3,000,000)	0	0	0.0
Eliminate National Board stipends	(1,384,000)	0	(1,384,000)	0	0	0.0
Remove continuation of comp. quality PE	(1,100,000)	0	(1,100,000)	0	0	(0.7)
Bullying prevention reduction	(1,000,000)	0	(1,000,000)	0	0	0.0
Reduce computer science education grants	(500,000)	0	(500,000)	0	0	0.0
Eliminate ELL excellence awards	(500,000)	0	(500,000)	0	0	0.0
Reduce AP exam fee grants	(280,730)	(280,730)	0	0	0	0.0
TOTAL	**$6,251,788,545**	**$4,470,157,640**	**$1,123,448,545**	**$37,905,567**	**$620,276,793**	**612.0**
INCREASE/(DECREASE)	**$66,364,445**	**$56,845,646**	**$12,834,166**	**($4,671,462)**	**$1,356,095**	**(4.4)**
Percentage Change	1.1%	1.3%	1.2%	(11.0%)	0.2%	(0.7%)
FY 2020-21 EXECUTIVE REQUEST	**$6,390,105,410**	**$4,497,674,368**	**$1,224,288,440**	**$48,223,369**	**$619,919,233**	**625.8**
Request Above/(Below) Recommendation	$138,316,865	$27,516,728	$100,839,895	$10,317,802	($357,560)	13.8

Note: Changes to staff recommendations for common policy items, including salary survey and provider rates, will be addressed in statewide policy packets.

FY 2019-20 ADJUSTMENTS

➔ ANTICIPATED FY 2019-20 REVERSIONS

JBC ACTION AS OF 3/16/20: During figure setting, the Committee approved one Long Bill supplemental adjustment related to the School for the Deaf and the Blind. However, the Committee has not made any changes to the line items discussed in this section.

RECOMMENDATION: Staff recommends making the following reductions to FY 2019-20 appropriations through Long Bill supplementals to capture anticipated reversions from seven programs ($9.5 million total funds, including $1.4 million General Fund and $8.1 million cash funds from the State Education Fund), as reflected in the following table.

CAPTURE ANTICIPATED REVERSIONS						
	TOTAL FUNDS	GENERAL FUND	CASH FUNDS	REAPPROPRIATED FUNDS	FEDERAL FUNDS	FTE
Statewide Assessment Program	($5,000,000)	$0	($5,000,000)	$0	$0	0.0
Quality Teacher Recruitment	(2,960,000)	0	(2,960,000)	0	0	0.0
A.P. Exam Fee Grant Program	(530,000)	(530,000)	0	0	0	0.0
Career Counseling Professional Development	(500,000)	(500,000)	0	0	0	0.0
School Leadership Pilot	(200,000)	(200,000)	0	0	0	0.0
John W. Buckner Automatic Enrollment	(200,000)	(200,000)	0	0	0	0.0
A.P. Incentives Pilot	(130,000)	0	(130,000)	0	0	0.0
TOTAL	**($9,520,000)**	**($1,430,000)**	**($8,090,000)**	**$0**	**$0**	**0.0**

ANALYSIS:

Key Considerations: Reflects FY 2019-20 reversions currently anticipated by the Department

Additional Background:
Staff has worked with the Department to identify significant anticipated reversions of General Fund and cash funds for which the General Assembly could reduce the FY 2019-20 appropriations *and then repurpose those funds for school finance in either FY 2019-20 (if necessary based updated revenue projections) or FY 2020-21.* In response to staff's questions, the Department has reported that it expects these amounts to remain unspent in FY 2019-20, in many cases driven by the current pandemic. Each anticipated reversion is briefly described below.

- *Statewide Assessment Program ($5.0 million cash funds from the State Education Fund out of an appropriation of $26.1 million cash funds):* The Department is not administering most statewide assessments in FY 2019-20 as a result of the pandemic and school closures. However, much of the appropriation was spent prior to the closure, leaving an estimated reversion of $5.0 million. The Department is still negotiating the closeout of contracts for the current year and the reversion may exceed $5.0 million. (The Committee should note that the Department may require a separate adjustment to support the administration of the SAT and the PSAT in the fall of 2020 for the tests that were suspended in Spring 2020 because of the pandemic. Information on that adjustment is not yet available.)
- *Quality Teacher Recruitment Program ($2.96 million cash funds from the State Education Fund out of $3.0 million):* The Department reports that the contracting process with Teach for America and the Public Education & Business Coalition is delayed. Both entities have responded to the Department's request for proposals but the Department does not currently expect to spend these funds in FY 2019-20. The Department has encumbered $40,000 of the original $3.0 million appropriation to support the annual evaluation of the program's prior year results (a contract with OMNI). (Please note that staff is also recommending eliminating this appropriation for FY 2020-21).
- *Advanced Placement Exam Fee Program ($530,000 General Fund out of $560,583):* This program reimburses advanced placement and international baccalaureate exam fees for low income students. However, the Department reports that schools are not administering these exams this year and the appropriation is unnecessary. The Department has already spent funds to support 0.4 FTE associated with the program but the reimbursement funds will remain unspent. (Staff is also recommending a 50 percent reduction to this program for FY 2020-21.)
- *Career Counseling Professional Development ($500,000 General Fund out of $1,500,000):* The General Assembly approved the creation of this program in the FY 2019-20 Long Bill and provided a one-time appropriation of $1.5 million General Fund to support professional development activities for career counselors. However, the virus forced the Department to cancel trainings that were planned for Spring 2020, resulting in a reversion of one-third of the funding.
- *School Leadership Pilot Program ($200,000 General Fund out of $272,929):* Created in H.B. 19-1002 (Leadership Professional Development for School Principals), the program is intended to provide professional development training for school principals. The bill appropriated $272,929 for FY 2019-20 to support program planning. The Department expects to revert $200,000 of that amount.
- *John W. Buckner Automatic Enrollment in Advanced Courses ($200,000 General Fund out of $250,000):* Created in S.B. 19-059 (Automatic Enrollment in Advanced Courses Grant Program), this program is intended to provide assistance to local education providers that automatically enroll

students in advanced courses (including Advanced Placement courses, International Baccalaureate courses, or any courses designated as honors, gifted, or accelerated). The Department reports that it expects to revert $200,000 out of that appropriation as the program is not yet established. (Staff is also recommending the elimination of this appropriation for FY 2020-21.)

- *Advanced Placement Incentives Pilot Program ($130,000 General Fund out of $261,666):* Created in H.B. 14-1118 (Advanced Placement Incentives Pilot Program), this program pays incentives to expand access to advanced placement (AP) courses in rural schools. Final payments under the program are based on completion of Advanced Placement exams, which are unlikely to be administered this year. As a result, the Department expects to revert roughly half of the appropriation. (Staff is also recommending the elimination of this appropriation for FY 2020-21.)

FY 2020-21 ADJUSTMENTS

ⓘ R1 (TOTAL PROGRAM INCREASE) AND R2 (CATEGORICAL PROGRAMS INCREASE)

Please note that this document does <u>not</u> include new recommendations related to R1 (Total Program Increase) or R2 (Categorical Programs Increase).

- *R1 (Total Program Increase):* Staff will address updates and adjustments for total program funding following the presentation of the revised revenue forecasts in May 2020. While this document includes a variety of reductions to other programs intended to free up funds for total program (and mitigate potential increases in the budget stabilization factor), staff is unable to provide a revised total program recommendation prior to the receipt of new data in the revenue forecast.
- *R2 (Categorical Programs Increase):* The increases associated with R2 ($6.4 million cash funds from the State Education Fund) are required by the Constitution. Thus, reducing that amount is not an option for the FY 2020-21 budget process.

➔ REMOVE R3 CSDB TEACHER SALARY INCREASE

JBC ACTION AS OF 3/16/20: The Committee approved an increase of $79,329 General Fund for salary increases for teachers employed at the Colorado School for the Deaf and the Blind (CSDB), as requested. 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 2019-20 (the CSDB salaries lag District 11 by one year), the request would provide: (1) a 0.7 percent base salary increase; and (2) step increases based on experience.

RECOMMENDATION: Staff recommends reversing that decision and eliminating the increase for FY 2020-21. The Committee should note that statute requires the school to pay the increased salaries. The school agrees that it can absorb the increase within existing resources for FY 2020-21 (by holding positions open). However, staff recommends that the Committee plan to restore the increased appropriation when revenues allow rather than requiring the school to absorb the increase permanently.

ANALYSIS:

Additional Background:

Section 22-80-106.5, C.R.S. (as amended by S.B. 14-168), requires the CSDB to compensate teachers "in accordance with the salary schedule adopted pursuant to section 22-63-401, as of January 1 of the preceding fiscal year by resolution of the board of education of the school district within the boundaries of which the main campus of the school is located and with the salary policies that the board of trustees adopts to implement the salary schedule." In FY 2019-20, District 11 modified its salary schedule to provide a 0.7 percent base salary increase as well as experience "step" increases. The Department's request applies those changes to the CSDB's teachers for FY 2020-21.

As noted above, current law requires the school to pay the increased salaries regardless of any increase in appropriations. Given the changing revenue situation, staff has consulted with the school regarding the ability to absorb this increase within existing resources. The school has indicated that it can absorb the increase (at least in the near term) by holding positions open longer than they otherwise would. Based on the revenue challenges facing the state, JBC Staff and the school agree that this is a reasonable solution for the near term (at least through FY 2020-21). However, staff does recommend that the Committee plan to restore the increase in funding when the revenue situation improves.

ⓘ NO CHANGE TO R4 CSDB UTILITIES

Please note that staff is not recommending changes to the Committee's decision regarding request R4 (CSDB Utilities). The Committee approved an increase of $59,542 General Fund to cover increasing utilities costs at the CSDB (a 9.5 percent increase above the FY 2019-20 appropriation for utilities).

The school has absorbed shortfalls in utilities appropriations in recent years through savings in other line items. In the current year, the school is primarily using tuition revenues from an out-of-state student to cover an anticipated shortfall of $30,422 (although the school's current closure may reduce utility costs in the current year). Without an increased appropriation for FY 2020-21, the school anticipates a shortfall of $59,422 (the following table shows actual utility costs for the past three years and estimated costs for FY 2019-20 and FY 2020-21).

CSDB UTILITIES COSTS FY 2016-17 THROUGH FY 2020-21

UTILITY TYPE	FY 2016-17	FY 2017-18	FY 2018-19	FY 2019-20 EST.	FY 2020-21 EST.
Natural Gas	$112,298	$103,962	$123,005	$126,079	$129,232
Electric	199,709	210,951	203,268	208,350	213,559
Water	94,533	100,825	114,093	119,798	125,788
Energy Performance Contract	157,684	179,178	203,775	203,775	218,543
Special Project	15,000	0	0	0	0
Total Expenditures	**$579,224**	**$594,916**	**$644,141**	**$658,002**	**$687,122**
Annual Utilities Appropriation/Recommendation	$602,580	$602,580	$602,580	$627,580	$687,122
Expenditures Above/(Below) Appropriation	($23,356)	($7,664)	$41,561	$30,422	$0

While the school has successfully absorbed additional costs (above the appropriation) in FY 2018-19 and FY 2019-20, the school notes that the availability of tuition revenues for FY 2020-21 is uncertain because the school often does not have out-of-state students. Particularly in light of the school absorbing the teacher salary increases under R3 (above), staff agrees that the increase in appropriations for utilities appears to be necessary. Thus, staff is not recommending the removal of funding approved for R4.

➔ REMOVE R7 DEPARTMENTAL INFRASTRUCTURE

JBC ACTION AS OF 3/16/20: The Committee approved an increase of $497,618 total funds (including $244,969 General Fund and $252,649 reappropriated funds from indirect cost recoveries) and 6.2 FTE associated with request R7.

RECOMMENDATION: Staff recommends reversing that decision and not funding request R7. In addition, staff recommends using the $252,649 reappropriated funds initially approved through R7 to refinance that amount of General Fund previously approved for the General Department and Program Administration line item. The combination of changes reduces the General Fund appropriation by a total of $497,618 below the Committee-approved amounts from figure setting.

ANALYSIS:

Key Considerations: New proposal for FY 2020-21

Additional Background:
The Department submitted request R7 based on increasing workload for the Department's central administration (including information technology, procurement, human resources, grant making, and payroll) largely driven by increasing statutory requirements associated with new legislation passed in recent years.

The Department requested R7 based in large part on the cumulative effect of legislation passed over the past several years, including increasing numbers of programs and staff requiring central administrative services. However, in light of anticipated revenue shortfalls in FY 2020-21, staff anticipates that the Department will continue to operate with the existing central administrative staff. In addition, staff anticipates that the revenue situation will drive changes and reductions to a number of the Department's programs, potentially reducing the need for the proposed positions (at least in the near term). Finally, staff notes that education stakeholders have expressed concern about the idea that the Department could see an increase in (state) FTE in the face of likely cuts to funding for schools.

➔ REMOVE R8 AND REDUCE CSI MILL LEVY EQUALIZATION

JBC ACTION AS OF 3/16/20: The Committee approved an increase of $4.0 million total funds (including $2.0 million General Fund to be appropriated to the Mill Levy Equalization Fund and $2.0 million reappropriated funds from the Mill Levy Equalization Fund) for Charter School Institute (CSI) mill levy equalization. With a base appropriation of $7.0 million General Fund ($14.0 million total funds) in FY 2019-20, the Committee's action to date would provide a total of $9.0 million General Fund for CSI mill levy equalization (reflected as $18.0 million total funds because that amount is counted again as reappropriated funds).

RECOMMENDATION: Staff's recommendation includes two components related to CSI Mill Levy Equalization to make General Fund available for school finance.

- First, staff recommends that the Committee not fund the approved increase for request R8 and remove the amounts previously approved for this decision item (a reduction of $2.0 million General Fund and $4.0 million total funds).
- Second, staff recommends that the Committee reduce the base appropriation for this this line item as necessary for balancing purposes. Staff's recommendation assumes a 50.0 percent reduction below the FY 2019-20 appropriation (from $7.0 million General Fund in FY 2019-20 to $3.5 million General Fund in FY 2020-21).

If further deterioration in the revenue forecast is likely to force a significant increase in the budget stabilization factor, then staff would recommend that the Committee consider further reducing this appropriation to help mitigate that increase.

ANALYSIS:
Key Considerations: Program offers varying benefits to a specific set of schools of people but is insufficiently targeted to those with the greatest need; program added since FY 2013-14.

Additional Background:
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. As a result, CSI schools located in school districts with significant override revenues do not have access to the same level of per pupil funding as their accounting districts.

In addition to requiring school districts to share mill levy override revenues with their *district-authorized* charter schools, H.B. 18-1375 (Distributing Mill Levy Override Revenues to Charter Schools) 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. As enacted in the bill, Section 22-30.5-513.1 (1)(b), C.R.S., directs the CSI to distribute any appropriations from the Mill Levy Equalization Fund on an equal per pupil basis to all CSI schools except that no school may receive more per pupil than the total amount of override revenue per pupil in the school's geographic district. As a result, the provision limits the distribution to each CSI school to no more than the geographic district's override revenues per pupil.

For FY 2020-21, the Department's request sought an increase of $5.0 million General Fund (for a total appropriation of $12.0 million General Fund and $24.0 million total funds) for CSI mill levy equalization. In response, the Committee approved an increase of $2.0 million General Fund above the FY 2019-20 appropriation, for a total of $9.0 million General Fund.

In light of the current revenue situation, staff recommends that the Committee reverse that decision, eliminate the increase, and instead use those funds to mitigate potential increases in the budget stabilization factor. Staff also recommends further reducing the appropriation for FY 2020-21 to make additional funds available for school finance.

In discussions with staff, CSI has continued to highlight the importance of mill levy equalization funding to addressing inequities between CSI schools and the other schools in their geographic districts. CSI notes that maintaining the current appropriation of $7.0 million General Fund would provide approximately $386 per student to the nearly all CSI schools (only one school is projected to fall below $386 per pupil based on local override revenues). CSI has also expressed concerns about the ability of some schools to absorb the reduction if the appropriation were eliminated.

Conversely, as illustrated by the current situation, JBC Staff continues to have concerns about both the sustainability of tying state matching obligations to local override revenues over which the State has no control and the associated inequities between school districts. As in previous discussions of this topic, staff continues to recommend that the General Assembly consider override equity for CSI schools as part of a larger discussion of inequities in the State's school finance system.

➔ REMOVE R9 EMPOWERING PARENTS WITH SCHOOL INFORMATION

JBC ACTION AS OF 3/16/20: The Committee approved an increase of $466,395 total funds (including $98,335 General Fund and $368,060 cash funds from the Indirect Costs Excess Recovery Fund) and 1.9 FTE to improve data quality, accessibility, and transparency in SchoolView, the State's school and school district data dashboard.

RECOMMENDATION: Staff recommends that the Committee not fund request R9 and remove the funding and FTE previously approved for this decision item. The recommendation reduces General Fund appropriations by $98,335.

ANALYSIS:
Key Considerations: New proposal for FY 2020-21

Additional Background:
The Department requested funds to accelerate the improvement of the SchoolView data dashboard. The Department created the dashboard in 2010 to provide access to data for policymakers, researchers, communities (and families), and school districts. Federal law requires all states to have school, district, and state report cards that provide parents, students, educators, and the general public with easily accessible information about school performance, the performance of disaggregated groups of students, and student conduct. According to the Department, the existing SchoolView system is out of date and no longer adequately supports the current School Accountability frameworks.

The Department has identified a number of issues with the SchoolView dashboard and has been working within existing resources to address those issues as resources allow. While staff acknowledges the importance of the SchoolView system, based on the current revenue challenges for FY 2020-21 staff no longer recommends adding funds and staff to accelerate the improvements to the system. Instead, staff recommends that the Department to continue to prioritize this work within the Department's existing resources to the extent that it can.

The recommended change will reduce the Department's General Fund appropriation by $98,335 in FY 2020-21. The change will also make $368,060 cash funds from the Indirect Cost Excess Recovery Fund available to further reduce General Fund appropriations on a one-time basis in FY 2020-21. JBC Staff is presenting a statewide view of Indirect Cost Excess Recovery Fund resources in a separate document.

➔ REMOVE R12/BA3 EXPAND ELIGIBILITY FOR SCHOOL IMPROVEMENT

JBC ACTION AS OF 3/16/20: The Committee approved an ongoing increase of $1.0 million General Fund to provide additional grants through the School Transformation Grant Program for schools classified as either Turnaround or Priority Improvement status under the statewide accountability system. (Request R12 proposed an ongoing increase of $1.0 million General Fund and BA3 proposed a one-time increase of $4.0 million General Fund, to be spent over three years. The Committee approved request R12 but did not approve BA3.)

RECOMMENDATION: Staff recommends not funding the approved increase for FY 2020-21 and removing the amount previously approved for request R12. The recommendation reduces General Fund appropriations by $1.0 million and makes that amount available for school finance.

ANALYSIS:

Key Considerations: New proposal for FY 2020-21

Additional Background:
The School Transformation Grant Program provides funding and assistance to schools classified as either Turnaround or Priority Improvement under the statewide accountability system (the two lowest categories). As discussed during the figure setting, the Governor's Office had initially requested the increases in R12 and BA3 as part of a proposal to expand eligibility for funding to include schools in the Improvement category that were at risk of falling into either Turnaround or Priority Improvement status. However, based on changes in the number of schools eligible for funding under current law, the Department indicated that the additional funds would be necessary to support the currently eligible schools.[1]

The General Assembly more than doubled funding for the School Transformation Grant Program in FY 2019-20, adding $2.4 million General Fund to an existing appropriation of $2.0 million cash funds from the State Education Fund. As noted above, the Department's budget request proposed an increase of $5.0 million General Fund for the School Transformation Grant Program in FY 2020-21, including $1.0 million in ongoing funding in R12 and $4.0 million in one-time funding in BA3. The Committee approved the ongoing increase of $1.0 million General Fund in R12.

As with the previous decision items discussed above, given the deteriorating revenue outlook staff recommends that the Committee reverse the decision regarding R12 and remove the additional $1.0 million General Fund. The staff recommendation maintains the base level of funding for the program ($4.4 million total funds, including $2.4 million General Fund) but would eliminate the $1.0 million increase approved for FY 2020-21.

[1] For additional discussion, see the discussion of R12 and BA3 beginning on page 78 of the FY 2020-21 JBC Staff Figure Setting document for the Department of Education, available at: https://leg.colorado.gov/sites/default/files/fy2020-21_edufig.pdf

➔ REMOVE BA5 CONCURRENT ENROLLMENT GRANT PROGRAM INCREASE

JBC ACTION AS OF 3/16/20: The Committee approved a one-time increase of $1.0 million General Fund for FY 2020-21 to provide additional grants through the Concurrent Enrollment Expansion and Innovation Grant Program created in S.B. 19-176.

RECOMMENDATION: Staff's recommendation includes two components related to the Concurrent Enrollment Expansion and Innovation Grant Program.

- First, staff recommends not funding the approved increase for FY 2020-21 and removing the amount previously approved for BA5. Instead, staff recommends shifting the available General Fund to school finance to mitigate potential increases in the budget stabilization factor.
- Second, staff also recommends that the Committee *consider* reducing or eliminating the base appropriation ($1.5 million cash funds from the Marijuana Tax Cash Fund) and making those funds available for transfer to either the General Fund or the State Public School Fund to support school finance. If the revenue situation drives a significant increase in the budget stabilization factor, then staff would recommend shifting those base funds (assuming marijuana taxes are available) to support total program funding as well. Doing so would maximize the school districts' flexibility to meet their statutory requirements in the context of further revenue constraints.

ANALYSIS:
Key Considerations: New proposal for FY 2020-21

Additional Background:
Senate Bill 19-176 makes a variety of changes to state law related to concurrent enrollment, including requiring each local education provider that enrolls students in high school to provide qualified students the opportunity to concurrently enroll in postsecondary courses, including both academic and career and technical education courses starting in FY 2020-21. The bill allows the local education provider to determine the manner in which concurrent enrollment opportunities are provided.

The bill created the Concurrent Enrollment Expansion and Innovation Grant Program to provide grants to partnerships of local education providers and institutions of higher education that want to either begin offering or expand their offerings of concurrent enrollment opportunities. The bill includes an appropriation of $1.5 million cash funds from the marijuana tax cash fund and 0.3 FTE to support the grant program in FY 2019-20, which is requested as an ongoing appropriation in FY 2020-21. That amount supported 32 grants for FY 2019-20, with a maximum award of $50,000 per grant. Of that amount, 13 of the grants went to rural or small rural districts. The Department reports that the $1.48 million awarded to partnerships in FY 2019-20 left $1.0 million in requests unfunded in the first year, and the Department expects additional applications in FY 2020-21. The Governor's Office requested the additional $1.0 million General Fund in FY 2020-21 to provide grants to approximately 20 additional partnerships in FY 2020-21, and the Committee approved the requested (and recommended) increase for FY 2020-21.

Staff continues recognize the challenges that many school districts will face trying to meet the requirements of S.B. 19-176, particularly in the context of ongoing uncertainty related to the pandemic. However, in light of current circumstances, staff recommends reversing that decision and making the General Fund available to mitigate growth in the budget stabilization factor. In addition, as noted above, if the revenue outlook continues to deteriorate and drives an increase in the budget stabilization factor, staff also recommends that the Committee consider eliminating the base appropriation ($1.5 million cash funds from the Marijuana Tax Cash Fund) for FY 2020-21.

➔ REMOVE BA6 STUDENT RE-ENGAGEMENT GRANT PROGRAM INCREASE

JBC ACTION AS OF 3/16/20: The Committee approved a one-time increase of $1.0 million General Fund for FY 2020-21 (to be spent over three years) for the Student Re-engagement Grant Program.

RECOMMENDATION: Staff recommends not funding the approved increase for FY 2020-21 and removing the amount previously approved for BA6. Instead, staff recommends using available General Fund to mitigate potential increases in the budget stabilization factor.

ANALYSIS:
Key Considerations: New proposal for FY 2020-21

Additional Background:
Originally created in H.B. 09-1243 (Increase High School Graduation Rates) and funded through the Office of Dropout Prevention and Student Re-engagement, the program provides competitive multi-year (up to three-year) grants to high needs school districts and schools to implement evidence based practices to help sustain student engagement at the secondary level and to re-engage students that have dropped out. The grants are intended to support evidence-based interventions to address risk factors that often hinder high school completion, including low attendance, course failure, behavior and discipline incidents, and a lack of credits required to graduate. Grants are awarded to school districts to serve schools with a high percentage of students at risk of dropping out. According to the Department, roughly half of grantee schools are alternative education campuses.

The grant program currently receives an annual appropriation of $2.0 million cash funds from the Marijuana Tax Cash Fund.[2]

- Request BA6 proposed a one-time increase of $2.0 million General Fund for FY 2020-21, to be spent over three years (through FY 2022-23).
- The Committee approved a one-time increase of $1.0 million General Fund, also to be spent over three years.

As discussed during figure setting, a program evaluation conducted in 2018 (evaluating outcomes from FY 2016-17) found that recipient schools and their students reported positive outcomes, reduced dropout rates relative to similar populations, and effective re-engagement of out-of-school youth (including 569 students in FY 2016-17).

Staff continues to agree that the program appears to show promising results. In addition, staff also agrees that continuing to improve graduation and dropout rates is an important priority. However, as with the previous decision items, staff recommends reversing the Committee's decision from figure setting, removing the increase in funds approved for FY 2020-21, and instead directing available

[2] The FY 2019-20 appropriation to the Office of Dropout Prevention and Student Re-engagement also includes $1.0 million General Fund and 1.0 FTE dedicated to the Educational Stability Grant Program established in H.B. 18-1306 (Improving Educational Stability for Foster Youth).

General Fund to support school finance. The staff recommendation would maintain the base level of funding for this program.

➔ REMOVE BA7 AND REDUCE CAREER DEVELOPMENT SUCCESS PROGRAM

JBC ACTION AS OF 3/16/20: The Committee approved an ongoing increase of $1.0 million General Fund for FY 2020-21 for the Career Development Success Program. Building on the FY 2019-20 appropriation of $5.0 million General Fund, the Committee's action would provide $6.0 million for this program in FY 2020-21. (Note: The Governor's Office had requested BA7 as a one-time increase of $2.0 million General Fund for FY 2020-21.)

RECOMMENDATION: Staff's recommendation for the Career Development Success Program includes two components, both of which are intended to make General Fund available for school finance.

- Staff recommends <u>not</u> funding the approved increase for FY 2020-21 and removing the amount previously approved for BA7.
- In addition, staff recommends reducing the program's Long Bill appropriation to $1.0 million General Fund, the minimum allowed under current law (Sec. 22-54-138 (5)(a), C.R.S., requires the General Assembly to appropriate at least $1.0 million per year for the program). Thus, any further reduction to the appropriation would require statutory change (which the Committee may wish to consider depending on the revised revenue forecast for FY 2020-21).

ANALYSIS:
Key Considerations: New proposal for FY 2020-21 (BA7); program added since FY 2013-14

Additional Background:
Originally created as a pilot program in H.B. 16-1289 (Incentives to Complete Career Development) and then expanded and extended in H.B. 18-1266 (Career Development Success Program Expansion), the Career Development Success Program provides incentives for school districts and charter schools to encourage students to participate in qualified career development programs. The program pays incentives in the year following completion of the qualified program. Thus, appropriations in FY 2019-20 are paying incentives for credentials completed in FY 2018-19. The General Assembly increased funding for the program from $1.0 million in FY 2017-18 to $2.0 million in FY 2018-19 and then to $5.0 million for FY 2019-20. The committee approved an increase of $1.0 million General Fund (for a total of $6.0 million) for FY 2020-21.

Per statute (Sec. 22-54-138, C.R.S.), the program authorizes incentive payments of up to $1,000 per student completing qualified programs in three tiers (such that lower priority programs only receive funding if higher priority programs are fully funded).

- Tier 1 includes industry recognized credentials that apply toward high school graduation and which the Work Force Development Council has identified as eligible credentials.
- Tier 2 includes internships, residency programs, construction industry pre-apprenticeships, and construction industry apprenticeships. The Work Force Development Council also must approve qualifying internships and residency programs.
- Tier 3 includes advanced placement (AP) computer science courses. The course must deliver college-level curriculum and the student must receive a 3 or higher on the course's AP test.

Because of the high level of participation in tier 1 (industry recognized credentials), incentive payments to date have focused on that tier. With the increase to $5.0 million for FY 2019-20, the current year is the first time the program has provided partial payments ($656 per completion) for Tier 2 (see table below). Staff agrees that the incentives do seem to be attracting participation by districts, schools, and students, with industry-recognized credentials increasing from 1,807 reported completions in FY 2016-17 to 4,765 in FY 2018-19. Although Tiers 2 and 3 and received less funding and had less participation, both of those tiers have also shown growth in completions (see table below).

FY 2018-19 Career Development Success Pilot Program Participation

	Qualified Program	FY 2016-17 Reported Completions	FY 2017-18 Reported Completions	FY 2018-19 Reported Completions
Tier 1	Industry Recognized Credentials	1,807	3,655	4,765
Tier 2	Internships	470	921	498
	Residency programs	0	38	0
	Construction Pre-apprenticeships	86	184	470
	Construction Industry Apprenticeships	0	0	1
Tier 3	Advanced placement computer science courses	743	891	1,030
	Total	3,106	5,689	6,764

In light of the current revenue challenges, staff reluctantly recommends reducing funding for FY 2020-21 and making those funds available to support total program funding. Staff recognizes that this is a dramatic reduction. Based on the program's apparent results, if revenues allow then the Committee may wish to restore some of the funding to this line item.

➔ Adjustments Related to 2019 Legislation (not requiring statutory change)

JBC Action as of 3/16/20: The Committee approved continuation appropriations for each of these program/line items, as requested by the Department and in alignment with the Legislative Council Staff fiscal note for each bill.

Recommendation: Staff recommends making reductions to six programs either created or modified by 2019 Session legislation. The recommended reductions represent $5.4 million total funds, including $2.4 million General Fund and $3.0 million cash funds (as shown in the following table). Staff does not currently believe that the recommended reductions require statutory change. However, for the three recommended program eliminations, staff does recommend that the Committee consider sponsoring legislation to either repeal the programs or delay implementation until a later time.

ADJUSTMENTS FOR 2019 LEGISLATION						
	TOTAL FUNDS	GENERAL FUND	CASH FUNDS	REAPPROPRIATED FUNDS	FEDERAL FUNDS	FTE
Reduce behavioral health professionals (SB 19-010)	($3,000,000)	$0	($3,000,000)	$0	$0	0.0
Eliminate ninth grade success (SB 19-246)	(800,000)	(800,000)	0	0	0	(0.6)
Reduce workforce diploma pilot (HB 19-1236)	(500,000)	(500,000)	0	0	0	0.0
Eliminate local accountability grants (SB 19-204)	(494,267)	(494,267)	0	0	0	(0.5)
Reduce school leadership pilot (HB 19-1002)	(375,807)	(375,807)	0	0	0	0.0
Eliminate Buckner Automatic Enrollment (SB 19-059)	(250,000)	(250,000)	0	0	0	(0.3)
TOTAL	**($5,420,074)**	**($2,420,074)**	**($3,000,000)**	**$0**	**$0**	**(1.4)**

ANALYSIS:
Key Considerations: New programs (not yet fully implemented);

Additional Background:
Each recommended adjustment is briefly described below.

- *Reduce Behavioral Health Care Professional Matching Grant Program ($3.0 million cash funds from the Marijuana Tax Cash Fund out of $14.9 million).* Senate Bill 19-010 (Professional Behavioral Health Services for Schools) modified this program and added $3.0 million cash funds from the MTCF to the program's appropriation (increasing from $11.9 million in FY 2018-19 to $14.9 million in FY 2019-20). During figure setting, the Committee approved a continuation appropriation of $14.9 million for FY 2020-21. The recommended reduction would return funding for the program to FY 2018-19 levels. According to the Department, the existing cohorts of grantees account for approximately $5.7 million of the appropriation in FY 2020-21. Thus, the proposed reduction would leave $6.2 million to support a new cohort of grantees starting in FY 2020-21. Maintaining the currently-approved appropriation would provide $9.2 million for a new cohort in FY 2020-21. Conversely, the Committee could also consider taking an additional reduction of $6.2 million and leave the existing cohorts of grantees intact.

- *Eliminate Ninth Grade Success Program ($800,000 General Fund and 0.6 FTE).* Senate Bill 19-246 (School Finance) created the Ninth Grade Success Program to provide grants to local education providers to establish ninth grade success programs. The program provided its first round of grants in FY 2019-20. However, in light of the revenue situation and the new nature of the program, staff recommends eliminating the appropriation for the program in FY 2020-21. The Department reports that it is currently supporting 0.4 FTE with this appropriation. If the Committee eliminates the appropriation for FY 2020-21, the Department would plan to absorb the staff within existing funds in another program if possible. It is staff's understanding that the Department would support considering the elimination of this program based on current revenue challenges.

- *Reduce Workforce Diploma Pilot ($500,000 General Fund out of $1.0 million).* House Bill created 19-1236 (Workforce Diploma Pilot Program) to provide performance payments to qualified providers of dropout recovery services for eligible adult students (residents of Colorado that are at least 21 years old and do not have a high school diploma) who achieve specific education milestones. Based on a suggestion from the Department to avoid eliminating this program, the recommendation reduces the appropriation by roughly 50.0 percent (from $1,012,222 General Fund approved during figure setting to $512,222).

- *Eliminate Local Accountability System Grant Program ($494,267 General Fund and 0.5 FTE).* Senate Bill 19-204 (Public School Local Accountability Systems) created this program to support local accountability systems (implemented by either a local education provider or a group of local education providers) that supplement the state accountability system. Local education providers that implement a local accountability system under the bill may provide a supplemental performance report to the Department although the supplemental report does not affect the local education provider's accreditation rating or performance plan assignment. Based on the new nature of the program and current revenue challenges, staff recommends eliminating the appropriation for FY 2020-21. The Department reports that it is currently supporting 0.4 FTE with this appropriation. If the Committee eliminates the appropriation for FY 2020-21, the Department would plan to absorb the staff within existing funds in another program if possible. It is staff's understanding that the Department would support considering the elimination of this program based on current revenue challenges.

- *Reduce School Leadership Pilot Program ($375,807 General Fund out of $751,615).* House Bill 19-1002 (Leadership Professional Development for School Principals) created the School Leadership Pilot Program to provide training for school principals. The bill requires the program to identify a cohort of high quality school principals and allow other school principals (statewide) to observe and interact with the high-performing cohort and to receive professional development in school leadership. The bill requires the Department of Education to design the program in FY 2019-20 and to implement the program no later than July 2020. Based on a suggestion from the Department to avoid eliminating this program, the recommendation reduces the appropriation by roughly 50.0 percent (from $751,615 General Fund approved during figure setting to $375,808).

- *Eliminate John W. Buckner Automatic Enrollment in Advanced Courses Grant Program ($250,000 General Fund and 0.3 FTE).* Senate Bill 19-059 (Automatic Enrollment in Advanced Courses Grant Program) created this program to provide assistance to local education providers that automatically enroll students in advanced courses (including Advanced Placement courses, International Baccalaureate courses, or any courses designated as honors, gifted, or accelerated). To be eligible, a local education provider must automatically enroll each qualified student (based on scores from the statewide assessments in the previous year or on another measure defined by the local education provider) entering ninth grade or higher in an advanced course. Staff notes that the program is not yet fully implemented (as discussed above, the Department expects to revert $200,000 out of the $250,000 appropriation in FY 2019-20). In that context, staff recommends eliminating the appropriation for FY 2020-21 and either repealing the program or delaying implementation until revenues allow. The Department reports that it is currently supporting 0.3 FTE with this appropriation. If the Committee eliminates the appropriation for FY 2020-21, the Department would plan to absorb the staff within existing funds in another program if possible.

➔ ELIMINATE STATE GRANTS TO LIBRARIES PROGRAM

JBC ACTION AS OF 3/16/20: The Committee approved a continuation appropriation of $3,001,519 General Fund for the State Grants to Publicly-Supported Libraries Program for FY 2020-21 (as requested).

RECOMMENDATION: Consistent with the previous two economic downturns, staff recommends eliminating the appropriation for this program in FY 2020-21 in order to make those funds available for school finance.

- Alternatively, the Committee could reduce funding by $500,000 to return to FY 2018-19 levels or by another amount but still maintain a base level of funding for the program.

ANALYSIS:

Key Considerations: Program offers small benefits to a large number of people but is insufficiently targeted to those with the greatest need; spreads a cut broadly across a large population, reducing the need for cuts to critical state services

Additional Background:
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 first operated for FY 2000-01 and FY 2001-02. The Governor vetoed the appropriations to the program for FY 2002-03, and the program remained unfunded from FY 2002-03 through FY 2012-13. The General Assembly reinstated the program for FY 2013-14 with an appropriation of $2.0 million General Fund. In FY 2015-16, the General Assembly appropriated an additional $500,000 General Fund, for a total appropriation of $2.5 million. For FY 2019-20, the General Assembly added $500,000 General Fund for a total appropriation of $3.0 million.

The program has awarded $2,926,000 to 318 grantees statewide (representing 97.5 percent of 326 potential applicants) in FY 2019-20, with a base amount of $4,500 per grantee. The Department has implemented a tiered structure, providing base amounts of $4,500 for grantees serving populations of less than 1,000 individuals, $5,000 for entities serving populations between 1,000 and 4,999, and $5,500 for those serving 5,000 or more (with increases on a per capita basis for those serving populations of more than 10,000). The Department used the $500,000 increase provided in FY 2019-20 to increase the base amount by $1,000 for all population tiers.

The Department reports that grantees are using the 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.

Given libraries' changing roles in the current circumstances (in some cases providing food, internet access, etc.), the Department has expressed concerns about reducing or eliminating this program. Staff agrees that the program provides important funding for public libraries. However, staff also notes that by basing the distribution on population, with no consideration of local revenues available for libraries, the program is arguably not targeting areas with the highest need. Thus, consistent with the two most recent downturns, staff recommends eliminating funding for this line item for FY 2020-21. Staff is not recommending repeal of the program as the General Assembly has already demonstrated an interest in supporting the program when revenues allow it do so.

➔ ELIMINATE QUALITY TEACHER RECRUITMENT PROGRAM

JBC ACTION AS OF 3/16/20: The Committee approved a continuation appropriation of $3.0 million cash funds from the State Education Fund for the Quality Teacher Recruitment Program for FY 2020-21 (as requested).

RECOMMENDATION: Staff recommends eliminating the appropriation for this program for FY 2020-21 and making those funds ($3.0 million from the State Education Fund) available for school finance.

ANALYSIS:

Key Considerations: No immediate health, life, or safety impact

Additional Background:
The General Assembly added this line item to the FY 2014-15 Long Bill to support appropriations for the Quality Teacher Recruitment Program created in S.B. 13-260 (School Finance). Section 22-94-102, C.R.S., directs the Department to contract with organizations working with school districts and boards of cooperative educational services (BOCES) to recruit, select, train, and retain highly qualified teachers in areas that have historically had difficulty attracting and retaining such teachers.

In December 2013, the Department selected the Public Education Business Coalition (PEBC) and Teach for America (TFA-Colorado) as grant recipients, with each program receiving half of the annual grant funds ($1,470,000 per year). The providers have divided the State geographically, with each program placing teachers in specific districts.

- PEBC placed 100 teachers in 43 school districts in FY 2017-18. In total, PEBC has placed a total of 332 teachers in 43 school districts from FY 2014-15 through FY 2017-18.
- TFA Colorado placed 81 new teachers in 3 school districts (Denver, Harrison, and Pueblo City) in FY 2017-18 through the grant program. In total, TFA Colorado has placed 362 teachers in those districts over the past four years.

Please note that the TFA-Colorado program places most teachers as the "teacher of record" in the first year of the program and requires a two-year commitment from recruits. In contrast, PEBC has placed the majority of recruits as "residents" in mentor teacher classrooms for the first year. The PEBC participants become teachers of record in the second year and have made a three year commitment to the program (including the residency year). The PEBC also makes a five-year commitment to provide supports to program participants.

The following table shows the total grant funds provided to each organization over the five year period, the total number of teachers placed over that period, the number of teachers that completed at least the first year, and the average *state* cost for each teacher. Please note that the school districts receiving placements pay the salaries of any placed teachers. Thus, the costs shown here cover recruiting and training costs but do *not* include salaries for the teachers. Also, please note that statute requires the vendors to match state funding equally, so the total cost per placement (including non-state funds) is double the amount shown.

COMPARISON OF COST PER TEACHER PLACEMENT (FIVE-YEAR TOTAL)		
	PEBC	TFA COLORADO
Total grant funds received	$5,940,000	$8,780,000
Total teachers placed (FY 2014-15 through FY 2018-19)	415	450
Average *state* cost per placement	$14,313	$19,511
Total teachers that finished at least the first year	386	421
Average *state* cost per teacher finishing first year	$15,389	$20,855

Staff agrees that both organizations have proven their ability to place teachers in hard-to-serve districts and schools. Staff has also previously noted concerns about both programs' long term retention. While the program has proven effective in placing teachers, based on the current revenue challenges, staff recommends eliminating the appropriation for FY 2020-21 and instead making those funds available for school finance. Staff assumes that both of the participating entities would prefer to see the program continue. However, it is also staff's understanding that, in light of current circumstances, the Department and other external stakeholders would support considering this program for elimination.

➔ ELIMINATE NATIONAL BOARD STIPENDS

JBC ACTION AS OF 3/16/20: The Committee approved a continuation appropriation of $1,384,000 cash funds from the State Education Fund for the Stipends for National Board Certified Teachers Program for FY 2020-21 (as requested).

RECOMMENDATION: Staff recommends eliminating the appropriation for this program in FY 2020-21 in order to make those funds available for school finance and mitigate potential increases in the budget stabilization factor.

- Alternatively, the Committee may also wish to consider reducing (but not eliminating) funding to support only the stipends for educators serving in low-performing, high needs schools (which would have required $421,312 in FY 2019-20).

ANALYSIS:

Key Considerations: No immediate health, life, or safety impact

Additional Background:
House Bill 12-1261 extended a program (originally created by H.B. 08-1364) to provide stipends to school teachers holding certification from the National Board for Professional Teaching Standards (NBPTS). Subject to available appropriations, the program provides an annual stipend of $1,600 to each national board certified teacher and an *additional* $3,200 stipend to such teachers employed in low-performing, high needs schools (defined as schools accredited with a priority improvement plan or a turnaround plan).

House Bill 12-1261 included an appropriation of $604,800 cash funds from the State Education Fund based on an estimate of the number of eligible teachers in low-performing, high needs schools. Under the bill, if appropriations are insufficient to provide stipends to all qualified teachers, then the Department only provides the increased stipends to teachers in low- performing, high needs schools (statute does not allow for proration of remaining revenues). In FY 2013-14, the General Assembly appropriated $1,617,600 cash funds from the State Education Fund to provide stipends to eligible teachers outside of low-performing, high needs schools. The FY 2014-15 Long Bill reduced the appropriation to $1,580,800 based on actual utilization of the program, and the FY 2016-17 Long Bill further reduced the appropriation to $1,384,000.

House Bill 19-1036 (Annual Stipends for Certified School Professionals) added school psychologists who hold a certification from the National Association of School Psychologists and meet the other program requirements to the list of school personnel that qualify for the stipends. The bill also clarifies that school counselors holding a certification from the NBPTS are eligible for the stipends, which aligned with the Department's existing practice.

With the expansion of eligibility in H.B. 19-1036, the Department reports that the existing appropriation is now insufficient to support stipends to all eligible recipients. In FY 2019-20, supporting stipends to *all* eligible recipients would require $2,103,256 (an increase of $719,256 above the existing appropriation).

- Given the current revenue challenges, staff recommends eliminating the appropriation in FY 2020-21 and instead directing those resources to school finance to mitigate potential growth in the budget stabilization factor.
- Alternatively, the Committee could consider funding stipends only for educators in low-performing, high needs schools (which would have required $421,312 in FY 2019-20). If the Committee chose this alternative, then staff would request permission to work with the Department to finalize an estimate of the necessary appropriation for FY 2020-21.

It is staff's understanding that, in light of current circumstances, the Department would support considering this program for elimination.

➔ REDUCE SCHOOL BULLYING PREVENTION

JBC ACTION AS OF 3/16/20: The Committee approved a continuation appropriation of $2,000,000 cash funds from the Marijuana Tax Cash Fund (MTCF) for the School Bullying Prevention and Education Cash Fund line item for FY 2020-21 (as requested). (The Long Bill includes an appropriation into the cash fund, which is continuously appropriated to the Department.)

RECOMMENDATION: Staff recommends reducing this appropriation by $1.0 million (a 50.0 percent reduction) for FY 2020-21 and making that amount available for other uses (either refinancing General Fund in other programs or transferring the funds to another fund).

ANALYSIS:

Key Considerations: No immediate health, life, or safety impact

Additional Background:
The General Assembly created this line item in the FY 2016-17 Long Bill to support the School Bullying Prevention and Education Grant Program originally created in H.B. 11-1254 (Bullying in Schools). House Bill 11-1254 authorized the receipt of gifts, grants, and donations to support the program but did not provide state funding and the program did not receive any state funding prior to FY 2015-16.

House Bill 15-1367 (Retail Marijuana Taxes) included a contingent appropriation of $2.0 million General Fund (from the Proposition AA Refund Account) into the School Bullying Prevention and Education Cash fund for FY 2015-16. The General Assembly has continued to support the program with appropriations from the Marijuana Tax Cash Fund into the School Bullying Prevention and Education Cash Fund. Because the School Bullying Prevention and Education Cash Fund is continuously appropriated to the Department, a second appropriation out of the cash fund is not necessary.

Subject to available appropriations, H.B. 11-1254 requires the Department to provide grants to public schools and facility schools to support the implementation of evidence-based practices and policies to reduce the incidence of bullying. The bill also requires the Department collaborate with the School Safety Resource Center, school districts, and others to research best practices and evidence-based practices to reduce bullying activity and to provide best practices and other resources on the Department's website.[3] Under the program rules, grant recipients must use the funds to support evidence-based programs to reduce bullying activity and must report to the Department each year regarding the practices implemented, the number and grade levels of students served, the fidelity of implementation, and the grantees progress in achieving the goals of the grant.

Based on input from the Department, staff is not recommending elimination of this appropriation but is recommending a 50.0 percent reduction in order to make those funds available for other uses in FY 2020-21 (for example, by transferring the $1.0 million to the State Public School Fund to support school finance). Staff intends to return to the Committee with an update on the status of the MTCF following the revised revenue forecast.

➔ REDUCE COMPUTER SCIENCE EDUCATION GRANTS

JBC ACTION AS OF 3/16/20: The Committee approved a continuation appropriation of $1,301,657 total funds (including $250,000 General Fund and $1,051,657 cash funds from the State Education Fund) for the Computer Science Education Grants line item in FY 2020-21. That appropriation includes an increase of $250,000 General Fund associated with H.B. 19-1277 (Computer Science Grant Program) to support the a newly created Computer Science Education Grant Program.

RECOMMENDATION: The staff recommendation related to Computer Science Education Grants includes two components (affecting both programs currently funded within this line item):

- A reduction of $500,000 cash funds from the State Education Fund for the Computer Science Education Grants for Teachers program. The reduction would return funding for this program to FY 2017-18 levels (before the General Assembly added $500,000 in the FY 2018-19 Long Bill).
- A reduction of $250,000 General Fund to eliminate the new appropriation associated with H.B. 19-1277 and make those funds available for school finance.

Staff recommends making the $500,000 reduction from the State Education Fund in the Long Bill. <u>However, because H.B. 19-1277 requires the General Assembly to appropriate $250,000 General Fund each year for FY 2020-21 through FY 2022-23 to support the new grant program (see Sec. 22-97-203 (6), C.R.S.), eliminating this appropriation would require statutory change.</u>

[3] The Department's resources are available at: http://www.cde.state.co.us/mtss/bullying/bestpractices

ANALYSIS:

Key Considerations: New program (not yet fully implemented)

Additional Background:
The General Assembly added the Computer Science Education Grants for Teachers line item to the FY 2018-19 Long Bill to support appropriations for a grant program created in S.B. 17-296 (School Finance). The program the provides grants for eligible teachers who wish to pursue additional postsecondary education and training in order to then provide computer science education to K-12 students. Originally funded with $500,000 cash funds from the State Education Fund and 0.4 FTE, the General Assembly added approximately $500,000 in the Long Bill appropriation for FY 2019-20 (for a total appropriation of $1,048,600 and 0.4 FTE in the FY 2019-20 Long Bill). The staff recommendation would eliminate that increase and restore the program to FY 2017-18 funding levels.

House Bill 19-1277 (Computer Science Grant Program) created a second grant program, the Computer Science Education Grant Program, to provide grants to public schools to increase the participation of traditionally underrepresented students in computer science education. The bill specifies the information that applicants must include in a grant application and requires the Department to prioritize applicants that demonstrate a low number of computer science educational activities, expose students to diverse professionals in the computer science industry, or demonstrate how the grant money will serve a high-poverty student population, a high percentage of minority or female students, or students in a rural area. Although H.B. 19-1277 did not include an appropriation for FY 2019-20, the bill requires the General Assembly to appropriate $250,000 per year to support grants for FY 2020-21 through FY 2022-23. Based on the Committee's action to date, the Long Bill would fund both programs within one line item.

Given that the program is not yet fully implemented, and based on the changing revenue circumstances, staff recommends eliminating the appropriation for the new program for FY 2020-21 (which requires statutory change). The Committee may wish to delay or repeal the entire program.

➔ ELIMINATE ENGLISH LANGUAGE PROFICIENCY EXCELLENCE AWARDS

JBC ACTION AS OF 3/16/20: The Committee approved a continuation appropriation of $500,000 cash funds from the State Education Fund for the English Language Proficiency Act Excellence Awards Program in FY 2020-21 (as requested).

RECOMMENDATION: Staff recommends eliminating this appropriation for FY 2020-21 and making those resources available for school finance to mitigate potential growth in the budget stabilization factor.

ANALYSIS:

Key Considerations: Program added since FY 2013-14

Additional Background:
The General Assembly added this line item to the FY 2015-16 Long Bill to support the English Language Proficiency Act Excellence Award Program created in H.B. 14-1298 (School Finance).

Created in Section 22-24-107, C.R.S., the program awards grants to local education providers and charter schools that achieve the highest growth and academic achievement for English language learners (ELLs) and the highest academic achievement for ELLs who transition out of the English Language Proficiency Program. The General Assembly has appropriated $500,000 per year since the creation of the program in FY 2014-15.

Staff recommends eliminating the appropriation for FY 2020-21. Based on the anecdotal data available, the program appears to provide an additional incentive for schools and districts to seek out best practices that could improve achievement. However, in an effort to mitigate potential increases in the budget stabilization factor, staff recommends approving the reduction. Staff recommends reducing this appropriation rather than the broader English Language Proficiency Act Professional Development and Student Support line item.

To the extent that it can, staff recommends that the Committee try to protect the broader funding in the English Language Learners Professional Development and Student Support Program. Based on input from the Department as well as external stakeholders, staff believes that a reduction or elimination of the Excellence Awards Program line item is preferable to reductions to the Professional Development and Student Support line item.

➔ REDUCE AP EXAM FEE GRANTS

JBC ACTION AS OF 3/16/20: The Committee approved a continuation appropriation of $561,461 General Fund and 0.4 FTE for the Advanced Placement Exam Fee Grant Program in FY 2020-21 (as requested).

RECOMMENDATION: Staff recommends reducing this appropriation by $280,730 General Fund (a reduction of 50.0 percent) for FY 2020-21 and making those resources available for school finance. In a correction to staff's original figure setting document for FY 2020-21, staff also recommends changing the name of the line item to the "Accelerated College Opportunity Exam Fee Grant Program" to align with the changes in H.B. 19-1222 (International Baccalaureate Exam Fee Grant).

ANALYSIS:

Key Considerations: Program added in FY 2018-19

Additional Background:
Originally created in H.B. 18-1396 (Advanced Placement Exam Fee Grant Program), this program subsidizes a portion of advanced placement (AP) exam fees on behalf of eligible low income students. Schools must use the entire amount awarded through a competitive grant process to pay AP exam fees. House Bill 19-1222 modified the program to include International Baccalaureate (IB) exam fees in addition to AP fees.

In light of the changing revenue outlook, and based on input from the Department to consider a reduction for the program but to avoid elimination, staff recommends reducing the appropriation by 50.0 percent for FY 2020-21.

ⓘ NEW FEDERAL FUNDS TO BE RECEIVED

The CARES Act appropriates $13.5 billion for formula grants to states, with the state distributing 90.0 percent of that amount to local education agencies for "coronavirus response activities." These activities include, but are not limited to, planning for and coordinating during long-term school closures, purchasing educational technology to support online learning, to provide mental health services and supports, and purchasing supplies to sanitize and clean school facilities. In addition to direct response activities related to school closures and distance learning, these funds may be used for "other activities that are necessary to maintain the operation of and continuity of services" of local education agencies. The Congressional Research Service estimates that Colorado will receive $121.0 million.[4] JBC Staff will work with the Department to confirm the amount and the General Assembly's role in its appropriation.

In addition to the above grant dollars, the bill provides $3.0 billion to the nation's Governors to allocate at their discretion for "emergency support grants to local educational agencies that the State educational agency deems have been most significantly impacted by coronavirus." In addition to grants to K12, the funds would support grants to higher education institutions. Each Governor has one year to award their share of the funds, after which the remaining money is reallocated by the Secretary of Education "to the remaining States." The Congressional Research Service estimates that Colorado will receive $43.9 million. Staff assumes the General Assembly will not have authority to appropriate this funding.

SUMMARY OF RECOMMENDATIONS REQUIRING STATUTORY CHANGE

STATUTORY CHANGES WITH EXPENDITURE REDUCTIONS

REDUCE EXPENDITURES - STATUTORY CHANGE REQUIRED				
FY 2020-21 EXPENSE	NET GF IMPACT	OTHER FUNDS	TOTAL FUNDS	FTE
B.E.S.T. Program recommendations	$0	($25,000,000)	($25,000,000)	0.0
Charter School Capital Construction	0	(6,820,762)	(6,820,762)	0.0
K-5 Social and Emotional Health Pilot Program	$0	(2,500,000)	(2,500,000)	
Retaining Teachers Grant Program/Fund transfer to State Education Fund	0	(2,500,000)	(2,500,000)	(1.0)
Grow Your Own Educator Program	(1,022,933)	0	(1,022,933)	(0.3)
Local School Food Purchasing Programs	(500,000)	0	(500,000)	0.0
Advanced Placement Incentives Program	0	(262,763)	(262,763)	(0.3)
Computer science education grants (discussed above)	(250,000)	0	(250,000)	0.0
Increase student aid completion rates	(250,000)	0	(250,000)	0.0

➔ B.E.S.T. PROGRAM RECOMMENDATIONS

JBC ACTION AS OF 3/16/20: The Committee approved a continuation appropriation of $160.0 million cash funds from the Public School Capital Construction Assistance Fund (PSCCAF) for cash grants

[4] Congressional Research Services, "Estimated State Grants Under the Coronavirus Aid Relief, and Economic Security (CARES) Act." https://www.politico.com/states/f/?id=00000171-31b8-da0d-a17b-fffb32a90000

under the Building Excellent Schools Today (B.E.S.T.) program for FY 2020-21 as directed by H.B. 19-1055 (Public School Capital Construction Financial Assistance).

RECOMMENDATION: Staff's recommendation related to the B.E.S.T. program has three components, all of which require statutory change.

- First, staff recommends reducing the FY 2020-21 appropriation for cash grants by $25.0 million cash funds from the PSCCAF. The recommendation would provide $135.0 million for cash grants in FY 2020-21, equal to the appropriation in FY 2019-20.
- Second, staff recommends transferring $25.0 million from the PSCCAF to the State Public School Fund on July 1, 2020, to support FY 2020-21 appropriations for school finance.
- Finally, staff recommends decreasing the allocation of marijuana excise taxes to the PSCCAF starting in FY 2020-21 and diverting a portion of those revenues to the State Public School Fund for appropriation for school finance in the following year. Based on the March 2020 Legislative Council Staff revenue forecast, depositing the first $40.0 million in revenues to the PSCCAF (as required by the constitution) and diverting the remainder to the State Public School Fund would divert $45.1 million to the State Public School Fund in FY 2020-21. That amount would then be available for appropriation in FY 2021-22. Staff recommends that the Committee scale the diversion to the State Public School Fund based on the revised estimates of both marijuana tax revenues and revenue needs for school finance.

If the General Fund revenue outlook is markedly worse than in the March 2020 revenue forecast and is going to require an increase in the budget stabilization factor, then staff would recommend increasing both the reduction to FY 2020-21 appropriations for B.E.S.T. cash grants *and* the transfer to the State Public School Fund. For example, the Committee could reduce the cash grants appropriation by an additional $15.0 million (to $120 million) and transfer a total of $40.0 million to the State Public School Fund. If the Committee elects to pursue changes to the allocation of marijuana excise tax revenues, then staff will work with the Department and other legislative staff to better understand potential impacts on both the B.E.S.T. Program and charter school capital construction (discussed below).

ANALYSIS:

Additional Background:
House Bill 08-1335 created the B.E.S.T. program to increase the amount of state financial assistance provided and allow projects to be completed more quickly. Rather than relying on annual General Fund appropriations, the B.E.S.T. program is supported by royalty and rental income earned on state trust lands, interest earned on the Public School Fund, lottery proceeds, and recreational marijuana excise tax revenues. Current law annually credits the following funds to the Public School Capital Construction Assistance (PSCCA) Fund:

- 50 percent of the gross amount of revenues from income and mineral royalties derived from state public school lands, or more if required to make lease payments under the terms of lease-purchase agreements ($74.2 million in FY 2018-190.
- Recreational marijuana excise tax revenues ($52.6 million in FY 2018-19). Pursuant to H.B. 18-1070 (Additional Public School Capital Construction Funding), that amount represented 90.0 percent of FY 2018-19 marijuana excise tax collections (the other 10.0 percent of revenues was deposited in the Public School (Permanent) Fund. Beginning in FY 2019-20, H.B. 19-1055 (Public

School Capital Construction Financial Assistance) credits *all* marijuana excise tax revenues to the PSCCA Fund.

- A portion of the interest and income earned on investment of the Public School (Permanent) Fund ($8.2 million in FY 2018-19). Under S.B. 16-035 (The Public School Fund), interest and income earned on the Permanent Fund over and above the $21.0 million already distributed under current law is deposited into the PSCCA Fund, up to a limit of $10.0 million in FY 2017-18 and $20.0 million in FY 2018-19 and subsequent years.
- Local matching moneys for COP projects ($22.3million in FY 2018-19).
- Lottery proceeds that would otherwise be transferred to the General Fund ($14.7 million in FY 2018-19).
- Interest and investment income earned on the PSCCA Fund ($8.9 million in FY 2018-19).

The Committee should note that both of the program's major revenue sources face uncertainty in the near term as a result of the current economic situation. The Department of Natural Resources currently expects challenges in the oil and gas sector to decrease State Land Board revenues. Staff's understanding is that the outlook for marijuana tax revenues is also uncertain (and will be addressed in the revised revenue forecast). <u>Staff will continue to work with the Department to project fund balances incorporating revised revenue forecast information as it is available.</u>

Money in the PSCCA Fund is subject to appropriation for: (a) direct and indirect administrative costs incurred by the PSCCA Division and Board (including the financial assistance priority assessment); (b) lease payments required for lease-purchase agreements; and (c<u>) cash grants to support construction projects</u>. While money for lease-purchase agreements is largely obligated for debt service, annual cash grant appropriations are more clearly at the discretion of the General Assembly.

In addition to increasing revenues dedicated to the program, the General Assembly has significantly increased appropriations for cash grants in recent years.

- The FY 2017-18 appropriation included $70.0 million for B.E.S.T. cash grants.
- House Bill 18-1070 (Additional Public School Capital Construction Funding) added $15.0 million for FY 2018-19, for a total appropriation of $85.0 million.
- House Bill 19-1055 (Public School Capital Construction Financial Assistance) added $50.0 million for cash grants in FY 2019-20, for a total appropriation of $135.0 million.
- House Bill 19-1055 also directs the General Assembly to appropriate a total of $160.0 million for cash grants in FY 2020-21.

While the General Assembly has increased revenues dedicated to B.E.S.T. (including the transition to all marijuana excise tax revenues), the significant increases in appropriations have been based on a large fund balance in the PSCCA Fund. The Department's November 1, 2020, budget request anticipated that the PSCCA Fund would finish FY 2019-20 with a balance of $366.3 million and finish FY 2020-21 with $309.2 million. Barring significant increases in revenues, spending down that fund balance will require reductions to cash grants appropriations in the future.

While staff recognizes the ongoing importance of capital construction funding, staff recommends that the Committee reprioritize a portion of this funding to support school finance, including the recommended transfer of $25.0 million of the existing fund balance and a diversion of a portion of marijuana tax revenues to the State Public School Fund to support school finance in subsequent years.

Staff notes that during the last downturn the General Assembly diverted a portion of State Land Board revenues (the portion that would otherwise have gone to the Permanent Fund) to the State Public School Fund to support school finance. Staff understands that the General Assembly may wish to consider that option again (either in addition to or in lieu of staff's recommendation regarding marijuana tax revenues). However, staff notes that the current circumstances related to oil and gas revenues may significantly reduce State Land Board revenues. Based in part on those concerns, staff recommends adjusting the marijuana tax revenues currently credited to the B.E.S.T. program.

➔ CHARTER SCHOOL CAPITAL CONSTRUCTION

JBC ACTION AS OF 3/16/20: The Committee approved a continuation appropriation of $31.8 million total funds (including $22.4 million from the State Education Fund and $9.4 million from marijuana excise tax revenues) for the State Aid to Charter School Facilities line item for FY 2020-21. The appropriation reflects increasing expenditures based on revenue allocations in H.B. 19-1055.

RECOMMENDATION: Staff recommends reducing the appropriation to $25.0 total funds for FY 2020-21, returning appropriations to the level provided in FY 2017-18, and making the additional revenues available for school finance. Staff notes that the recommended appropriation is still more than three times the appropriation that this program received as recently as FY 2013-14.

Staff notes that this recommendation may interact with the recommended adjustments to marijuana excise taxes devoted to the B.E.S.T. Program (discussed above), as that recommendation would reduce the amount of marijuana excise taxes dedicated to the charter school program. If the Committee chooses to pursue one or both of these options, then staff will work with the Department and other legislative staff (Legislative Council Staff and the Office of Legislative Legal Services) to develop a more detailed recommendation regarding the statutory changes necessary to make the revenues available.

ANALYSIS:

Additional Background:
First created in 2001 (S.B. 01-129) the State Aid for Charter School Facilities program distributes capital construction funds to charter schools on a per pupil basis, except that any charter school operating in a school district facility that does not have ongoing financial obligations to repay the outstanding costs of new construction undertaken for the charter school's benefit receives one-half the amount per pupil that other charter schools receive. Through a variety of changes, the General Assembly has significantly increased funding for this program in recent years (from $7.0 million in FY 2013-14 to $29.3 million in FY 2019-20). Originally supported solely with appropriations from the State Education Fund, beginning in FY 2014-15 the program has also received a share of marijuana excise tax revenues credited to the PSCCA Fund (also discussed above with reference to the B.E.S.T. Program).

In the 2019 Session, H.B. 19-1055 again changed the amounts available for this line item. The bill annually adjusts the amount available from each fund source based on statewide student enrollment in charter schools.

- For the State Education Fund, the bill adjusts the previous base ($20.0 million per year) based on a comparison of charter school enrollment (as a percentage of statewide pupil enrollment) in the preceding budget year to the percentage of students that were enrolled in charter schools in the 2017-18 school year.

- For marijuana excise tax revenues, the bill continues to deposit a percentage of total marijuana excise tax revenues into the Charter School Facilities Assistance Account. However, the transfer is now based on the percentage of statewide student enrollment that was enrolled in charter schools in the previous school year.

Given the significant increases in recent years, this program is clearly a high priority for the General Assembly. However, based on the current revenue situation, staff recommends adjusting support for the program in order to make resources available for school finance and mitigate potential increases in the budget stabilization factor that would impact all schools (including charters). As noted above, if the Committee intends to adjust these appropriations, then staff will work with the Department and other legislative staff to develop a detailed proposal to make the necessary statutory adjustments, particularly given potential interaction with staff's recommended reallocation of marijuana excise tax revenues discussed in the previous section.

➔ K-5 SOCIAL AND EMOTIONAL HEALTH PILOT PROGRAM

JBC ACTION AS OF 3/16/20: The Committee approved a continuation appropriation of $2.5 million cash funds from the Marijuana Tax Cash Fund and 1.0 FTE for the K-5 Social and Emotional Health Pilot Program in FY 2020-21 (as requested by the Department and as anticipated in H.B. 19-1017).

RECOMMENDATION: Staff recommends eliminating the appropriation for this program for FY 2020-21 and making those funds (Marijuana Tax Cash Fund) available for other purposes. The Committee could use the MTCF to offset General Fund in another line item or transfer the funds to elsewhere (to the General Fund or the State Public School Fund) to support school finance.

ANALYSIS:

Key Considerations: New program (not yet fully implemented); legislation assumes private gifts, grants, and donations that have not materialized

Additional Background:
House Bill 19-1017 created the K-5 Social and Emotional Health Pilot Program to place additional school mental health professionals (including school counselors, school psychologists, and school social workers) in elementary or K-8 schools that have high poverty and high student needs. The bill authorizes the pilot program for three years (FY 2020-21 through FY 2022-23) unless the General Assembly extends the program. Under the program, the Department is required to select no more than ten pilot schools to participate (and may select fewer than ten schools based on available resources). Beginning with the FY 2020-21 school year, participating schools must hire enough school mental health professionals to follow students as they advance through the school, with the intent that the school maintain a ratio of no more than 250 students per mental health professional. The bill requires the Department to adopt rule for the program and to employ or contract with a pilot program coordinator and to contract for preliminary and final program evaluations.

The bill authorizes appropriations from the Marijuana Tax Cash Fund to support the program (up to a maximum of $2.5 million in FY 2020-21). Based on estimated costs of $5.2 million in FY 2020-21, the bill authorized the Department to solicit external funds (from gifts, grants, and donations) to support the remainder of the program. For FY 2019-20, the bill includes an appropriation of $43,114 cash funds from the Marijuana Tax Cash Fund and 0.4 FTE to support the State Board in adoption of rules for the program, manage a request for proposals to select a professional evaluator, and designate participating schools.

Staff is concerned about the sustainability of this program. The legislation authorizes the use of up to $2.5 million from the MTCF for FY 2020-21 only, and appears to require the State to appropriate that amount. The bill does not indicate a fund source for the subsequent years. It is staff's understanding that the bill anticipated significant private gifts, grants, and donations to support the pilot program for FY 2020-21 through FY 2022-23. However, staff also understands that no such external funding has materialized. Given the budgetary challenges facing the State, staff questions whether the State can afford to take on the additional obligations under this bill.

Thus, staff recommends legislation to either delay or repeal this program and avoid the appropriation of $2.5 million in FY 2020-21 (and the risk of requiring additional state appropriations in subsequent years).

➔ RETAINING TEACHERS GRANT PROGRAM/FUND

JBC ACTION AS OF 3/16/20: The Committee approved a continuation appropriation of $2.5 million cash funds from the Retaining Teachers Fund for the Retaining Teachers Grant Program in FY 2020-21. The cash fund consists of General Fund revenues appropriated into the fund in FY 2018-19 and FY 2019-20.

RECOMMENDATION: Staff recommends eliminating the appropriation for this program for FY 2020-21 and transferring the $2.5 million from the Retaining Teachers Fund back to the General Fund to support school finance.

ANALYSIS:

Key Considerations: Program added in FY 2018-19

Other Items of Note: Please note that this is a one-time source of funding.

Additional Background:
House Bill 18-1412 created the Retaining Teachers Grant Program. Created as a competitive grant program, the Department reviews applications and makes recommendations to the State Board of Education, prioritizing applicants that demonstrate a large number of positions for which the local education provider (LEP) is unable to retain teachers, as well as low-performing schools with high rates of teacher turnover. Grants are available for up to three years, contingent upon oversight by the Department. Based on research showing promising strategies from other states, the bill authorizes LEPs to use the funds for the following purposes based on local needs:

- Job-sharing for teachers.
- On-site early childhood care for educator's families.
- Teacher induction programs for new teachers.
- Peer review and mentorship programs.

- Professional development for career advancement pathways and teacher leadership positions.
- Incentives to recognize highly effective teachers.
- Reduced teacher contact hours and additional planning and collaboration time for new and mentor teachers.
- Increased use of technology to create financial incentives for teacher development and cost savings to support salary increases.

House Bill 18-1412 appropriated $3.0 million General Fund to the Retaining Teachers Fund to be spent over three years (FY 2018-19 through FY 2020-21), with assumed expenditures of $1.0 million per year. The FY 2019-20 Long Bill appropriated an additional $3.0 million General Fund to the Retaining Teachers Fund to support the program in FY 2019-20 and FY 2020-21.

The Department expects to end FY 2019-20 with $2.5 million remaining in the Retaining Teachers Fund. Given the changing budgetary conditions, staff recommends that the Committee transfer the remaining balance (as of July 1, 2020) to the General Fund to support school finance appropriations in FY 2020-21.

➔ GROW YOUR OWN EDUCATOR PROGRAM

JBC ACTION AS OF 3/16/20: The Committee approved a continuation appropriation of $22,933 General Fund and 0.3 FTE to support the administrative costs associated with the Grow Your Own Educator Program in FY 2020-21 (as requested). However, that appropriation is in addition to $1.0 million General Fund appropriated for the program in *FY 2018-19* (in H.B. 18-1309 (Programs Addressing Educator Shortages)). The FY 2018-19 appropriation remains available for the duration of the program, which repeals September 1, 2023. It is staff's understanding that none of the original $1.0 million has been spent. As a result, the program has $1,022,933 available for FY 2020-21.

RECOMMENDATION: Staff recommends repealing the program and eliminating the entire appropriation ($1,022,933 including the FY 2018-19 funding), making that amount available for appropriation for other purposes in FY 2020-21. Staff notes that the Department reports that it has never received an application for grant funding from this program under the existing criteria.

ANALYSIS:

Key Considerations: New program (not yet fully implemented)

Other Items of Note: House Bill 20-1231 (Amend Programs Addressing Educator Shortages) is currently in the House Education Committee. That bill would modify the Grow Your Own Educator Program and would therefore conflict with the staff recommendation to repeal the program.

Additional Background:
The General Assembly added this line item to the FY 2019-20 Long Bill to support the Grow Your Own Educator Program created in H.B. 18-1309 (Programs Addressing Educator Shortages). The bill requires the Departments of Education and Higher Education to create a framework for grow your own educator programs, including collaborations between local education providers and institutions of higher education. The Department of Education will administer grants to districts or schools that

employ participating students under such a program, with grants intended to cover the payment of the student's share of in-state tuition for up to 36 credit hours.

House Bill 18-1309 appropriated $1,019,110 General Fund for the program in FY 2018-19 but made the grant funds available for the duration of the program (which repeals in September 2023). Based on discussions with both Legislative Council Staff and the Department, it is staff's understanding that the Long Bill appropriations in FY 2019-20 ($22,933 General Fund and 0.3 FTE) and FY 2020-21 (with no change requested from the FY 2019-20 appropriation) are intended to support the administrative costs of the program.

As discussed above, the Department reports that it has received *no* applications for funding under the existing grant criteria. As a result, the Department is using some of the existing FY 2019-20 appropriation for rulemaking and planning purposes – but it would appear that the Department is unlikely to make grants under the program as it is currently structured. Staff understands H.B. 20-1231 (Amend Programs Addressing Educator Shortages) seeks to amend the program and may facilitate the use of grant funds. However, based on the current revenue situation, staff recommends repealing the program and making those funds available for school finance in FY 2020-21.

➔ LOCAL SCHOOL FOOD PURCHASING PROGRAMS

JBC ACTION AS OF 3/16/20: The Committee approved a continuation appropriation of $675,255 General Fund and 0.4 FTE for the two local school food purchasing programs created in H.B. 19-1132 (School Incentives to Use Colorado Food and Producers). The appropriation includes an increase of $506,313 General Fund to reflect the second year impact of the bill, including an increase of $500,000 for the first year of grants under the Colorado Food Products Purchasing Incentives Grant Program.

RECOMMENDATION: Staff reducing or eliminating the appropriations for this line item in FY 2020-21. Staff offers two options:

- Eliminate the new grant funds for the Colorado Food Products Purchasing Incentives Grant Program in FY 2020-21 (a reduction of $500,000 below the Committee's current action). This option would leave the Local School Food Purchasing Technical Assistance in Education Grant Program (which began in FY 2019-20) intact but would eliminate funding for the program that has not yet started operating. The staff recommendation reflected in the table above assumes this reduction of $500,000 below the Committee's current action.
- Alternatively, the General Assembly could delay or repeal both programs and eliminate the entire appropriation ($675,255 General Fund and 0.4 FTE for FY 2020-21). This option would eliminate funding for both of the grant programs created in the bill.

<u>It is staff's understanding that either option would require statutory change.</u>

ANALYSIS:

Key Considerations: New program (not yet fully implemented)

Additional Background:

House Bill 19-1132 (School Incentives to Use Colorado Food and Producers) creates two new grant programs:

- The Colorado Food Products Purchasing Incentives Grant Program is intended to provide grants to encourage local education providers or residential child care centers to purchase Colorado grown, raised, and processed products for school meal programs. Grant recipients must participate in the National School Lunch Program. Authorizing up to $500,000 in grants per year, the program will reimburse participants for the amount spent on Colorado grown, raised, and processed products, up to a maximum amount per reimbursement.
- The Local School Food Purchasing Technical Assistance and Education Grant Program is intended to promote Colorado grown, raised, and processed products to eligible school meal providers. Under the program, the Department is expected to contract with a

The bill includes an appropriation of $168,942 General Fund and 0.3 FTE for FY 2019-20 to allow the Department to establish the programs and to begin contracting for the Local School Food Purchasing Technical Assistance and Education Grant Program in FY 2019-20 (grants under the Colorado Food Products Purchasing Incentives Grant Program would begin in FY 2020-21). The Final Legislative Council Staff Fiscal Note for H.B. 19-1132 anticipated a need for $675,255 General Fund and 0.4 FTE to support these programs in FY 2020-21, representing an increase of $506,313 General Fund.

The Committee approved the Department's request for a continuation appropriation in alignment with the bill's fiscal note. However, in light of the changing circumstances and revenue situation, staff recommends reducing or eliminating the appropriation for FY 2020-21. Based on staff's reading of the bill, the statute requires the Department to make reimbursements under the Colorado Food Products Purchasing Incentives Grant Program and those reimbursements are not clearly subject to appropriation. As a result, staff assumes a statutory change would be required to avoid those costs.

➔ ADVANCED PLACEMENT INCENTIVES PROGRAM

JBC ACTION AS OF 3/16/20: The Committee approved a continuation appropriation of $262,763 cash funds from the State Education Fund and 0.3 FTE for the Advanced Placement Incentives Program for FY 2020-21 (as requested).

RECOMMENDATION: Staff recommends repealing the program, effective July 2020, and making those funds available to support school finance. Pursuant to H.B. 18-1193 (Extend Advanced Placement Incentives), the program is currently set to repeal July 1, 2021. The recommendation would accelerate that by one year.

ANALYSIS:

Key Considerations: Program added since FY 2013-14 and currently scheduled to repeal July 1, 2021

Additional Background:
House Bill 14-1118 (Advanced Placement Incentives Pilot Program) created this program to expand access to advanced placement (AP) courses in rural schools, and particularly for low income students. Only school districts that the Department identifies as rural may participate, and the bill caps participation in the pilot program at 475 students. The program provides eligible local education

providers $500 per student that completes an AP course and takes the AP exam. Participating schools or districts may use the funds to: (1) implement school-wide or district-wide AP programs; (2) provide professional development to administrators regarding the content required in non-AP classes to help students prepare for success in AP courses; (3) pay AP exam fees for students participating in the federal school lunch program, provided the fees are not paid with other federal grant moneys; and (4) provide teachers and mentors of AP courses with bonus payments of $50 for each student who completes an AP course and takes the corresponding exam (up to a maximum of $2,000 per teacher per year).

Originally set to expire at the end of FY 2017-18, H.B. 18-1193 (Extend Advanced Placement Incentives) extended the program through FY 2020-21. Staff notes that based on the first four years of implementation, the program appears to have incentivized the creation and expansion of advanced placement opportunities in rural school districts. Participating school districts experienced a 28 percent increase in the number of students participating in A.P. courses, a 23 percent increase in the number of A.P. exams taken, and a 29 percent increase in A.P. exams passed over the first four years of the program's operation.

Given that the program is already scheduled to repeal at the end of FY 2020-21, and based on the current budgetary challenges, staff recommends accelerating that repeal date to make the funds available for school finance in FY 2020-21. If the Committee eliminates the appropriation for FY 2020-21, the Department would plan to absorb the staff (0.3 FTE) within existing funds in another program if possible.

➔ Increase Student Aid Completion Rates

JBC Action as of 3/16/20: The Committee approved an appropriation of $250,000 General Fund (appropriated to the Counselor Corps Grant Program line item) for FY 2020-21 to assist students and families with completing state and federal financial aid applications. House Bill 19-1187 (Increase Student Aid Application Completion) requires the General Assembly to appropriate $250,000 General Fund for this purpose each year for FY 2019-20 through FY 2021-22.

Recommendation: Staff recommends eliminating the appropriation for this purpose for FY 2020-21 and making those funds available for school finance. Because H.B. 19-1187 requires the General Assembly to make the appropriation, the recommendation requires statutory change.

Analysis:

Key Considerations: New program added in FY 2019-20

Additional Background:
Beginning in FY 2019-20, H.B. 19-1187 appropriated $250,000 General Fund to the Counselor Corps Grant Program line item to assist students and families with completing state and federal financial aid applications. The bill requires the General Assembly to appropriate $250,000 per year for FY 2019-20, FY 2020-21, and FY 2021-22 and requires the State Board of Education to distribute the appropriated funds to local education providers that receive a school counselor corps grant. Recipients must use the additional funding to: (1) develop and distribute information regarding the process for and benefits of completing the Free Application for Federal Student Aid (FAFSA) and state financial

aid applications; (2) train school counselors on best practices to support students and families in the completion of applications, with an emphasis on communities with historically low completion rates; and (3) organize opportunities for students and families to meet with stakeholders who assist with the completion of aid applications.

Staff recognizes the importance of increasing student aid application. However, given the new nature of the program and current revenue challenges, staff recommends eliminating the requirement to appropriate these funds and making those resources available to support school finance in FY 2020-21.

STATUTORY CHANGES WITH CASH FUND TRANSFERS

Increase Revenues Available for School Finance - Statutory Change Required			
FY 2020-21 Revenue	Net GF/SEF Impact	Other Funds	Total Funds
Early Literacy Fund balance transfer to State Education Fund	$3,500,000	$0	$3,500,000
High Cost Special Education Trust Fund transfer to State Education Fund	2,500,000	0	2,500,000
Miscellaneous cash funds – transfer to General Fund or State Education Fund	216,339	0	216,339

➔ Early Literacy Fund Balance Transfer

JBC Action as of 3/16/20: The Committee approved continuation appropriations for all early literacy programs for FY 2020-21. The staff recommendation and Committee action did not address currently anticipated increases in the Early Literacy Fund balance.

Recommendation: Staff recommends that the Committee include a transfer of $3.5 million from the Early Literacy Fund back to the State Education Fund in either other education legislation or in a broader cash fund transfer bill. Staff recommends that the transfer take place July 1, 2020. Please note that this is a one-time transfer. Making these funds available on an ongoing basis would require reductions to early literacy program funding.

Analysis:

Additional Background:
Statute transfers $34.0 million per year from the State Education Fund to the Early Literacy Fund to support the Department's variety of early literacy programs (initiated in H.B. 12-1238 (READ Act) and modified in S.B. 19-199 (READ Act Implementation Measures). Since its inception, the Early Literacy Fund has accumulated a fund balance based on relatively modest annual reversions to the Early Literacy Fund.

- With additional reversions anticipated in FY 2019-20 (driven in part by changes in program operations as a result of COVID-19 pandemic), the Department conservatively estimates that the program will end FY 2019-20 with a balance of approximately $4.0 million.
- Staff recommends transferring $3.5 million of that amount back to the State Education Fund to be available to support school finance in FY 2020-21.

Staff notes that this is a one-time transfer and would not be available in subsequent years (unless the Committee reduced early literacy appropriations to make the funds available). However, staff also notes that the recommended transfer would not affect currently anticipated appropriations for the program.

➔ HIGH COST SPECIAL EDUCATION TRUST FUND TRANSFER

JBC ACTION AS OF 3/16/20: The Committee took no action directly related to the High Cost Special Education Trust Fund (created in S.B. 19-066 (High-cost Special Education Trust Fund)). Senate Bill 19-066 transferred $2.5 million from the Marijuana Tax Cash Fund to the High-cost Special Education Trust Fund. Interest earned on the trust fund is continuously appropriated to the Department, so no action was required of the Committee.

RECOMMENDATION: Staff recommends transferring the $2.5 million balance from the High-cost Special Education Trust Fund to either the General Fund or the State Public School Fund to support total program funding. Given the magnitude of revenue challenges facing the State, staff recommends either delaying or repealing the provisions of S.B. 19-066. Staff appreciates the importance of supporting the State's high cost special education students. However, with limited earnings on the trust fund, staff suggests that the $2.5 million may be better utilized to support school finance.

ANALYSIS:

Key Considerations: New program established in 2019

Other Items of Note: Please note that this is a one-time source of funding.

Additional Background:
Senate Bill 19-066 creates the High Cost Special Education Trust Fund, to be administered by the Special Education Fiscal Advisory Committee (SEFAC). On July1, 2019, the bill transferred $2.5 million from the MTCF to the trust fund, which constitutes the principal of the trust fund and may not be appropriated transferred or expended. The bill continuously appropriates interest earned on the trust fund to the Department to provide grants to reimburse administrative units for high cost special education expenses (defined in the bill as expenses necessary to meet the needs of a single student in the preceding school year that exceed either $100,000 or 2.5 percent of the administrative unit's annual audited operating expenses, whichever is less).

Staff recognizes the importance of supporting the State's high cost special education students. However, with interest earnings to date of approximately $37,000 for FY 2019-20, it appears that the trust fund's annual interest earnings would not support the costs of a single high cost student. Given the overall budgetary challenges facing the State, staff recommends transferring the principal of the trust fund to either the General Fund or the State Public School Fund to support school finance.

The transfer requires statutory change. Staff also recommends that the Committee consider legislation to either repeal or delay the provisions of S.B. 19-066.

➔ MISCELLANEOUS CASH FUNDS – TRANSFER TO THE GENERAL FUND OR SEF

JBC ACTION AS OF 3/16/20: The Committee took no actions specifically related to these cash funds for FY 2020-21.

RECOMMENDATION: Staff recommends transferring the following amounts (totaling $216,339) from the identified cash funds to either the General Fund or the State Education Fund on June 30, 2020, to make the revenues available for other uses (including school finance). With the exception of the Teacher of the Year Fund, staff also recommends repealing the funds and transferring any additional available balances (as the amounts below are based on the Department's current estimates).

MISCELLANEOUS CASH FUND TRANSFERS - STATUTORY CHANGE REQUIRED			
FUND NAME AND STATUS	STATUTORY CITATION (C.R.S.)	NET GF/SEF IMPACT (AVAILABLE BALANCE)	RECOMMEND REPEAL?
School Cardiopulmonary Resuscitation and Automated Defibrillator Training Fund (program no longer active)	22-1-129 (5)	$98,165	Yes
Closing the Achievement Gap (program no longer active)	22-7-613 (1)	59,205	Yes
Great Teachers and Leaders Fund (program no longer active)	22-9-105.7 (1)	22,581	Yes
Teacher of the Year Fund (program still active)	22-61.5-105 (1)(a)	11,831	No
Student Re-engagement Grant Program Fund (program now supported with direct appropriations rather than this cash fund)	22-14-109	9,011	Yes

Given the relatively small amounts in question, staff recommends including the transfers as part of a larger transfer bill.

ANALYSIS:

Other Items of Note: Please note that these are one-time sources of funding.

Additional Background:
The Department has identified these balances as available for transfer for other uses in FY 2020-21. With the exception of the Teacher of the Year Fund, the Department has also indicated that the funds are no longer necessary and could be repealed (with any additional balances transferred as well).

Staff notes that the Teacher of the Year Fund continues to receive an annual transfer of $24,380 from the State Education Fund to support the Teacher of the Year Program. Therefore, repealing that fund would not be appropriate unless the General Assembly elected to terminate the Teacher of the Year Program.

Staff can follow up with additional information on the selected cash funds if desired by the Committee.

SUMMARY OF OTHER RECOMMENDATIONS AND OPTIONS IF DEEPER CUTS ARE REQUIRED

10.0-20.0 PERCENT REDUCTION SCENARIOS

Staff recommends that the Committee consider the following options based on a scenario in which General Fund appropriations and transfers must be reduced by 10.0-20.0 percent (or revenue increased by an equivalent amount) in FY 2020-21.

The Department's base General Fund appropriation in FY 2019-20 was $4.414 billion.

- A 10.0 percent reduction would be ($441.5 million)
- A 20.0 percent reduction would be ($882.9 million)

➔ GRANT PROGRAM REDUCTIONS – COUNSELOR CORPS GRANT PROGRAM AND BEHAVIORAL HEALTH CARE PROFESSIONALS MATCHING GRANT PROGRAM

JBC ACTION AS OF 3/16/20: The Committee approved continuation levels of funding for both of these programs ($10.0 million cash funds from the State Education Fund for grants under the Counselor Corps Grant Program and $14.9 million cash funds from the Marijuana Tax Cash Fund for the Behavioral Health Care Professionals Matching Grant Program).

RECOMMENDATION/OPTION: As discussed above, staff is not recommending a reduction to the Counselor Corps Grant program at this time. Staff is recommending a reduction of $3.0 million to the Behavioral Health Care Professionals program (returning the program to FY 2018-19 funding levels).

- According to the Department, the General Assembly could reduce up to $500,000 cash funds for the Counselor Corps program without affecting the existing cohorts of grantees (the reduction would reduce or eliminate funding for the new cohort anticipated in FY 2020-21). Any reduction over that amount would reduce funding currently expected by existing grantees.
- The Department reports that the Committee could reduce an additional $6.2 million from the Behavioral Health Care Professionals program without affecting the existing grantees. With no change from the Committee's current action, the cohort of grantees starting in FY 2020-21 would receive $9.2 million.

ANALYSIS:

Additional Background:
Both of these programs have been identified as priorities by external stakeholders. Staff is reluctant to recommend additional reductions to either program, particularly given anticipated challenges with students returning to school and ongoing concerns about health issues. However, the Committee may wish to consider additional reductions if revenues continue to decline.

➔ NUTRITION FUNDING (START SMART AND SCHOOL LUNCH PROTECTION)

JBC ACTION AS OF 3/16/20: The Committee approved continuation levels of funding for the Start Smart Nutrition Program ($900,000 General Fund) and the Child Nutrition School Lunch Protection

Program ($2.9 million total funds, including $2.0 million General Fund and $850,731 from the State Education Fund).

RECOMMENDATION/OPTION: Based on input from stakeholders that nutrition funding continues to place increasing pressure on school district budgets, staff is not recommending a reduction to either program at this time. However, staff also notes that the General Assembly has expanded the Child Nutrition School Lunch Protection Program multiple times in recent years (now including students from pre-K through grade 12). The Committee may wish to consider scaling back that program in order to make resources available for school finance.

ANALYSIS:

Key Considerations: Affects vulnerable population
Additional Background:
Start Smart Nutrition Program: Pursuant to S.B. 07-059 [Section 22-82.7-101 et seq., C.R.S.], the Start Smart Nutrition Program provides state funding to reimburse school districts for each breakfast served to a child eligible for a reduced price meal. Using the same data collection system that is used to claim federal meal reimbursements, the Department calculates the amount of state funding each district is eligible to receive through the Start Smart Nutrition Program based on the number of breakfasts served to children eligible for reduce price meals. The cost of the Program is driven by three factors:

- The number of districts and schools that provide a school breakfast program.
- The number of children who are eligible for reduced price meals.
- The number of eligible children who participate in school breakfast programs.

For FY 2020-21, the Committee has approved a continuation appropriation of $900,000 General Fund to the Start Smart Nutrition Program Fund and $1.15 million total funds out of the cash fund to support the program.

Child Nutrition School Lunch Protection: Pursuant to S.B. 08-123 [Section 22-82.9-101 et seq., C.R.S.], the Child Nutrition School Lunch Protection Program provides state funding to reimburse school districts for each lunch served to a child in pre-kindergarten through twelfth grade who is eligible for a reduced price meal. Using the same data collection system that is used to claim federal meal reimbursements, the Department calculates the amount of state funding each district is eligible to receive through this program based on the number of lunches served to eligible children.

The General Assembly has expanded the program multiple times since its creation in S.B. 08-123 (Child Nutrition School Lunch Protection).

- In FY 2008-09, the program only applied to students in kindergarten through second grade.
- In 2009, S.B. 09-133 (Early Childhood Education Services Free Lunch) expanded the program to include students in state-subsidized early education (pre-kindergarten) programs, thereby including students from pre-K through second grade.
- Starting in FY 2014-15, H.B. 14-1156 (Eligibility Age School Lunch Protection Program) expanded the program to include grades three through five.

- Beginning in FY 2018-19, S.B. 18-013 (Expand Child Nutrition School Lunch Protection Act) further expanded the program to include grades six through eight.
- Finally, starting in FY 2019-20, H.B. 19-1171 (Expand Child Nutrition School Lunch Protection Act) expands the program to include grades nine through twelve. As a result, the program now applies to all grades from pre-K through twelve.

The following table provides data related to districts' school lunch programs and the Child Nutrition School Lunch Protection Program. As shown in the table, expansion of the program over the past several years has increased both the cost of the program and the share of reduced-price meals that are eligible for reimbursement.

Data Concerning Districts' School Lunch Programs and the Child Nutrition School Lunch Protection Program					
	FY 16-17 Actual	FY 17-18 Actual	FY 18-19 Actual	FY 19-20 Estimate*	FY 20-21 Estimate*
Total number of reduced priced lunches served (all grade levels)	6,098,762	6,275,880	6,078,032	6,702,384	6,876,646
Number of above meals for which state reimbursement is available	3,685,553	3,774,059	5,137,719	6,702,384	6,876,646
Estimated number of students who benefit from Child Nutrition School Lunch Protection Program subsidy	21,680	21,440	31,852	40,571	41,626
Child Nutrition School Lunch Protection Program Expenditures (including administration costs of up to 2.0 percent)	$1,507,103	$1,541,491	$2,057,932	$2,738,229	$2,807,934
Annual percent change	*0.4%*	*2.3%*	*36.3%*	*33.1%*	*2.5%*

As amended by H.B. 19-1171, the act requires the General Assembly to make an annual appropriation in the Long Bill to "allow school food authorities to provide lunches at no charge for children in state-subsidized early childhood education programs administered by public schools or in kindergarten through twelfth grade, participating in the school lunch program, who would otherwise be required to pay a reduced price for lunch" (see Sec. 22-82.9-105 (1), C.R.S.).

➔ Non-categorical English Language Learner Funding

JBC Action as of 3/16/20: The Committee approved continuation appropriations from the State Education Fund for both of these programs for FY 2020-21 (including $500,000 for the English Language Proficiency Act Excellence Awards Program and $27.0 million for the English Language Learners Professional Development and Student Support Fund.

Recommendation/Option: As discussed above, staff is recommending the elimination of the Excellence Awards Program for FY 2020-21 (a reduction of $500,000). Given the vulnerable nature of the students, staff is reluctant to recommend significant reductions to the Professional Development and Student Support Program at this time.

However, unlike the English Language Proficiency Program categorical funding, these amounts are available for reduction. Staff also recognizes that part of the intention of creating these programs outside of the categorical program (in addition to avoiding mandatory inflationary increases) was presumably to allow for reductions if required.

Analysis:

Key Considerations: Affects vulnerable population (English language learners)

Additional Background:
Both of these programs were created in H.B. 14-1298 (School Finance) and added to the FY 2015-16 Long Bill.

The Excellence Awards Program awards grants to local education providers and charter schools that achieve the highest growth and academic achievement for English language learners (ELLs) and the highest academic achievement for ELLs who transition out of the English Language Proficiency Program.

The Professional Development and Student Support Program allocates money to local education providers to offset costs incurred in complying with the English Language Proficiency Act. House Bill 14-1298 appropriated $27.0 million to support the program in FY 2014-15, and the General Assembly has provided that amount in each subsequent year. The program is created outside of the English Language Proficiency Program categorical program and distributes funds on a per pupil basis ($362.44 per pupil in FY 2019-20) based on the percentage of eligible students (those that are within the first five years of ELL services) that fall into the following categories:

- Students who do not comprehend or speak English or who comprehend and speak some English, but whose primary language is something other than English. With 66,032 students in this category in FY 2019-20, this group represents 88.6 percent of eligible students which equates to $23.9 million in total funding and $362.44 per pupil.
- Students who comprehend and speak English, but whose proficiency is below acceptable levels. With 8,464 students in this category in FY 2019-20, this group represents 11.4 percent of eligible students which equates $3.1 million in total funding and to $362.44 per pupil.

Prior to FY 2020-21, statute dedicated 75.0 percent of the program's funds to the first category and 25.0 percent to the second category. Senate Bill 19-246 (School Finance) adjusted the statute to align the distribution of funds with each group's share of the eligible population (and with the current distribution of categorical funding under the English Language Proficiency Act).

SUMMARY OF RECOMMENDATIONS REQUIRING STATUTORY CHANGE

➔ EARLY LITERACY PROGRAM FUNDING

JBC ACTION AS OF 3/16/20: The Committee approved continuation levels of funding for the variety of early literacy programs for FY 2020-21 (a total of $42.4 million, including $34.0 million from the Early Literacy Fund, $5.4 million from the Marijuana Tax Cash Fund, and $3.0 million from the State Education Fund).

RECOMMENDATION/OPTION: Particularly given concerns about the vulnerable students served (those with significant reading deficiencies) and anticipated challenges with students returning to school, staff is not recommending reductions to this program at this time. If the Committee needs to make reductions in this area, then staff would recommend eliminating the $500,000 associated with the Early Literacy Public Information Campaign before making reductions to other items.

ANALYSIS:

Key Considerations: Affects vulnerable population (students with significant reading deficiencies)

House Bill 12-1238 (READ Act) eliminated the Read-to-Achieve Program and replaced it with the Early Literacy Program. Current law provides two fund sources for the Early Literacy Program:

- $34.0 million per year transferred from the State Education Fund to the Early Literacy Fund, beginning in FY 2014-15 (as increased by H.B. 14-1292 (Student Success Act) and H.B. 14-1298 (School Finance).
- $5.4 million (in FY 2019-20) appropriated directly from the Marijuana Tax Cash Fund to support the Early Literacy Competitive Grant Program. Prior to the enactment of H.B. 16-1408 (Cash Fund Allocations for Health-related Programs), these funds were from tobacco litigation settlement moneys that had previously supported the Read-to-Achieve Program. However, H.B. 16-1408 eliminated the transfer of tobacco settlement money to the Early Literacy Fund and instead directly supports the Early Literacy competitive Grant Program with marijuana excise tax funds. House Bill 18-1393 (Effective Implementation of READ Act) increased the FY 2018-19 appropriation from the Marijuana Tax Cash Fund for the Early Literacy Competitive Grant Program from $4.4 million provided in the Long Bill to $5.5 million.

Based on concerns about the pace of improvement in literacy outcomes, the General Assembly enacted S.B. 19-199 (READ Act Implementation Measures) to modify the uses of funds under the READ Act both by the Department and by local education providers that receive funds. The bill established additional reporting requirements for districts receiving funding under the READ Act as well as additional constraints on the eligible uses of funding. As approved by the Committee during figure setting, the FY 2020-21 Long Bill would include seven line items directly related to early literacy.

- The Early Literacy Program Administration and Technical Support ($1.7 million and 12.0 FTE) line item supports the Department's program administration, technical assistance, and monitoring activities.
- The Early Literacy Competitive Grant Program ($7.5 million) supports the competitive grant program under the READ Act. Staff notes that this program has shown promising results and staff would not recommend a reduction to this funding.
- The Early Literacy Program Evidence Based Training Provided to Teachers line item ($2.7 million) supports evidence based training activities that the Department is required to provide at no cost to local education providers that request the training. By the start of the 2021-22 school year, S.B. 19-199 requires local education providers that receive funding through either the competitive grant program or per pupil intervention funding to ensure that all teachers employed to teach kindergarten through third grade completes (or has completed) evidence based training in teaching reading.
- The Early Literacy Program External Evaluation line item ($750,000) supports an external evaluation required by S.B. 19-199. The Department selected WestEd to perform the independent evaluation of whether grants to local education providers are successful in moving students' reading growth to the state standards and whether the providers' use of per pupil intervention funding and/or competitive grant program funding result in measurable progress in students' reading. Given the magnitude of state investment in early literacy programming, staff recommends

that the Committee continue to prioritize funding for a rigorous external evaluation of the effectiveness of the program.

- The Early Literacy Program Public Information Campaign line item ($500,000) supports a public information campaign required by S.B. 19-199. The bill requires the Department to contract with an external entity to develop and implement a campaign to highlight the importance of reading and to highlight local education providers that are achieving success. <u>As noted above, if the Committee needs to make reductions to early literacy funding, staff would recommend starting with this line item</u>.
- The Early Literacy Program Per Pupil Intervention Funding line item ($26.3 million) reflects funding to be distributed to local education providers based on the statutory formula for early literacy per pupil intervention funding. The Department allocates per pupil intervention funding to local education providers based on the number of students identified with SRDs in the previous budget year. Section 22-7-1210.5, C.R.S., directs the distribution and use of per pupil intervention funds, including reporting requirements for local education providers that receive funding. Section 22-7-1210.5 (4), C.R.S., specifies the eligible uses of per pupil intervention funds. Given the attempt to improve accountability in S.B. 19-199, staff is reluctant to recommend a reduction to these funds without knowledge of whether the changes to the program have improved performance.
- The Early Literacy Assessment Tool Program line item ($3.0 million from the State Education Fund) supports a program originally created in H.B. 12-1345 (School Finance). The READ Act requires public school teachers in kindergarten through third grade to administer assessments to determine whether students are on track to reach grade level reading proficiency and to identify students that are struggling. This is line item supports a program that allows participating districts to defray the costs of such assessments by using the programs procured by the Department. In addition to defraying costs for 149 participating districts (including more than 127,000 students) the program provides additional data for the Department's evaluation of districts' early literacy efforts. Based on those factors, staff is also reluctant to recommend a reduction to this line item.

➔ SCHOOL FINANCE OPTIONS

JBC ACTION AS OF 3/16/20: The Committee has not yet taken action on school finance appropriations for FY 2020-21. However, current law would require the Long Bill to include the appropriations necessary to hold the budget stabilization factor constant (at no more than $572.4 million) in FY 2020-21.

RECOMMENDATION/OPTION: Staff will return to the Committee with revised recommendations for school finance following the updated revenue forecast in May. This section is intended to briefly outline some of the major options that would be available to the Committee and the General Assembly to address school finance in FY 2020-21.

ANALYSIS:

Additional Background:

Given that school finance (the state's share of total program funding) represents approximately 95 percent of the Department's General Fund appropriations, avoiding adjustments to school finance under the current circumstances may not be possible. Staff offers potential options related to school finance in three basic categories: (1) the budget stabilization factor; (2) options related to pupil counts; and (3) options related to the formula factors.

Budget Stabilization Factor: Originally called the negative factor and added to the school finance formula to address revenue shortfalls in FY 2010-11 based on revenue shortfalls in the last downturn, the budget stabilization factor reduces total program funding by a fixed percentage for every district receiving state funds for school finance. In the current year, the budget stabilization factor stands at $572.4 million, representing a 7.0 percent reduction to total program funding for most school districts. Based on current projections of total program funding (which may change prior to staff's recommendation), each increase of $100.0 million in the budget stabilization factor would equate to approximately 1.2 percent of total program funding (so setting the budget stabilization factor at 672.4 million would equate to a reduction of 8.2 percent for affected districts).

Staff notes that while the percentage reduction is the same, the impact on school districts may vary. For example, rural districts with high per pupil amounts will see a larger reduction per pupil (in dollar terms) than districts with lower per pupil amounts. In addition, districts with significant mill levy overrides may be able to offset the impact of the budget stabilization factor on total program funding, although they will still take a reduction to their total budget.

Options Related to Pupil Counts: Total program funding is calculated on a per pupil basis. As a result, options that affect pupil counts can change the cost of school finance. Staff is aware of three available mechanisms to affect pupil counts (and potentially reduce total program funding).

- *Full-day Kindergarten:* The transition to full-day kindergarten in H.B. 19-1262 increased the funded pupil count by counting each full-day kindergarten student as 1.0 student FTE rather than 0.58 under previous law. Preliminary estimates by legislative staff indicate that this change is increasing the state's share of total program funding by approximately $220 million in FY 2020-21.
- *Colorado Preschool Program:* The General Assembly sets the number of Colorado Preschool Program/Early Childhood At-risk Enhancement "slots" in statute (currently set at a total of 29,360 half-day slots). With an average cost to the State of approximately $4,226 per slot in FY 2020-21, that equates to a total cost of approximately $124.1 million in FY 2020-21. As another view, adding or subtracting 237 slots equates to a change of approximately $1.0 million in the state share of total program funding.
- *ASCENT:* The Accelerating College through Concurrent Enrollment (ASCENT) program allows participating students to extend high school beyond twelfth grade in order to attend college courses ("fifth year" students). The General Assembly caps the number of ASCENT slots through an annual footnote in the Long Bill (currently approved for 500 slots for FY 2020-21, with no change from the FY 2019-20 appropriation). The School Finance Act funds each ASCENT slot at a fixed amount statewide ($7,793 per slot in FY 2019-20, equating to a total of $3.9 million). Thus, adjusting the number of ASCENT slots also directly changes the cost of total program funding.

Formula Factors: Finally, staff notes that the General Assembly could adjust the factors in the school finance formula (primarily cost of living, size, and at-risk) to target potential reductions to school finance funding. The budget stabilization factor is applied as a fixed percentage to total program funding and reduces all of the factors proportionately. Adjusting the factors themselves could allow the General Assembly to preserve funding based on specific needs.

Finally, staff notes that the Public School Finance section of the Long Bill includes two additional line items that the Committee may consider for reductions: (1) At-risk Supplemental Aid ($5.1 million cash funds from the State Public School Fund) and (2) At-risk Per Pupil Additional Funding ($5.0 million cash funds from the State Public School Fund. Staff is not currently recommending adjustments to either of those line items.