COLORADO GENERAL ASSEMBLY

JOINT BUDGET COMMITTEE

FISCAL YEAR 2008-09 STAFF BUDGET BRIEFING:

DEPARTMENT OF EDUCATION

JBC Working Document - Subject to Change

Staff Recommendation Does Not Represent Committee Decision

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Department of Education

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GRAPHIC OVERVIEW

Share of State General Fund
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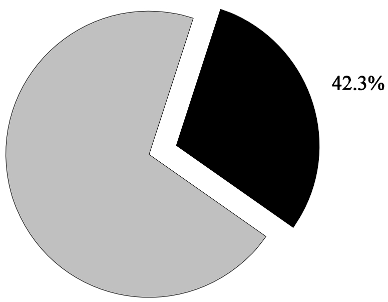

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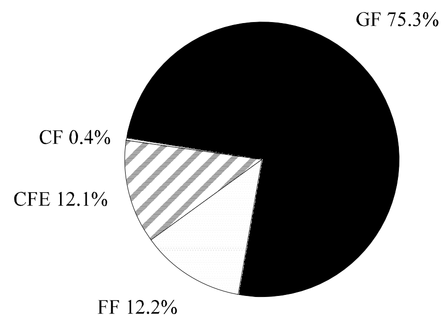
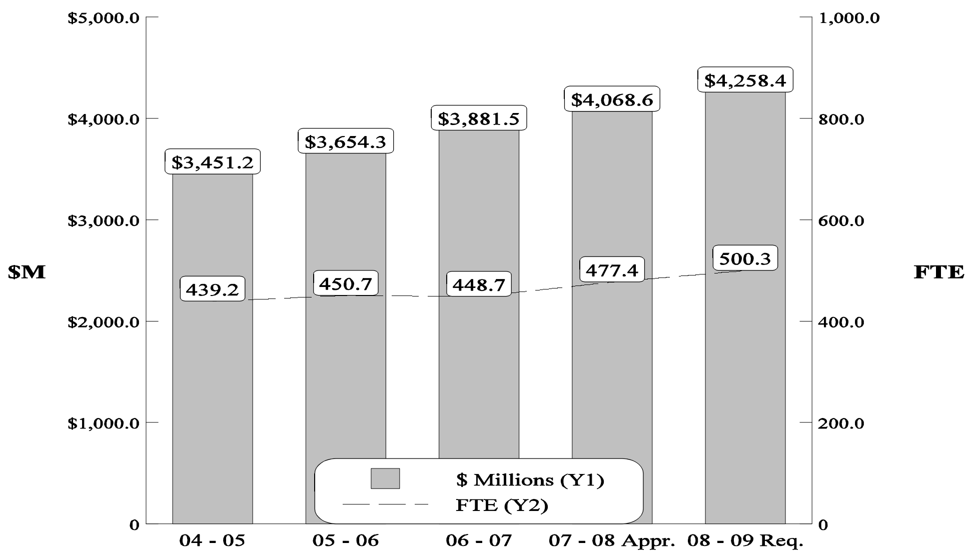


Budget History



FY 2008-09 Joint Budget Committee Staff Budget Briefing
Department of Education
OVERVIEW

Key Responsibilities

The Commissioner of Education and department staff, under the direction of the elected members of the State Board of Education, have the following responsibilities:

- Supporting the State Board in its duty to exercise general supervision over public schools, including accrediting public schools and school districts.

- Administering the public school finance and public school transportation programs.

- Administering educator licensure and professional development programs.

- Developing and maintaining state model content standards, and administering the associated Colorado student assessment program.

- Maintaining the state data reporting system, calculating the annual academic growth of each public school student, and issuing annual accountability reports for every public school.

- Administering education-related programs, including services for children with special needs, services for English language learners, the Colorado preschool and kindergarten program, adult basic education programs, and various state and federal grant programs.

- Supporting the State Board of Education in reviewing requests from school districts for waivers of state laws and regulations and in serving as the appellate body for charter schools.

- Promoting the improvement of library services statewide to ensure equal access to information, including providing library services to persons who reside in state-funded institutions and to persons who are blind and physically disabled.

- Maintaining the Colorado virtual library and the state publications library.

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

- A nine-member State Charter School Institute Board that is responsible for authorizing and monitoring the operations of "institute charter schools" located within certain school districts.

- A seven-member Board of Trustees that is responsible for managing the Colorado School for the Deaf and the Blind, located in Colorado Springs.

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

Factors Driving the Budget

Although local government revenues provide a significant source of funding for K-12 education in Colorado, local funds are not reflected in the State's annual appropriations to the Department of Education. Appropriations to the Department of Education for FY 2007-08 consist of 75.3 percent General Fund, 12.2 percent federal funds, 12.1 percent cash funds exempt, and less than one percent cash funds. Some of the most important factors driving the budget are reviewed below.

School Finance - State's Share of Districts' Total Program

The General Assembly has established a statutory public school finance formula under which all public school districts operate. The school finance formula takes into consideration the individual characteristics of each school district in order to equalize funding among districts and to provide thorough and uniform educational opportunities throughout the state. The school finance formula allocates state and local funds to school districts by calculating a specific per pupil level of funding for each school district, as well as a specific state and local share of funding for each district.

The formula provides the same *base* amount of funding per pupil for every district ($4,864 per pupil for FY 2006-07). The formula then increases base per pupil funding for each district based on factors that affect districts' costs of providing educational services. Thus, per pupil funding allocations vary for each district. For FY 2006-07, per pupil funding allocations ranged from $5,865 to $13,646, with a statewide average allocation of $6,359 per pupil. Each district's per pupil funding allocation is multiplied by its funded pupil count to determine its "total program" funding. For FY 2006-07, a total of $4.8 billion in state and local funds was allocated among school districts based on the public school finance formula.

Constitutional Inflationary Requirement (Amendment 23).
Pursuant to Section 17 of Article IX of the Colorado Constitution, the General Assembly is required to provide annual inflationary increases in *base* per pupil funding. Specifically, for FY 2001-02 through FY 2010-11, base per pupil funding must increase annually by at least the rate of inflation plus one percent; for FY 2011-12 and each fiscal year thereafter, base per pupil funding must increase annually by at least the rate of inflation. For FY 2007-08, base per pupil funding increased from $4,864 to $5,088 (4.6 percent), based on the actual inflation rate of 3.6 percent in calendar year 2006. Given an estimated funded pupil count of 768,416, the General Assembly is thus required to provide a minimum of $3.9 billion in state and local funds for FY 2007-08 -- 76.4 percent of the $5.1 billion in total state and local funding that has been allocated for this purpose.

Factors Considered in Public School Finance Formula.
The remaining 23.6 percent of state and local funds that will be allocated among school districts in FY 2007-08 is driven by other factors in the school finance formula that increase the base per pupil funding for each district by varying amounts to account for individual district characteristics. The table at the top of the next page summarizes the three primary factors.

Factors Used to Differentiate Per Pupil Funding for Each District		
Factor	**Description**	**Portion of Total Program Funding Attributable**
Cost of Living Factor	Recognizes differences in the cost of living among districts. Provides greater per pupil funding for higher cost districts.	14.6%
Size Factor	Recognizes economies of scale experienced by larger school districts. Provides greater per pupil funding for districts with low enrollment.	4.5%
At-risk Factor	Provides additional funding for districts serving students who may be at risk of failing or dropping out of school (determined based on the number and concentration of students eligible for free lunch under the federal school lunch program and English language learners)	4.5%

Determining the State and Local Shares of Public School Funding.
Once the total program funding amount is determined for each district, the state and local shares of such funding is calculated for each district. Local property and specific ownership taxes provide the first source of revenue for each district's total program funding, and the remainder is covered by state funds. Property taxes are based on each district's mill levy and the assessed (taxable) value of property in each district. Specific ownership taxes are paid when registering motor vehicles. For FY 2007-08, local taxes are expected to contribute about $1.8 billion toward public school finance. Thus, the General Assembly appropriated $3.3 billion state funds to provide a total of $5.1 billion for school district operations.

In recent years two constitutional provisions (the Gallagher amendment and TABOR), combined with a statutory provision in the School Finance Act of 1994, have limited property tax revenues. This has caused the local share of total program funding to increase at a slower rate than overall funding, requiring the state's share of funding to rise. From FY 1994-95 to FY 2006-07, the state share of funding rose from 54.3 percent to 63.9 percent. Senate Bill 07-199 changed the method for calculating school district property taxes, thereby allowing property tax revenues to increase at a rate more commensurate with overall funding increases. [See page 72 for further information.]

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

- ✓ the number of pupils enrolled in public schools (including the number of slots statutorily authorized for state-funded preschool and full-day kindergarten programs);
- ✓ the rate of inflation;
- ✓ changes in the relative cost-of-living in various regions of the state;
- ✓ the number of at-risk students enrolled in public schools;
- ✓ changes in statutory definitions, procedures, or mathematical factors that impact the calculation of per-pupil funding or state aid for each district; and
- ✓ fluctuations in local property and specific ownership tax revenues, as well as constitutional and statutory provisions that limit property tax revenues.

The table on the following page provides key data related to school finance funding for the last four fiscal years, as well as appropriations for FY 2006-07 and FY 2007-08.

School Finance Funding						
Description	**FY 02-03 Actual**	**FY 03-04 Actual**	**FY 04-05 Actual**	**FY 05-06 Actual**	**FY 06-07 Actual**	**FY 07-08 Approp.**
Funded Pupil Count	**717,465**	**722,980**	**729,377**	**741,328**	**753,065**	**768,416**
Annual Percent Change	*1.5%*	*0.8%*	*0.9%*	*1.6%*	*1.6%*	*2.0%*
Denver-Boulder Inflation Rate for Previous Calendar Year	*4.7%*	*1.9%*	*1.1%*	*0.1%*	*2.1%*	*3.6%*
Statewide Base Per Pupil Funding	$4,442	$4,570	$4,666	$4,718	$4,864	$5,088
Annual Percent Change	*5.7%*	*2.9%*	*2.1%*	*1.1%*	*3.1%*	*4.6%*
Statewide Average Per Pupil Funding	**$5,796**	**$5,943**	**$6,074**	**$6,168**	**$6,359**	**$6,658**
Annual Percent Change	*6.3%*	*2.5%*	*2.2%*	*1.5%*	*3.1%*	*4.7%*
Districts' Total Program Funding	**$4,158,114,214**	**$4,296,674,752**	**$4,430,126,525**	**$4,572,154,012**	**$4,788,862,198**	**$5,116,400,811**
Annual Percent Change	*7.9%*	*3.3%*	*3.1%*	*3.2%*	*4.7%*	*6.8%*
Local Share of Districts' Total Program Funding	$1,674,010,828	$1,671,170,411	$1,686,385,318	$1,701,427,703	$1,729,362,067	$1,850,072,036
Annual Percent Change	*3.0%*	*(0.2)%*	*0.9%*	*0.9%*	*1.6%*	*7.0%*
State Share of Districts' Total Program Funding	$2,484,103,386	$2,625,504,341	$2,743,741,207	$2,870,726,309	$3,059,500,131	$3,266,328,775
Annual Percent Change	*11.4%*	*5.7%*	*4.5%*	*4.6%*	*6.6%*	*6.8%*
State Share as Percent of Districts' Total Program Funding	*59.7%*	*61.1%*	*61.9%*	*62.8%*	*63.9%*	*63.8%*
General Fund Portion of State Share Appropriation	$2,137,582,405	$2,247,917,791	$2,342,782,148	$2,480,460,455	$2,657,663,684	$2,824,496,821
Annual Percent Change	*3.1%*	*5.2%*	*4.2%*	*5.9%*	*7.1%*	*6.3%*

Categorical Programs

Programs designed to serve particular groups of students (*e.g.*, students with limited proficiency in English) or particular student needs (*e.g.*, transportation) have traditionally been referred to as "categorical" programs. Unlike public school finance funding, there is no legal requirement that the General Assembly increase funding commensurate with the number of students eligible for any particular categorical program. However, Section 17 of Article IX of the Colorado Constitution requires the General Assembly to increase *total state funding* for all categorical programs annually by at least the rate of inflation plus one percent for FY 2001-02 through FY 2010-11, and by at least the rate of inflation for subsequent fiscal years. For example, based on the actual inflation rate for calendar year 2006 (3.6 percent), the General Assembly was required to increase state funding for categorical programs by at least $9.3 million (4.6 percent) for FY 2007-08.

In both FY 2005-06 and FY 2006-07, the General Assembly increased state funding for categorical programs by more than the minimum amount required by the Constitution. This causes the minimum required annual increases in state funding to be higher in subsequent fiscal years. The FY 2007-08 appropriation of state funds for categorical programs exceeds the minimum amount that would have otherwise been required by the Constitution by $29.8 million.

The General Assembly determines on an annual basis how to allocate the increase in state funding among the various categorical programs. The following table details increases in the annual appropriation of state funds since FY 2000-01, by program area.

Increases in State Funding for Categorical Programs

Long Bill Line Item	FY 2007-08 Appropriation	Increase in Annual Appropriation of State Funds Since FY 2000-01	
Special education - children with disabilities	$121,980,438	$50,469,665	70.6%
English Language Proficiency Program	7,201,113	4,099,515	132.2%
Public school transportation	44,215,305	7,293,078	19.8%
Colorado Vocational Act distributions	21,208,319	3,415,469	19.2%
Special education - gifted and talented children	7,997,177	2,497,177	45.4%
Expelled and at-risk student services grant program	6,340,676	551,869	9.5%
Small attendance center aid	961,817	13,677	1.4%
Comprehensive health education	600,000	0	0.0%
Total	**$210,504,845**	**$68,340,450**	**48.1%**

School Capital Construction Funding

Pursuant to S.B. 00-181, the General Assembly is required to appropriate a total of $190.0 million from the General Fund over an eleven-year period to assist school districts with capital improvements[2]. The $190.0 million is to be split between two funds:

- ✓ A total of $105.0 million is to be appropriated to the *School Capital Construction Expenditures Reserve* for capital expenditures of school districts that: (1) address immediate safety hazards or health concerns; (2) relieve excessive operating costs created by insufficient maintenance or construction spending; or (3) relieve conditions that detract from an effective learning environment.

- ✓ The remaining $85.0 million is to be appropriated to the *School Construction and Renovation Fund* to provide matching grants to districts for qualified capital construction projects.

A provision was included in S.B. 00-181 [Section 24-75-201.1 (4) (c), C.R.S.] prohibiting the General Assembly from making the General Fund appropriations set forth in the act in a fiscal year in which General Fund revenues do not exceed certain annual obligations by more than $80.0 million[3]. Due to revenue shortfalls, the General Assembly was not statutorily obligated to appropriate General Fund moneys for school capital construction from FY 2001-02 through FY 2006-07. However, the General Assembly elected to waive this provision for certain fiscal years. The General Assembly has also appropriated moneys from the State Education Fund for capital construction purposes. In addition, lottery proceeds have been available for capital construction needs in each of the last five fiscal years. The table on the following page provides a summary of funding required by S.B. 00-181 (given sufficient revenues) and funding made available to date for capital construction programs (excluding funding specifically for charter schools).

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[2] The State settled the *Alec Giardino, et al. v. the Colorado State Board of Education, et al.* lawsuit concerning conditions existing in public school facilities. The settlement agreement was contingent upon the General Assembly adopting legislation that would provide a mechanism for funding capital construction, repair and maintenance in public schools -- a total of $190 million state funds over eleven years to address the most serious needs. The General Assembly subsequently adopted, and the Governor signed, S.B. 00-181 to implement the agreement.

[3] Through H.B. 06-1375, the General Assembly amended this language to allow (but not require) the General Assembly to make a General Fund appropriation even if the threshold is not met [see Section 24-75-201.1 (4) (c) (II), C.R.S.].

Fiscal Year	Appropriations Required Pursuant to S.B. 00-181 if General Fund Revenues are Sufficient	Funding Made Available To Date for Capital Construction			
		General Fund	State Education Fund	Lottery Proceeds	Total
00-01	$5,000,000	$5,000,000	$0	$0	$5,000,000
01-02	10,000,000	10,000,000	6,471,052	0	16,471,052
02-03	15,000,000	0	6,500,060	8,499,940	15,000,000
03-04	20,000,000	0	10,000,000	3,690,377	13,690,377
04-05	20,000,000	0	5,000,000	2,396,438	7,396,438
05-06	20,000,000	25,000,000	5,000,000	1,691,454	31,691,454
06-07	20,000,000	15,000,000	0	12,545,316	27,545,316
07-08	20,000,000	20,000,000	0	8,219,905	28,219,905
Subtotal	130,000,000	75,000,000	32,971,112	37,043,430	145,014,542
08-09	20,000,000				n/a
09-10	20,000,000				n/a
10-11	20,000,000				n/a
Total	**$190,000,000**	**n/a**	**n/a**	**n/a**	**n/a**

Summary of Major Legislation

✓ **S.B. 07-16 (Tapia/Butcher): Compulsory School Attendance.** Expanded the age requirements associated with compulsory school attendance, adding six-year-olds.

✓ **S.B. 07-26 (Bacon/Pommer): Full-day Kindergarten.** Authorized a school district, upon voter approval, to impose an additional mill levy for purposes of funding excess full-day kindergarten costs.

✓ **S.B. 07-41 (Schwartz/Massey): Public School Facilities.** Established the Advisory Committee for Public School Capital Construction to: (a) establish facility and safety priorities for use in assessing and prioritizing applications for state assistance with capital construction projects; (b) review grant applications and make recommendations to the State Board of Education; and (c) assist school districts in identifying critical capital outlay needs and implementing funded projects. Required the Department to oversee a grant priority assessment of school facilities in districts that enroll fewer than 1,200 pupils, prioritizing the smallest districts and those with the lowest per-pupil assessed valuation. Authorized the State Board to use up to $782,000 of lottery proceeds to cover the costs incurred in establishing the facility and safety priorities and in conducting the grant priority assessment.

✓ **S.B. 07-140 (Spence/Benefield): Teacher Quality.** Created the Quality Teachers Commission to study the "teacher gap" in Colorado (the condition of poor and minority students receiving instruction from less-qualified teachers) and implementing a teacher identification protocol, integrating teacher data into existing and emerging databases. Created the Quality Teachers Fund, consisting of gifts, grants, and donations, and continuously appropriates moneys in the Fund to the Department.

- ✓ **S.B. 07-148 (Romer/Casso): Fast College Fast Jobs.** Created the Fast College Fast Jobs Pilot Program, through which certain school districts and boards of cooperative services may enter into a contract with one or more higher education institutions to enable students enrolled in certain "target" high schools to simultaneously complete requirements for a high school diploma and an associate's degree or a career and technical education certificate. Individual students participate in the program for five years, beginning in ninth grade. Specified that a participating district shall receive 85 percent of its per pupil revenue in any academic year in which a student is enrolled in 12 or more credit hours per semester at a higher education institution, and 100 percent of its per pupil revenue annually for each participating student enrolled in fewer than 12 credit hours. Specified that participating students shall not be eligible to receive a stipend from the College Opportunity Fund.

- ✓ **S.B. 07-199 (Windels/Pommer): Property Tax Mill Levies; Minimum Per Pupil Funding.** Changed the method for calculating school district property taxes that support the School Finance Act in two ways. First, imposed a cap of 27 mills on school finance levies. Second, required districts that have received voter approval to retain and spend revenues in excess of their TABOR property tax revenue limit to impose the mill levy for FY 2006-07 in FY 2007-08 and future fiscal years (unless the levy exceeds 27 mills). Also modified the method used to calculate the minimum per pupil funding for school districts so that by FY 2008-09 districts will receive at least 95.0 percent of the state average per pupil funding.

- ✓ **S.B. 07-215 (Windels/T. Carroll): On-line Learning.** Required the State Board of Education to establish quality standards for on-line programs, and creates the Division of On-line Learning in the Department to support on-line programs, certify multi-district programs (those that serve students across district boundaries), and document and track complaints about on-line programs. Created an On-line Learning Advisory Board to report to the State Board on the operations of on-line programs and provide policy recommendations. Beginning in FY 2008-09, removed limits on the students who may receive funding in an on-line program and funded students in a single-district on-line program at the district's per-pupil funding amount.

- ✓ **H.B. 07-1118 (Todd/Tupa): High School Graduation Requirements.** Required the State Board of Education to develop a comprehensive set of guidelines for local school boards to use in developing high school graduation requirements. Required local school boards to develop a blueprint for the community's education system and establish local high school graduation requirements. Required the Colorado Commission on Higher Education to work with the State Board to align academic admission standards for all state-supported baccalaureate and graduate institutions of higher education with the State Board's guidelines for high school graduation requirements.

✓ **H.B. 07-1232 (Merrifield/Tapia): Troop Movements.** Established a process to provide mid-year funding increases to school districts for pupils who are dependents of full-time active-duty members of the military and who enroll after the annual October pupil count.

✓ **H.B. 07-1270 (Stephens/Shaffer): Data Systems Assessment.** Required the Office of Information Technology in the Office of the Governor to issue a request for proposals for a comprehensive assessment of the current data technology systems used by the Department of Education. Required the Department of Education to report and respond to the findings and recommendations of the assessment by December 1, 2007.

✓ **H.B. 07-1320 (Benefield/Bacon): Data Reporting.** Required the Education Data Advisory Committee to assist the Department in reviewing school district data reporting requirements and make recommendations to the State Board and the Education Committees for the repeal or amendment of data reporting requirements. Required the Department to create a "data dictionary" to define the data the Department will collect and the methods and protocols by which public schools and school districts will submit such data.

✓ **S.B. 06-73 (Tapia/Merrifield): Compulsory School Attendance.** Expanded the age requirements associated with compulsory school attendance to include children ages seven through 16 (adding 16-year-olds).

✓ **H.B. 06-1008 (Massey/Isgar): Supplemental On-line Courses.** Allowed small school districts and certain charter schools to receive reimbursement for the cost of purchasing supplemental on-line education courses.

✓ **H.B. 06-1375 (Pommer/Windels): State Funding for Special Education - Children With Disabilities.** Modified the distribution of state moneys appropriated for special education for children with disabilities.

✓ **S.B. 05-196 (Owen/Buescher): Land Board Investment and Development Fund.** Limited the amount of rental income earned on public school lands available for appropriation to $12 million per fiscal year and required excess revenues to be credited to the Public School Fund.

✓ **H.B. 04-1362 (Carroll/Groff): State Charter School Institute.** Established a nine-member State Charter School Institute Board responsible for authorizing and monitoring the operations of "institute charter schools" located within certain school districts. Allowed a school district to retain exclusive authority to authorize charter schools within its boundaries if the district meets certain criteria.

✔ **S.B. 03-53 (McElhany/King): Colorado School for the Deaf and the Blind Governance.** Established a seven-member Board of Trustees responsible for managing the School. Authorized the Board to grant charters to applicants that propose a charter school that is designed to serve students who would qualify for admission to the School, and to spend moneys granted or donated to the School. Authorized the School to provide additional educational services on a local or regional basis, and to provide adult educational services and receive federal moneys available for such purpose.

- ✔ **H.B. 02-1349 (King/Thiebaut): Charter School Capital Construction.** Created a process that allows a *charter school* to submit a *capital construction* plan to its chartering district so that it can be included in a bond election or have the school district submit a special mill levy question on its behalf. Enhanced the ability of charter schools that issue bonds to fund capital construction through a governmental entity other than a school district to obtain favorable financing terms for such bonds by creating: (a) the "intercept program"; (b) the Charter School Debt Reserve Fund; and (c) a "moral obligation" by requiring the State to consider appropriating moneys not to exceed $200 million to ensure that a charter school's bonds can be paid. Made all charter schools, except those operating in state facilities, eligible for additional State Education Fund moneys for capital construction, and modified the formula for determining the amount of moneys available for such purpose.

- ✔ **S.B. 01-82 (Matsunaka/Spence): Implementation of Article IX, Section 17 of the Colorado Constitution (1 of 4).** One of four bills adopted that implemented Amendment 23, adopted by voters in November 2000. Set forth funding requirements and defined terms.

- ✔ **S.B. 01-129 (Thiebaut/Dean): Charter School Capital Construction; Longitudinal Analyses.** Required the General Assembly to annually appropriate State Education Fund moneys for the purpose of assisting qualified charter schools with their capital construction needs and to annually appropriate an equal amount from the State Education Fund to the School Capital Construction Expenditures Reserve for school districts' capital construction needs. Also required the Department to make the state data reporting system capable of performing longitudinal analyses of student assessment results.

- ✔ **S.B. 01-204 (Reeves/Young): Implementation of Article IX, Section 17 of the Colorado Constitution (1 of 4).** Required Legislative Council staff to annually provide information concerning the solvency of the State Education Fund and the ability of the State to comply with the requirements of Article IX, Section 17. Required the General Assembly to annually certify the amount of moneys in the State Education Fund considered available for appropriation for the next fiscal year by acting on a joint resolution.

- ✔ **S.B. 00-181 (Wham/George): Funding of Public School Capital Construction Projects**. Established the School Capital Construction Expenditures Reserve to provide assistance to school districts for certain capital construction projects. Required the General Assembly to appropriate a total of $105.0 million over 11 years to such Reserve, plus another $85.0 million over nine years to the existing School Construction and Renovation Fund[4] to make matching grants to school districts for capital construction projects.

- ✔ **S.B. 00-186 (Anderson/Allen): Education Reform**. Enacted education reform measures, including: (1) expanding the number of grade levels tested through the Colorado student assessment program; (2) requiring the Department to produce annual report cards for every public school; and, (3) authorizing the State Board to recommend that any school that

[4] This Fund, established by H.B. 98-1231 (Tool/J. Johnson), was originally to consist of excess TABOR revenues pursuant to H.B. 98-1256. Voters, however, rejected the referred measure.

receives an academic performance grade of "F" on its report card be converted to an Independent Charter School and establishes a procedure for such conversion.

✔ **H.B. 98-1227 (Schauer/Blickensderfer): On-line Education**. Authorized school districts and boards of cooperative services to establish on-line educational programs as alternative educational programs, and receive per pupil funding for a participating student if, in the preceding academic year, the child was enrolled in a public school or charter school of a school district in the state or the child was not enrolled in any private school, had not participated in a non-public home-based education program, or had not participated in home instruction by a licensed or certified teacher.

✔ **H.B. 98-1267 (Allen/B. Alexander): Accreditation/Assessments**. Required the State Board to implement a school accreditation process that focuses on student achievement results on standards-based tests, and to prepare annual reports on achievement of accreditation indicators by public schools and school districts.

✔ **H.B. 94-1001 (Anderson/Wells): Public School Finance Act of 1994**. Established a new formula for determining "total program" funding for each school district. Increased allowable participation in the Colorado Preschool Program from 2,750 to 8,500.

✔ **S.B. 93-183 (Owens/Kerns): Authorized the Establishment of Charter Schools.**

✔ **H.B. 93-1313 (Sullivan/Meiklejohn): Standards-Based Education.** Required the development and implementation of content standards and associated student assessments.

Major Funding Changes FY 2006-07 to FY 2007-08

Action *(Source)*	General Fund	Other Funds *(Sources)*	Total Funds	Total FTE
Changes Related to Public School Finance Act:				
Increase State Share of Districts' Total Program Funding Based on 4.6 Percent Increase in *Base* Per Pupil Funding and existing school finance funding formula *(Constitutionally/statutorily required increase)*	$152,021,463	$68,520,054 *(CFE - State Education Fund (SEF), State Public School Fund)*	**$220,541,517**	**0.0**
Increase State Share of Districts' Total Program Funding Based on Projected 1.9 Percent Enrollment Increase *(Constitutionally/statutorily required increase)*	89,522,783	0	**89,522,783**	**0.0**
Add 2,000 funded "slots" for the Colorado Preschool and Kindergarten Program *(S.B. 07-199)*	4,655,056	1,995,024 *(CFE - SEF)*	**6,650,080**	**0.0**
Increase per pupil funding for districts receiving the lowest amount per pupil *(S.B. 07-199)*	0	6,369,059 *(CFE - SEF)*	**6,369,059**	**0.0**
Less: Estimated 4.1 percent increase in local funds (under existing law)	(70,529,321)	0	**(70,529,321)**	**0.0**
Less: Additional increase in local funds due to change in method for computing the property tax share of school district funding *(S.B. 07-199)*	0	(47,406,178) *(CFE - SEF)*	**(47,406,178)**	**0.0**
Plus: Offset reduction in local funding due to H.B. 07-1024 *(H.B. 07-1024)*	12,000	0	**12,000**	**0.0**
SUBTOTAL: Changes in State Appropriations Related to Public School Finance Act	175,681,981	29,477,959	**205,159,940**	**0.0**

Action *(Source)*	**General Fund**	**Other Funds** *(Sources)*	**Total Funds**	**Total FTE**
Other Changes:				
School capital construction programs *(JBC action)*	5,000,000	5,000,000 *[CFE - Spending authority]*	**10,000,000**	**0.0**
Categorical Programs *(Constitutionally required increase; S.B. 07-255)*	8,033,070	1,224,313 *(CFE - State Education Fund)*	**9,257,383**	**0.0**
Change in anticipated federal funds and grants *(Department request)*	0	9,061,651	**9,061,651**	**3.2**
Transfer from Department of Human Services for support of Early Childhood Councils *(H.B. 07-1062)*	0	1,912,051	**1,912,051**	**1.0**
Salary and benefit adjustments for FY 2007-08 *(JBC action)*	566,865	579,905	**1,146,770**	**0.0**
Read-to-Achieve Grant Program *(JBC action; S.B. 07-192; H.B. 07-1359)*	0	907,729	**907,729**	**1.0**
Increase state funding for the federal school breakfast program *(G.A. action on Long Bill)*	700,000	0	**700,000**	**0.0**
Start Smart Nutrition Program *(S.B. 07-59)*	0	700,000	**700,000**	**0.0**
Appropriations related to the State Charter School Institute *(JBC action)*	0	524,685 *[CFE - transfers from other line items]*	**524,685**	**2.7**
Division of On-line Learning *(S.B. 07-215)*	0	418,861 *[CFE - transfer from State Public School Fund (SPSF)]*	**418,861**	**3.5**

Action *(Source)*	**General Fund**	**Other Funds** *(Sources)*	**Total Funds**	**Total FTE**
Modify school accountability reports *(H.B. 07-1345)*	0	275,250 *[CFE - SPSF]*	**275,250**	**0.0**
Create and maintain data dictionary *(H.B. 07-1320)*	0	274,704 *[CFE - SPSF]*	**274,704**	**1.0**
Authorize FTE for the Expelled and At-risk Student Services Grant Program *(Department request, JBC action)*	0	0	**0**	**1.0**
Eliminate duplicative appropriations related to capital construction programs *(JBC action; S.B. 07-41)*	0	(20,000,000) *[CFE - Spending authority]*	**(20,000,000)**	**(2.0)**
Eliminate one-time increase for charter school capital construction funding *(JBC action)*	0	(2,800,000) *[CFE - SEF]*	**(2,800,000)**	**0.0**
Eliminate funding for aid to declining enrollment districts with new charter schools *(JBC action)*	(283,377)	(1,000,000) *[CFE - SEF]*	**(1,283,377)**	**0.0**

FY 2008-09 Joint Budget Committee Staff Budget Briefing: Department of Education
Comparison of Budget Initiatives Submitted as Part of the Governor's Official Budget Request and
Those Approved by the State Board of Education and the Board of Trustees of the Colorado School for the Deaf and the Blind

Description of Decision Item / Base Reduction	Fund Sources	State Board / CSDB Board of Trustees		Governor's Request	
		Priority	Amount	Priority	Amount
DEPARTMENT AND COLORADO SCHOOL FOR THE DEAF AND THE BLIND REQUESTS:					
Increase funding for the State Share of Districts' Total Program Funding sufficient to cover anticipated increases in the funded pupil count (including a 1.5 percent projected enrollment increase plus statutorily authorized increase of 3,500 Colorado Preschool and Kindergarten Program half-day slots), as well as the cost of increasing base per pupil funding by the projected rate of inflation (2.8 percent) plus one percent	Total	1	$175,518,845	1	$175,518,845
	GF		149,698,332		149,698,332
	CF - SPSF		0		0
	CFE - SEF		17,729,513		17,729,513
	CFE - SPSF		8,091,000		8,091,000
Increase funding for various categorical programs by the projected rate of inflation (2.8 percent) plus one percent -- Total requested increase	CFE - SEF	2	7,999,185	2	7,999,185
Portion allocated to Special Education -- Children with Disabilities			6,794,288		6,794,288
Portion allocated to English Language Proficiency Program			256,704		256,704
Portion allocated to Public School Transportation			656,742		656,742
Portion allocated to State Assistance for Vocational Education			266,960		266,960
Portion allocated to Special Education -- Gifted and Talented Children			0		0
Portion allocated to Expelled and At-risk Student Services Grant Program			0		0
Portion allocated to Small Attendance Center Aid			24,491		24,491
Portion allocated to Comprehensive Health Education			0		0
Closing the Achievement Gap initiative	GF	3	1,800,000	3	1,800,000
Fund five "content specialists" to provide technical assistance to schools and school districts	GF	4	451,915	4	451,915
			4.6 FTE		4.6 FTE
Increase funding for Colorado Talking Book Library for facility maintenance and utilities	GF	5	9,637	5	9,637
Provide spending authority for Dropout Prevention Activity Grant Program	CFE	6	159,131	6	159,131
Increase spending authority related to fees and conferences for the Colorado School for the Deaf and the Blind	CF	7	45,000	7	45,000
Increase funding for the purchase of legal services	GF	8	97,535	8	97,535
Increase funding for travel expenses incurred by school district audit unit	GF	9	13,702	9	13,702
Restore funding for State Grants to Publicly-Supported Libraries Program	Total	10	2,000,000	10	2,000,000
	GF		1,000,000		1,000,000
	CFE		1,000,000		1,000,000
NON-PRIORITIZED (NP), STATEWIDE REQUESTS:					
Multiuse network payments	GF	NP-1	3,932	NP-1	3,932
Statewide Colorado State Employee Assistance Program (C-SEAP) staffing	Total	NP-2	2,719	NP-2	2,719
	GF		1,329		1,329
	CF		109		109
	CFE		180		180
	FF		1,101		1,101
Vehicle lease payments for the Colorado School for the Deaf and the Blind	GF	NP-3	(10,545)	NP-3	(10,545)

FY 2008-09 Joint Budget Committee Staff Budget Briefing: Department of Education
Comparison of Budget Initiatives Submitted as Part of the Governor's Official Budget Request and
Those Approved by the State Board of Education and the Board of Trustees of the Colorado School for the Deaf and the Blind

Description of Decision Item / Base Reduction	Fund Sources	State Board / CSDB Board of Trustees		Governor's Request	
		Priority	Amount	Priority	Amount
DEPARTMENT AND COLORADO SCHOOL FOR THE DEAF AND THE BLIND REQUESTS:					
Total			**$188,091,056**		**$188,091,056**
General Fund (GF)			**153,065,837**		**153,065,837**
Cash Funds (CF)			**45,109**		**45,109**
Cash Funds Exempt - State Education Fund (CFE-SEF)			**25,728,698**		**25,728,698**
Cash Funds Exempt - State Public School Fund (CFE-SPSF)			**8,091,000**		**8,091,000**
Cash Funds Exempt - Other			**1,159,311**		**1,159,311**
Federal Funds (FF)			**1,101**		**1,101**
Full-time Equivalent Staff (FTE)			**4.6 FTE**		**4.6 FTE**

FY 2008-09 Joint Budget Committee Staff Budget Briefing
Department of Education
Decision Item Priority List

Priority	Division: Description *[Statutory Authority]*	GF	CF *[Source]*	CFE *[Source]*	FF	TOTAL	FTE
Requests Included in the Governor's Official Budget Request							
1	**Assistance to Public Schools, Public School Finance, State Share of Districts' Total Program Funding** Increase funding for the state share of districts' total program sufficient to cover anticipated increases in the funded pupil count (including a 1.5 percent projected enrollment increase plus the statutorily authorized increase of 3,500 half-day preschool and kindergarten slots), as well as the cost of increasing base per pupil funding by the projected rate of inflation (2.8 percent) plus one percent. *[Required base per pupil funding increases: Section 22-55-106, C.R.S., and Article IX, Section 17 of the Colorado Constitution; School Finance Act: Section 22-54-101, et seq.]*	$149,698,332	$0	$25,820,513 *[State Public School Fund; State Education Fund]*		**$175,518,845**	0.0

FY 2008-09 Joint Budget Committee Staff Budget Briefing
Department of Education
Decision Item Priority List

Priority	Division: Description *[Statutory Authority]*	GF	CF *[Source]*	CFE *[Source]*	FF	TOTAL	FTE
2	**Assistance to Public Schools, Categorical Programs**						
	Increase funding for categorical programs by 3.8 percent (inflation plus one percent).			7,999,185 *[State Education Fund]*		**7,999,185**	0.0
	[Required increase in state funding for categorical programs: Article IX, Section 17 of the Colorado Constitution and Sections 22-55-102 and 107, C.R.S; Special Education for Children with Disabilities: Title 22, Article 20, C.R.S.; English Language Proficiency Program: Section 22-24-104, C.R.S.; Transportation: Sections 22-32-113 and 22-51-108, C.R.S.; State Assistance for Vocational Education: Section 23-8-101 et seq., C.R.S.; Special Education for Gifted and Talented Children: Section 22-26-101 et seq., C.R.S.; Expelled and At-risk Student Services Grant Program: Section 22-33-205, C.R.S.; Grant Program for In-school or In-home Suspension: Section 22-37-101 et seq., C.R.S.; Small Attendance Center Aid: Section 22-54-122, C.R.S.; Colorado Comprehensive Health Education Program: Section 22-25-104, C.R.S.]						

FY 2008-09 Joint Budget Committee Staff Budget Briefing
Department of Education
Decision Item Priority List

Priority	Division: Description *[Statutory Authority]*	GF	CF *[Source]*	CFE *[Source]*	FF	TOTAL	FTE
3	**Assistance to Public Schools, Grant Programs and Other Distributions, Closing the Achievement Gap** Provide funding for an initiative to address achievement gaps associated with race and income. Department would invite districts with the most significant gaps to apply for assistance (approximately $300,000 per district for FY 2008-09), including: (1) a consultant who would be hired by each district, be located in the district, and be part of the district's administrative team; (2) software tools and a hardware platform for monitoring progress, including formative assessments; and (3) staff development and on-site coaching for both teachers and instructional leaders. *[Closing the Achievement Gap Program: Section 22-7-611, C.R.S.;]*	1,800,000				**1,800,000**	0.0
4	**Management and Administration, General Department and Program Administration** Provide funding for 5.0 FTE "content specialists" to provide leadership, guidance, and support for schools and school districts in specific content areas to positively impact student achievement. The five content areas would include: mathematics; science; social studies (history, geography, civics, and economics); arts (visual arts and music); and achievement gaps. *[Duties of the Commissioner of Education: Section 22-2-112 (j), C.R.S.;]*	451,915				**451,915**	4.6

FY 2008-09 Joint Budget Committee Staff Budget Briefing
Department of Education
Decision Item Priority List

Priority	Division: Description *[Statutory Authority]*	GF	CF *[Source]*	CFE *[Source]*	FF	TOTAL	FTE
5	**Library Programs, Colorado Talking Book Library, Building Maintenance and Utilities Expenses** Provide funding to cover increases in utilities and building maintenance costs at the Talking Book Library. *[Duties of the State Librarian: Section 24-90-105 (1) (e), C.R.S.;]*	9,637				**9,637**	0.0
6	**Assistance to Public Schools, Grant Programs and Other Distributions, Dropout Prevention Activity Grant Program** Authorize the Department to spend contributions collected since FY 2005-06 to provide grants for before- and after-school programs. *[Before- and After-school Dropout Prevention Programs: Section 22-27.5-101, et seq., C.R.S.;]*			159,131 *[Tax check-off contributions]*		**159,131**	0.0
7	**Colorado School for the Deaf and the Blind, Special Purpose, Fees and Conferences** Authorize the School to receive an additional $45,000 in conference fees to allow the School to increase education and training opportunities for staff members statewide who work with students who are deaf, hard-of-hearing, blind, or visually impaired. *[Establishment of School and Services to be Provided: Section 22-80-102, C.R.S.;]*		45,000 *[Conference fees]*			**45,000**	0.0

FY 2008-09 Joint Budget Committee Staff Budget Briefing
Department of Education
Decision Item Priority List

Priority	Division: Description *[Statutory Authority]*	GF	CF *[Source]*	CFE *[Source]*	FF	TOTAL	FTE
8	**Management and Administration, Legal Services** Increase funding for legal services to allow the Department to purchase an additional 1,354 hours of services from the Attorney General's Office. *[State Board powers related to charter schools and the State Charter School Institute: Sections 22-2-107 (1) (t) and 22-2-117, C.R.S.;]*	97,535				**97,535**	0.0
9	**Management and Administration, General Department and Program Administration** Increase funding for travel expenditures for the Public School Finance unit's audit team. *[Education Commissioner powers: Section 22-2-113 (1) (f) and (g), C.R.S.;]*	13,702				**13,702**	0.0
10	**Library Programs, State Grants to Publicly-Supported Libraries Fund; and State Grants to Publicly-Supported Libraries Program** Partially restore funding to a program that provides grants to public, school, and academic libraries statewide. *[State Grants for Libraries Act: Section 22-90-401, et seq., C.R.S.;]*	1,000,000		1,000,000 *[Duplicative spending authority]*		**2,000,000**	0.0
	Non-Prioritized, Statewide Requests						
NP - 1	**Multi-use network payments**	3,932				**3,932**	0.0
NP - 2	**Statewide Colorado State Employee Assistance Program (C-SEAP) staffing**	1,329	109	180	1,101	**2,719**	0.0

FY 2008-09 Joint Budget Committee Staff Budget Briefing
Department of Education
Decision Item Priority List

Priority	Division: Description *[Statutory Authority]*	GF	CF *[Source]*	CFE *[Source]*	FF	TOTAL	FTE
NP - 3	**Vehicle lease payments for the Colorado School for the Deaf and the Blind**	(10,545)				**(10,545)**	0.0
	Total Decision Items	**$153,065,837**	**$45,109**	**$34,979,009**	**$1,101**	**$188,091,056**	**4.6**

OVERVIEW OF MAJOR CHANGES

Requested Changes FY 2007-08 to FY 2008-09:

Description	FTE	General Fund	Cash	Cash Exempt	Federal	Total
State Share of Districts' Total Program Funding:						
Provide funding (at current average per pupil funding level) for projected 1.7 percent increase in the funded pupil count	0.0	$89,086,993	$0	$0	$0	$89,086,993
Increase base per pupil funding by 3.8 percent	0.0	174,251,544	0	25,820,513	0	200,072,057
Less: Estimated 6.1 percent increase in local funds	0.0	(113,640,205)	0	0	0	(113,640,205)
Net Change in State Share *(DI #1)*	0.0	149,698,332	0	25,820,513	0	175,518,845
Provide 3.8 percent increase for categorical programs *(DI #2)*	0.0	0	0	7,999,185	0	7,999,185
Increase funding for state employee salaries and benefits	0.0	1,200,950	85,246	151,922	901,954	2,340,072
State Grants for Publicly-supported Libraries Grants *(DI #10)*	0.0	1,000,000	0	1,000,000	0	2,000,000
Closing the Achievement Gap initiative *(DI #3)*	0.0	1,800,000	0	0	0	1,800,000
Fund 4.6 FTE content specialists *(DI #4)*	4.6	451,915	0	0	0	451,915
Increase funding for legal services *(DI #8)*	0.0	97,535	0	0	0	97,535
Monitoring/ evaluating personal services contracts (S.B. 07-228)	0.3	14,471	0	0	0	14,471
Eliminate one-time funding for School Accountability Report changes (H.B. 07-1345)	0.0	0	0	(275,250)	0	(275,250)
Eliminate one-time funding for data dictionary (H.B. 07-1320)	0.0	0	0	(209,315)	0	(209,315)
Anticipated changes in federal funding for various programs	16.0	0	0	0	(82,751)	(82,751)
Other	2.0	47,902	43,292	56,681	0	147,875
Net Change	22.9	$154,311,105	$128,538	$34,543,736	$819,203	$189,802,582

	FY 2005-06 Actual	FY 2006-07 Actual	FY 2007-08 Appropriation	FY 2008-09 OSPB Request	Change Requests

DEPARTMENT OF EDUCATION
Commissioner: Dwight D. Jones

(1) MANAGEMENT AND ADMINISTRATION

This section provides funding and staff for: the State Board of Education; the administration of a variety of programs including public school finance, educator licensure and professional development programs, standards and assessments, and library programs; and, general department administration, including human resources, information management, budgeting, accounting, and facilities maintenance. The primary source of cash funds for this section is fees paid by applicants for educator licenses, certificates, etc. Cash funds exempt sources consist primarily of indirect cost recoveries and transfers of funds from various cash- and federally-funded line items.

NOTE: The line items in this section are not *listed in the same order as the FY 2007-08 Long Bill. Staff has re-organized the line items and added subsection titles in an attempt to better orient the reader.*

Administration and Centrally-Appropriated Lines

	FY 2005-06 Actual	FY 2006-07 Actual	FY 2007-08 Appropriation	FY 2008-09 OSPB Request	Change Requests
General Department and Program Administration a/	6,424,442	6,704,514	6,995,086	7,499,343	
FTE	75.5	74.6	82.0	86.9	
General Fund	4,110,663	5,173,884	5,206,496	5,871,161	DI #4, #9
FTE	49.7	57.7	65.0	69.9	DI #4
Cash Funds	124,770	121,654	94,604	98,109	
FTE	1.5	1.5	1.5	1.5	
Cash Funds Exempt	2,175,690	1,408,976	1,419,282	1,464,684	
FTE	24.3	15.4	14.5	14.5	
Cash Funds Exempt (State Public School Fund)	0	0	274,704	65,389	
FTE	0.0	0.0	1.0	1.0	
Federal Funds	13,319	0	0	0	
Office of Professional Services - CF b/	2,376,033	1,690,668	1,529,230	1,578,234	
FTE	18.5	18.2	19.0	19.0	
Division of On-line Learning - CFE c/	n/a	n/a	388,364	376,817	
FTE			3.5	3.5	

	FY 2005-06 Actual	FY 2006-07 Actual	FY 2007-08 Appropriation	FY 2008-09 OSPB Request	Change Requests
Health, Life, and Dental d/	1,356,763	1,624,152	1,978,146	2,364,956	
General Fund	703,688	853,003	1,041,804	1,278,243	
Cash Funds	46,247	54,756	64,203	76,957	
Cash Funds Exempt	138,246	109,608	143,515	149,953	
Federal Funds	468,582	606,785	728,624	859,803	
Short-term Disability			33,965	39,627	
General Fund		Included in GD&PA	15,428	19,576	
Cash Funds		above	1,344	1,479	
Cash Funds Exempt			3,130	3,059	
Federal Funds			14,063	15,513	
S.B. 04-257 Amortization Equalization Disbursement	57,186	202,764	309,557	487,722	
General Fund	23,069	88,987	138,453	240,940	
Cash Funds	2,122	8,298	12,402	18,208	
Cash Funds Exempt	5,956	19,555	28,893	37,650	
Federal Funds	26,039	85,924	129,809	190,924	
S.B. 06-235 Supplemental Amortization Equalization Disbursement c/	n/a	n/a	60,371	156,233	
General Fund			24,724	77,228	
Cash Funds			2,584	5,829	
Cash Funds Exempt			6,019	12,053	
Federal Funds			27,044	61,123	
Salary Survey and Senior Executive Service d/	828,410	768,848	1,042,090	1,209,121	
General Fund	393,052	354,397	487,114	602,540	
Cash Funds	27,800	33,632	39,407	44,783	
Cash Funds Exempt	66,621	68,042	88,399	94,198	
Federal Funds	340,937	312,777	427,170	467,600	

Fiscal Year 2008-09 Joint Budget Committee Staff Briefing
Department of Education

	FY 2005-06 Actual	FY 2006-07 Actual	FY 2007-08 Appropriation	FY 2008-09 OSPB Request	Change Requests
Performance-based Pay Awards	0	0	352,370	411,231	
General Fund	0	0	134,965	175,867	
Cash Funds	0	0	16,377	17,535	
Cash Funds Exempt	0	0	29,416	33,967	
Federal Funds	0	0	171,612	183,862	
Workers' Compensation	374,680	245,136	206,381	259,602	Statewide #2
General Fund	170,527	118,717	99,948	126,913	
Cash Funds	14,773	11,185	9,417	10,405	
Cash Funds Exempt	38,860	17,279	14,547	17,146	
Federal Funds	150,520	97,955	82,469	105,138	
Legal Services	Included in GD&PA		297,656	395,191	
General Fund	above		137,505	235,040	DI# 8
Cash Funds			129,654	129,654	
Cash Funds Exempt c/			30,497	30,497	
Hours c/			*4,159.0*	*5,513.0*	DI# 8
Administrative Law Judge Services	24,291	73,878	79,066	45,989	
Cash Funds	5,101	15,514	16,603	16,889	
Cash Funds Exempt	19,190	58,364	62,463	29,100	
Purchase of Services from Computer Center - GF	Included in GD&PA		6,282	4,291	
Multiuse Network Payments - GF	Included in GD&PA		33,230	37,162	Statewide #1
Payment to Risk Management and Property Funds	60,940	145,639	127,228	144,162	
General Fund	27,738	64,692	62,282	126,005	
Cash Funds	2,398	7,387	5,805	6,578	
Cash Funds Exempt	6,321	8,868	8,302	11,579	
Federal Funds	24,483	64,692	50,839	0	

	FY 2005-06 Actual	FY 2006-07 Actual	FY 2007-08 Appropriation	FY 2008-09 OSPB Request	Change Requests
Capitol Complex Leased Space	430,898	459,799	551,435	556,078	
General Fund	81,794	95,139	166,310	167,710	
Cash Funds	29,648	38,699	60,349	60,857	
Cash Funds Exempt	51,764	37,171	38,464	38,788	
Federal Funds	267,692	288,790	286,312	288,723	
Information Technology					
Information Technology Asset Maintenance - GF	90,697	90,606	90,697	90,697	
Disaster Recovery - GF	18,869	18,701	19,722	19,722	
Assessments, Data Analyses, and Reporting					
Colorado Student Assessment Program	24,755,987	21,353,655	22,255,141	22,274,148	
FTE	3.9	4.2	6.0	6.0	
General Fund	15,765,353	15,709,849	15,709,849	15,709,849	
Federal Funds	8,990,634	5,643,806	6,545,292	6,564,299	
FTE	3.9	4.2	6.0	6.0	
Federal Grant for State Assessments and Related Activities - FF	634,106	593,798	188,178	198,389	
FTE	5.7	5.6	3.0	3.0	
School Accountability Reports and State Data Reporting System	1,503,002	1,284,243	1,583,703	1,318,735	
FTE	2.9	2.5	3.0	3.0	
General Fund	1,503,002	1,284,243	1,308,453	1,318,735	
FTE	2.9	2.5	3.0	3.0	
Cash Funds Exempt (State Public School Fund)	0	0	275,250	0	
Longitudinal Analyses of Student Assessment Results - GF	144,837	187,090	277,124	286,732	
FTE	1.8	1.7	3.0	3.0	

	FY 2005-06 Actual	FY 2006-07 Actual	FY 2007-08 Appropriation	FY 2008-09 OSPB Request	Change Requests
State Charter School Institute					
State Charter School Institute - CFE	281,508 e/				
FTE	2.2				
State Charter School Institute Administration, Oversight, and Management - CFE	n/a	456,531	762,698 f/	776,279	
FTE		2.6	7.0	7.0	
Other Transfers to Institute Charter Schools - CFE	n/a	601,906	755,000	755,000	
Direct Administrative and Support Services Provided by the Department to the State Charter School Institute - CFE	n/a	54,784	97,000	99,686	
FTE		0.6	2.0	2.0	
Department Implementation of Section 22-30.5-501 et seq., C.R.S. - CFE	n/a	313,793	508,465	520,484	
FTE		3.0	5.0	5.0	
Other					
Civic Education - CFE (State Education Fund)	135,748	190,926	200,000	200,000	
Financial Literacy - CFE (State Education Fund)	39,114	40,000	40,000	40,000	
Reprinting and Distributing Laws Concerning Education - CF (State Public School Fund)	Included in GD&PA		35,480	35,480	
Emeritus Retirement - GF	30,575	21,607	17,330	17,330	

	FY 2005-06 Actual	FY 2006-07 Actual	FY 2007-08 Appropriation	FY 2008-09 OSPB Request	Change Requests
					Request v. Appropriation
SUBTOTAL - MANAGEMENT AND ADMINISTRATION	39,568,086	37,123,038	40,820,995	42,198,441	*3.4%*
FTE	110.5	113.0	133.5	138.4	*3.7%*
General Fund	23,063,864	24,060,915	24,977,716	26,405,741	*5.7%*
FTE	54.4	61.9	71.0	75.9	*6.9%*
Cash Funds	2,628,892	1,981,793	1,981,979	2,065,517	*4.2%*
FTE	20.0	19.7	20.5	20.5	*0.0%*
Cash Funds (State Public School Fund)	0	0	35,480	35,480	*0.0%*
Cash Funds Exempt	2,784,156	3,154,877	4,384,454	4,450,940	*1.5%*
FTE	26.5	21.6	32.0	32.0	*0.0%*
Cash Funds Exempt (State Education Fund)	174,862	230,926	240,000	240,000	*0.0%*
Cash Funds Exempt (State Public School Fund)	0	0	549,954	65,389	*-88.1%*
FTE	0.0	0.0	1.0	1.0	*0.0%*
Federal Funds	10,916,312	7,694,527	8,651,412	8,935,374	*3.3%*
FTE	9.6	9.8	9.0	9.0	*0.0%*

a/ This consolidated line item provides funding for the majority of state-funded staff, who are responsible for supporting the State Board of Education, administering a variety of library and education-related programs, as well as general department administration.

b/ This consolidated line item provides funding for staff who are responsible for administering educator licensure programs and for related expenditures, including the purchase of legal services.

c/ For both FY 2007-08 and FY 2008-09, the Department's budget request reflects $30,497 cash funds exempt for the Division of On-line Learning to purchase 450 hours of legal services in the Division's line item. Staff has instead reflected this amount in the Purchase of Legal Services line item. The Department does not object to this approach.

d/ The Department does not track actual expenditures once centrally appropriated amounts are allocated to individual line items. Thus, actual amounts represent appropriations.

	FY 2005-06 Actual	FY 2006-07 Actual	FY 2007-08 Appropriation	FY 2008-09 OSPB Request	Change Requests

e/ Staff has included both $103,380 and 0.6 FTE (the amount reflected in the Department's budget request as actual expenditures for this line item), as well as $178,127 in administrative expenditures and 1.6 FTE that were recorded for an off-budget appropriation. It is staff's understanding that the latter amount was covered with one or more federal grants received by the Institute.

f/ In October 2007 the Joint Budget Committee approved a H.B. 98-1331 supplemental request to increase spending authority for this line item by $637,157 cash funds exempt to allow the Institute to pay the Pikes Peak Board of Cooperative Services for services provided to four Institute charter schools. This increase is not yet law and is not reflected here.

		FY 2005-06 Actual		FY 2006-07 Actual		FY 2007-08 Appropriation		FY 2008-09 OSPB Request		Change Requests

(2) ASSISTANCE TO PUBLIC SCHOOLS

This section provides funding that is distributed to public schools and school districts, as well as some associated Department administrative costs (staff responsible for administering the School Finance Act, transportation programs, programs for gifted and talented children, and various state grant programs are funded through the General Department and Program Administration line item, above).

(A) Public School Finance

		FY 2005-06 Actual		FY 2006-07 Actual		FY 2007-08 Appropriation		FY 2008-09 OSPB Request		Change Requests
Funded Pupil Count (FTE)		741,327.7		753,065.2		768,416.3 a/		781,796.0	a/	DI #1
Percent Change		*1.6%*		*1.6%*		*2.0%*		*1.7%*		
Denver-Boulder Inflation Rate (prior CY)		*0.1%*		*2.1%*		*3.6%*		*2.8%*		
Statewide BASE Per Pupil Funding	*$*	*4,717.62*	*$*	*4,863.87*	*$*	*5,087.61*	*$*	*5,280.94*		DI #1
Percent Change		*1.1%*		*3.1%*		*4.6%*		*3.8%*		
MINIMUM Per Pupil Funding	*$*	*5,689.00*	*$*	*5,865.00*	*$*	*6,275.42*	$	6,557.68		
Percent Change		*1.1%*		*3.1%*		*7.0%*		*4.5%*		
Statewide AVERAGE Per Pupil Funding	$	6,167.52	$	6,359.16	$	6,658.37	$	6,914.28		DI #1
Percent Change		*1.5%*		*3.1%*		*4.7%*		*3.8%*		
Total Program		4,572,154,012		4,788,862,198		5,116,400,811		5,405,559,860		DI #1
Percent Change		*3.2%*		*4.7%*		*6.8%*		*5.7%*		
Local Share of Total Program Funding b/		1,702,567,718		1,730,267,009		1,850,072,036		1,963,712,241		
Percent Change		*0.8%*		*1.6%*		*6.9%*		*6.1%*		
State Share of Districts' Total Program Funding c/		2,869,586,294		3,058,595,189		3,266,328,775		3,441,847,620		DI #1
General Fund		2,479,320,440		2,657,663,684		2,824,496,821		2,974,195,153		
General Fund Exempt Account (included above)		*361,711,470*		*343,100,000*		*343,900,000*		*343,900,000*		
Cash Funds (State Public School Fund)		9,491,876		9,491,876		9,491,876		9,491,876		
Cash Funds Exempt (State Education Fund)		299,918,887		299,779,516		325,331,078		343,060,591		
Cash Funds Exempt (State Public School Fund)		80,855,091		91,660,113		107,009,000		115,100,000		

	FY 2005-06 Actual	FY 2006-07 Actual	FY 2007-08 Appropriation	FY 2008-09 OSPB Request	Change Requests
Additional State Aid Related to Locally Negotiated Business Incentive Agreements (BIAs) - GF d/	1,140,015	904,942	0	0	
Appropriation to State Education Fund - GF	3,551,904	0	0	0	*Request v. Appropriation*
Subtotal - Public School Finance	2,874,278,213	3,059,500,131	3,266,328,775	3,441,847,620	*5.4%*
General Fund	2,484,012,359	2,658,568,626	2,824,496,821	2,974,195,153	*5.3%*
General Fund Exempt Account (included above)	*361,711,470*	*343,100,000*	*343,900,000*	*343,900,000*	
Cash Funds (State Public School Fund)	9,491,876	9,491,876	9,491,876	9,491,876	*0.0%*
Cash Funds Exempt (State Education Fund)	299,918,887	299,779,516	325,331,078	343,060,591	*5.4%*
Cash Funds Exempt (State Public School Fund)	80,855,091	91,660,113	107,009,000	115,100,000	*7.6%*
Change in State Share	*4.6%*	*6.6%*	*6.8%*	*5.4%*	
Change in General Fund Portion of State Share Appropriation	*5.9%*	*7.1%*	*6.3%*	*5.3%*	
State Aid as Percent of Districts' Total Program Funding	*62.9%*	*63.9%*	*63.8%*	*63.7%*	

a/ Pursuant to Section 22-28-104, C.R.S., the funded pupil count includes 8,180.0 FTE for the 16,360 ½-day slots authorized for the Colorado Preschool and Kindergarten Program for FY 07-08, and 9,930.0 FTE for the 19,860 slots authorized for FY 08-09.

b/ These amounts have not been reduced by the amount of revenues that are not collected by districts pursuant to BIAs.

c/ Actual expenditures for FY 2005-06 include amounts that the Department is statutorily authorized to use "off-the-top" to pay related expenditures, including payments to Legislative Council staff to conduct the biennial cost-of-living study and funding used to cover expenses associated with the administration of the school finance program.

d/ Actual expenditures reflect the actual amounts paid to school districts related to these agreements. In both FY 2005-06 and FY 2006-07, appropriations fell short of the full amount districts were eligible to receive (by $757,126 in FY 2005-06 and $845,430 in FY 2006-07). The Department estimates that districts would be eligible to receive $1,226,469 and $1,194,373 for FY 2007-08 and FY 2008-09, respectively, if the General Assembly appropriated funding for such purpose.

	FY 2005-06 Actual	FY 2006-07 Actual	FY 2007-08 Appropriation	FY 2008-09 OSPB Request	Change Requests
(B) Categorical Programs					
(I) District Programs Required by Statute					
Special Education - Children with Disabilities	236,605,664	271,411,950	274,591,798	281,582,438	
FTE	58.9	62.7	54.9	64.5	
General Fund	93,852,376	99,572,375	104,862,601	104,862,601	
Cash Funds Exempt (State Education Fund)	16,380,950	16,380,950	17,117,837	23,912,125	DI #2
Cash Funds Exempt	98,000	105,416	98,000	98,768	
FTE	0.5	0.5	0.5	0.5	
Federal Funds	126,274,338	155,353,209	152,513,360	152,708,944	
FTE	58.4	62.2	54.4	64.0	
State Funding Portion of Appropriation	*110,233,326*	*115,953,325*	*121,980,438*	*128,774,726*	
Annual Change in State Funding	*27.3%*	*5.2%*	*5.2%*	*5.6%*	
English Language Proficiency Program	13,897,573	16,769,779	18,478,985	18,746,987	
FTE	3.9	4.2	4.6	4.6	
General Fund	3,101,598	4,657,644	5,469,166	5,469,166	
FTE	0.0	0.0	0.0	0.0	
Cash Funds Exempt (State Education Fund)	941,957	1,475,253	1,731,947	1,988,651	DI #2
Federal Funds	9,854,018	10,636,882	11,277,872	11,289,170	
FTE	3.9	4.2	4.6	4.6	
State Funding Portion of Appropriation	*4,043,555*	*6,132,897*	*7,201,113*	*7,457,817*	
Annual Change in State Funding	*0.6%*	*51.7%*	*17.4%*	*3.6%*	

	FY 2005-06 Actual	FY 2006-07 Actual	FY 2007-08 Appropriation	FY 2008-09 OSPB Request	Change Requests
(II) Other Categorical Programs					
Federal Special Education Grant for Infants, Toddlers, and Their Families - FF	7,161,542	664,643	Appropriated to the Department of Human Services		
FTE	5.4	1.1			
Public School Transportation	41,604,620	42,932,056	44,665,305	45,322,047	
General Fund	36,917,714	38,142,072	39,276,831	39,276,831	
Cash Funds Exempt	n/a	0	450,000	450,000	
Cash Funds Exempt (State Education Fund)	4,686,906	4,789,984	4,938,474	5,595,216	DI #2
State Funding Portion of Appropriation	*41,604,620*	*42,932,056*	*44,215,305*	*44,872,047*	
Annual Change in State Funding	*0.5%*	*3.2%*	*3.0%*	*1.5%*	
Transfer to the Department of Higher Education for Distribution of State Assistance for Vocational Education	19,996,048	20,635,922	21,208,319	21,475,279	
General Fund	17,792,850	18,349,048	18,857,413	18,857,413	
Cash Funds Exempt (State Education Fund)	2,203,198	2,286,874	2,350,906	2,617,866	DI #2
Annual Change in State Funding	*0.2%*	*3.2%*	*2.8%*	*1.3%*	
Special Education - Gifted and Talented Children	7,808,508	7,808,035	7,997,177	7,997,177	
General Fund	7,049,764	7,049,291	7,220,223	7,220,223	
Cash Funds Exempt (State Education Fund)	758,744	758,744	776,954	776,954	
Annual Change in State Funding	*24.8%*	*0.0%*	*2.4%*	*0.0%*	
Expelled and At-risk Student Services Grant Program	6,285,160	6,254,571	6,340,676	6,340,676	
FTE	0.0	0.0	1.0	1.0	
General Fund	5,788,807	5,787,158	5,844,312	5,844,312	
FTE	0.0	0.0	1.0	1.0	
Cash Funds Exempt (State Education Fund)	496,353	467,413	496,364	496,364	
Annual Change in State Funding	*0.0%*	*-0.5%*	*1.4%*	*0.0%*	

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	FY 2005-06 Actual	FY 2006-07 Actual	FY 2007-08 Appropriation	FY 2008-09 OSPB Request	Change Requests
Small Attendance Center Aid	889,541	961,817	961,817	986,308	
General Fund	833,405	834,479	834,479	834,479	
Cash Funds Exempt (State Education Fund)	56,136	127,338	127,338	151,829	DI #2
Annual Change in State Funding	*5.4%*	*8.1%*	*0.0%*	*2.5%*	
Comprehensive Health Education	600,000	599,688	600,000	600,000	
FTE	0.8	0.1	0.0	0.0	
General Fund	0	300,000	300,000	300,000	
Cash Funds Exempt	600,000	299,688	300,000	300,000	
FTE	0.8	0.1	0.0	0.0	
Annual Change in State Funding	*0.7%*	*-0.1%*	*0.1%*	*0.0%*	
Minimum Inflationary Increase for Categorical Programs Required by Section 17 of Article IX of the State Constitution				*$7,999,185 included in above line items*	
					Request v. Appropriation
Subtotal - Categorical Programs	334,848,656	368,038,461	374,844,077	383,050,912	*2.2%*
FTE	68.2	68.0	60.5	70.1	*15.9%*
General Fund	165,336,514	174,692,067	182,665,025	182,665,025	*0.0%*
FTE	0.0	0.0	1.0	1.0	*0.0%*
Cash Funds Exempt	698,000	405,104	848,000	848,768	*0.1%*
FTE	0.5	0.5	0.5	0.5	*0.0%*
Cash Funds Exempt (State Education Fund)	25,524,244	26,286,556	27,539,820	35,539,005	*29.0%*
Federal Funds	143,289,898	166,654,734	163,791,232	163,998,114	*0.1%*
FTE	67.7	67.5	59.0	68.6	*16.3%*
State Funding for Categorical Programs	*191,460,758*	*201,278,311*	*210,504,845*	*218,504,030*	
Annual Change in State Funding	*15.3%*	*5.1%*	*4.6%*	*3.8%*	

	FY 2005-06 Actual	FY 2006-07 Actual	FY 2007-08 Appropriation	FY 2008-09 OSPB Request	Change Requests
(C) Grant Programs and Other Distributions					
NOTE: The line items in this section are not listed in the same order as the FY 2007-08 Long Bill. Staff has re-organized the line items and added subsection titles in an attempt to better orient the reader.					
Capital Construction					
School Capital Construction Expenditures Reserve Fund	13,023,612	15,979,479	10,000,000	10,000,000	
FTE	2.0	1.9	0.0	2.0	
General Fund	5,750,000	7,500,000	10,000,000	10,000,000	
FTE	0.0	0.0	0.0	2.0	
Cash Funds Exempt (State Education Fund)	5,000,000	0	0	0	
Cash Funds Exempt d/	2,273,612	8,479,479	0	0	
FTE	2.0	1.9	0.0	0.0	
School Construction and Renovation Fund	19,250,000	15,114,255	10,000,000	10,000,000	
General Fund	19,250,000	7,500,000	10,000,000	10,000,000	
Cash Funds Exempt (State Education Fund)	0	0	0	0	
Cash Funds Exempt	0	7,614,255	0	0	
Payments to Districts From Lottery Proceeds that are credited to the State Public School Fund, Contingency Reserve, Pursuant to Section 22-54-117 (1.6), C.R.S. SHOWN FOR INFORMATIONAL PURPOSES ONLY - NOT APPROPRIATED c/	*1,691,454*	*12,545,316*	*8,219,905*	*n/a*	
Charter School Capital Construction - CFE (State Education Fund)	5,000,000	7,800,000	5,000,000	5,000,000	

	FY 2005-06 Actual		FY 2006-07 Actual	FY 2007-08 Appropriation	FY 2008-09 OSPB Request	Change Requests
Reading and Literacy						
Read-to-Achieve Cash Fund	15,922,311		n/a	n/a	n/a	
General Fund	0					
Cash Funds Exempt	15,922,311					
Federal Funds	0					
Read-to-Achieve Grant Program - CFE	15,914,274		4,358,408	5,277,293	5,277,293	
FTE				1.0	1.0	
Reading Assistance Grant Program Fund - CFE	n/a		100,000	0	0	
Federal Title I Reading First Grant - FF	15,688,769		12,436,369	10,878,225	10,918,897	
FTE	9.5		15.3	9.0	15.4	
Family Literacy Education Fund - CFE (State Education Fund)	n/a		200,000	200,000	200,000	
Family Literacy Education Grant Program - CFE	n/a		220,000	200,000	200,000	
Health and Nutrition						
State Match for School Lunch Program - CF (State Public School Fund)	2,472,644		2,472,644	2,472,644	2,472,644	
Smart Start Nutrition Program	n/a		n/a	1,400,000	1,400,000	
General Fund				700,000	700,000	
Cash Funds Exempt				700,000	700,000	
School Breakfast Program - GF	310,000		498,500	500,000	500,000	
S.B. 97-101 Public School Health Services a/ - CFE	9,967,122	b/	105,186	191,696	195,033	
FTE	1.4		1.3	1.4	1.4	

	FY 2005-06 Actual	FY 2006-07 Actual	FY 2007-08 Appropriation	FY 2008-09 OSPB Request	Change Requests
Summer School and After-school Programs					
Summer School Grant Program - CFE (State Education Fund)	n/a	959,122	1,000,000	1,000,000	
FTE		0.2	0.3	0.3	
Facility Summer School Grant Program - CFE (State Education Fund)	n/a	357,500	500,000	500,000	
Dropout Prevention Activity Grant Program - CFE (Dropout Prevention Activity Grant Fund)	0	0	0	159,131	DI #6
Professional Development					
Boards of Cooperative Services - GF	0	210,000	210,000	210,000	
National Credential Fee Assistance - CFE (State Education Fund)	83,000	99,450	125,000	125,000	
Principal Development Scholarship Program - CFE	n/a	0	0	0	
Other					
Contingency Reserve Fund	622,493	0	4,439,728	4,439,728	
General Fund	0	0	0	0	
Cash Funds Exempt	622,493	0	4,439,728	4,439,728	
Closing the Achievement Gap [NEW LINE ITEM] - GF	n/a	n/a	n/a	1,800,000	DI #3

	FY 2005-06 Actual	FY 2006-07 Actual	FY 2007-08 Appropriation	FY 2008-09 OSPB Request	Change Requests
Supplemental On-line Education Services - CFE (State Public School Fund)	n/a	127,811	480,000	480,000	
Supplemental On-line Education Grant Program - CFE (State Public School Fund)			50,000	50,000	
Colorado History Day - CFE (State Education Fund)	10,000	10,000	10,000	10,000	
Aid for Declining Enrollment Districts with New Charter Schools	n/a	1,283,377	0	0	
General Fund		283,377	0	0	
Cash Funds Exempt (State Education Fund)		1,000,000	0	0	
					Request v. Appropriation
Subtotal - Grant Programs and Other	98,264,225	62,332,101	52,934,586	54,937,726	*3.8%*
FTE	12.9	18.7	11.7	20.1	*71.8%*
General Fund	25,310,000	15,991,877	21,410,000	23,210,000	*8.4%*
FTE	0.0	0.0	0.0	2.0	*0.0%*
Cash Funds (State Public School Fund)	2,472,644	2,472,644	2,472,644	2,472,644	*0.0%*
Cash Funds Exempt	44,699,812	20,877,328	10,808,717	10,971,185	*1.5%*
FTE	3.4	3.4	2.7	2.7	*0.0%*
Cash Funds Exempt (State Education Fund)	10,093,000	10,426,072	6,835,000	6,835,000	*0.0%*
Cash Funds Exempt (State Public School Fund)	0	127,811	530,000	530,000	*0.0%*
Federal Funds	15,688,769	12,436,369	10,878,225	10,918,897	*0.4%*
FTE	9.5	15.3	9.0	15.4	*71.1%*

a/ Medicaid cash funds are classified as cash funds exempt for the purpose of complying with Article X, Section 20 of the State Constitution. Generally, these moneys are transferred from the Department of Health Care Policy and Financing, where about half of the dollars are appropriated as General Fund. However, pursuant to Section 26-4-531, C.R.S., school districts may elect to contract with the Department of Health Care Policy and Financing to receive federal Medicaid funds for amounts the districts spend in providing health care services through the public schools to students who are eligible for Medicaid benefits. Thus, in lieu of state General Fund, school districts' funds are used to match federal Medicaid funds; neither the federal Medicaid funds nor the local match are reflected in the appropriation to this department.

	FY 2005-06 Actual	FY 2006-07 Actual	FY 2007-08 Appropriation	FY 2008-09 OSPB Request	Change Requests

b/ The FY 2005-06 appropriation includes federal Medicaid funds that were distributed to local school districts, plus $147,488 in administrative expenses. Subsequent appropriations reflect only administrative expenses.

c/ To date, the annual Long Bill has not included an appropriation to identify the amount of lottery proceeds that are anticipated to be made available for school capital construction. For informational purposes, staff has identified the amount of "spillover" funds that have become available for each fiscal year. Pursuant to Section 22-54-117 (1.6), C.R.S., these moneys are required to be used to provide supplemental assistance to districts for capital construction projects that address immediate safety hazards or health concerns. The State Board of Education approves projects to receive these funds.

d/ The Department reports administrative expenses of $157,433 and $162,310 for FY 2005-06 and FY 2006-07, respectively. The FY 2007-08 appropriation includes $166,856 for related administrative expenses.

					Request v. Appropriation
(D) Appropriated Sponsored Programs	294,699,330	341,137,461	319,305,225	319,571,793	*0.1%*
FTE	100.1	97.6	106.7	106.7	*0.0%*
Cash Funds	435,247	574,988	810,000	810,000	*0.0%*
FTE	0.0	0.0	0.0	0.0	*0.0%*
Cash Funds Exempt	2,514,323	2,912,662	4,927,699	4,906,580	*-0.4%*
FTE	5.8	5.9	7.0	6.0	*-14.3%*
Federal Funds	291,749,760	337,649,811	313,567,526	313,855,213	*0.1%*
FTE	94.3	91.7	99.7	100.7	*1.0%*

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	FY 2005-06 Actual	FY 2006-07 Actual	FY 2007-08 Appropriation	FY 2008-09 OSPB Request	Change Requests
					Request v. Appropriation
SUBTOTAL - ASSISTANCE TO PUBLIC SCHOOLS	3,602,090,424	3,831,008,154	4,013,412,663	4,199,408,051	*4.6%*
FTE	181.2	184.3	178.9	196.9	*10.1%*
General Fund	2,674,658,873	2,849,252,570	3,028,571,846	3,180,070,178	*5.0%*
FTE	0.0	0.0	1.0	3.0	*200.0%*
General Fund Exempt Account (included above)	*361,711,470*	*343,100,000*	*343,900,000*	*343,900,000*	
Cash Funds	435,247	574,988	810,000	810,000	*0.0%*
FTE	0.0	0.0	0.0	0.0	*0.0%*
Cash Funds (State Public School Fund)	11,964,520	11,964,520	11,964,520	11,964,520	*0.0%*
Cash Funds Exempt	47,912,135	24,195,094	16,584,416	16,726,533	*0.9%*
FTE	9.7	9.8	10.2	9.2	*-9.8%*
Cash Funds Exempt (State Education Fund)	335,536,131	336,492,144	359,705,898	385,434,596	*7.2%*
Cash Funds Exempt (State Public School Fund)	80,855,091	91,787,924	107,539,000	115,630,000	*7.5%*
Federal Funds	450,728,427	516,740,914	488,236,983	488,772,224	*0.1%*
FTE	171.5	174.5	167.7	184.7	*10.1%*

	FY 2005-06 Actual	FY 2006-07 Actual	FY 2007-08 Appropriation	FY 2008-09 OSPB Request	Change Requests
(3) LIBRARY PROGRAMS					
This section provides funding for various library-related programs, excluding funding for most library programs staff, who are funded in the Management and Administration section.					
Colorado Library Consortium - GF	600,000	1,000,000	1,000,000	1,000,000	
Colorado Virtual Library	359,796	359,796	379,796	379,796	
General Fund	359,796	359,796	359,796	359,796	
Cash Funds Exempt	0	0	20,000	20,000	
Colorado Talking Book Library, Building Maintenance and Utilities Expenses - GF	0	61,023	61,023	70,660	DI #5
State Grants to Publicly-Supported Libraries Fund - GF	0	0	0	1,000,000	
State Grants to Publicly-Supported Libraries Program - CFE	0	0	0	1,000,000	DI #10
FTE	0.0	0.0	0.0	0.0	
Reading Services for the Blind - CFE	190,000	200,000	200,000	200,000	
					Request v. Appropriation
SUBTOTAL - LIBRARY PROGRAMS	1,149,796	1,620,819	1,640,819	3,650,456	*122.5%*
General Fund	959,796	1,420,819	1,420,819	2,430,456	*71.1%*
Cash Funds Exempt	190,000	200,000	220,000	1,220,000	*454.5%*

	FY 2005-06 Actual	FY 2006-07 Actual	FY 2007-08 Appropriation	FY 2008-09 OSPB Request	Change Requests

(4) SCHOOL FOR THE DEAF AND THE BLIND

This section provides operational funding for the Colorado School for the Deaf and the Blind, which provides educational services for hearing impaired/deaf and visually impaired/blind children. Cash funds consist of fees paid by individuals for workshops and conferences and housing reimbursements. Cash funds exempt sources include transfers from the Public School Finance, Categorical Programs, and Appropriated Sponsored Programs sections (above), as well as federal funds transferred from local school districts.

(A) School Operations

	FY 2005-06 Actual	FY 2006-07 Actual	FY 2007-08 Appropriation	FY 2008-09 OSPB Request	Change Requests
Personal Services	8,651,977	8,192,765	8,446,920	8,793,236	
FTE	145.3	131.6	141.3	141.3	
General Fund	7,417,097	6,902,489	7,140,736	7,487,052	
FTE	124.6	110.9	119.6	119.6	
Cash Funds Exempt	1,234,880	1,290,276	1,306,184	1,306,184	
FTE	20.7	20.7	21.7	21.7	
Early Intervention Services	Included above	992,645	1,263,773	1,146,468	
FTE		8.6	10.0	10.0	
General Fund		992,645	1,110,165	1,146,468	
FTE		8.6	9.2	10.0	
Cash Funds Exempt		0	153,608	0	
FTE		0.0	0.8	0.0	
Shift Differential - GF	72,318	75,627	82,047	84,932	
Operating Expenses - GF	396,178	415,567	417,277	417,277	
Vehicle Lease Payments - GF	24,818	23,292	28,289	17,744	Statewide #3
Communication Services Payments - GF	3,083	3,473	3,446	3,598	
Utilities - GF	510,705	490,396	460,913	460,913	

	FY 2005-06 Actual	FY 2006-07 Actual	FY 2007-08 Appropriation	FY 2008-09 OSPB Request	Change Requests
Allocation of State and Federal Categorical Program Funding - CFE	141,866	159,949	150,000	150,000	
FTE	0.3	0.3	0.4	0.4	
Medicaid Reimbursements for Public School Health Services - CFE	67,251	51,244	85,000	85,000	
FTE	1.2	1.1	1.5	1.5	*Request v. Appropriation*
Subtotal - School Operations	9,868,196	10,404,958	10,937,665	11,159,168	*2.0%*
FTE	146.8	141.6	153.2	153.2	*0.0%*
General Fund	8,424,199	8,903,489	9,242,873	9,617,984	*4.1%*
FTE	124.6	119.5	128.8	129.6	*0.6%*
Cash Funds Exempt - transfers	1,443,997	1,501,469	1,694,792	1,541,184	*-9.1%*
FTE	22.2	22.1	24.4	23.6	*-3.3%*
(B) Special Purpose					
Fees and Conferences - CF	56,509	75,000	75,000	120,000	DI #7
Federal Funds Transferred from School Districts - CFE	298,634	330,387	269,000	269,000	
FTE	2.7	2.6	2.8	2.8	
Tuition from Out-of-state Students	94,504	97,338	200,000	200,000	
Cash Funds	0	0	200,000	200,000	
Cash Funds Exempt	94,504	97,338	0	0	
Summer Olympics Housing - CF	3,247	10,000	10,000	10,000	
Grants - CFE	1,191,140	864,639	1,250,000	1,403,608	
FTE	9.5	7.2	9.0	9.0	

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	FY 2005-06 Actual	FY 2006-07 Actual	FY 2007-08 Appropriation	FY 2008-09 OSPB Request	Change Requests
					Request v. Appropriation
Subtotal - Special Purpose	1,644,034	1,377,364	1,804,000	2,002,008	*11.0%*
FTE	12.2	9.8	11.8	11.8	*0.0%*
Cash Funds	59,756	85,000	285,000	330,000	*15.8%*
Cash Funds Exempt	1,584,278	1,292,364	1,519,000	1,672,608	*10.1%*
FTE	12.2	9.8	11.8	11.8	*0.0%*
SUBTOTAL - SCHOOL FOR THE DEAF AND THE BLIND	11,512,230	11,782,322	12,741,665	13,161,776	*3.3%*
FTE	159.0	151.4	165.0	165.0	*0.0%*
General Fund	8,424,199	8,903,489	9,242,873	9,617,984	*4.1%*
FTE	124.6	119.5	128.8	129.6	*0.6%*
Cash Funds - various	59,756	85,000	285,000	330,000	*15.8%*
Cash Funds Exempt	3,028,275	2,793,833	3,213,792	3,213,792	*0.0%*
FTE	34.4	31.9	36.2	35.4	*-2.2%*
TOTAL - DEPARTMENT	3,654,320,536	3,881,534,333	4,068,616,142	4,258,418,724	*4.7%*
FTE	450.7	448.7	477.4	500.3	*4.8%*
General Fund	2,707,106,732	2,883,637,793	3,064,213,254	3,218,524,359	*5.0%*
FTE	179.0	181.4	200.8	208.5	*3.8%*
General Fund Exempt Account (included above)	*361,711,470*	*343,100,000*	*343,900,000*	*343,900,000*	
Cash Funds	3,123,895	2,641,781	3,076,979	3,205,517	*4.2%*
FTE	20.0	19.7	20.5	20.5	*0.0%*
Cash Funds (State Public School Fund)	11,964,520	11,964,520	12,000,000	12,000,000	*0.0%*
Cash Funds Exempt	53,914,566	30,343,804	24,402,662	25,611,265	*5.0%*
FTE	70.6	63.3	78.4	76.6	*-2.3%*
Cash Funds Exempt (State Education Fund)	335,710,993	336,723,070	359,945,898	385,674,596	*7.1%*
Cash Funds Exempt (State Public School Fund)	80,855,091	91,787,924	108,088,954	115,695,389	*7.0%*
FTE	0.0	0.0	1.0	1.0	*0.0%*
Federal Funds	461,644,739	524,435,441	496,888,395	497,707,598	*0.2%*
FTE	181.1	184.3	176.7	193.7	*9.6%*

NOTE: In the "Change Requests" column, "DI" refers to the priority of a decision item request.

FY 2007-08 LONG BILL FOOTNOTE UPDATE

4 **All Departments, Totals** -- The General Assembly requests that copies of all reports requested in other footnotes contained in this act be delivered to the Joint Budget Committee and the majority and minority leadership in each house of the General Assembly.

Comment: While none of the footnotes included in the FY 2007-08 Long Bill request a "report", several request that the Department provide "information" to the Joint Budget Committee, including: #5 (FTE supported by federal grants or private donations), #13 (Colorado Preschool and Kindergarten Program), #15 (categorical programs), and #16 (grant funding for boards of cooperative services). The Department sent responses to each of these footnotes except for #5. Department staff provided copies of these reports to the six members of leadership.

5 **All Departments, Totals –** Every Department is requested to submit to the Joint Budget Committee information on the number of additional federal and cash funds exempt FTE associated with any federal grants or private donations that are applied for or received during FY 2007-08. The information should include the number of FTE, the associated costs (such as workers' compensation, health and life benefits, need for additional space, etc.) that are related to the additional FTE, the direct and indirect matching requirements associated with the federal grant or donated funds, the duration of the grant, and a brief description of the program and its goals and objectives.

Comment: *This footnote was vetoed by the Governor on the basis that: (1) it violates the separation of powers in that it is attached to federal funds and private donations, which are not subject to legislative appropriation; (2) placing information requirements on such funds could constitute substantive legislation in the Long Bill; and (3) it requires a substantial dedication of resources and constitutes an unfunded mandate. After the General Assembly overrode all Long Bill vetoes, the administration reviewed each footnote to determine which could be reasonably complied with given available resources and departmental priorities. To the extent that this footnote could be adhered to without adversely impacting executive branch operations or the delivery of services, the Governor directed departments to comply pursuant to the August 16, 2007 letter from the director of the Office of State Planning and Budgeting to the leadership of the General Assembly.*

Information Included in Budget Request. The Department annually reports actual FTE and associated expenditures for various federal fund sources in its budget request. Staff has used this information to prepare a summary of federal moneys expended by the Department in FY 2005-06 and FY 2006-07, as well as estimates of federal moneys that will be available for FY 2007-08 and FY 2008-09 [see Appendix A].

The Department's budget request includes some descriptive information about federal grants in its budget request [see the "Workload Indicators" section following Tab 2-1]. However, the information in this section of the budget request is provided by organizational unit, so it is difficult for the reader to quickly access the information about a specific federal grant.

Other Available Information. The Department's website does include information about many of the federal grants at:

www.cde.state.co.us/index_funding.htm

In addition, pursuant to a provision that was included in S.B. 05-200 [Section , 22-2-108 (4) C.R.S.], the Department isrequired to annually report (by July 1) the following information to the Education Committees:

- the amount of federal funds received in the prior fiscal year;
- an accounting of how such funds were used;
- the federal laws or regulations that govern the use of federal funds, if any; and
- any flexibility the State Board has in using the federal funds.

The Department did not submit this report.

12 **Department of Education, Assistance to Public Schools, Public School Finance, State Share of Districts' Total Program Funding** -- The minimum state aid for fiscal year 2007-08 is established at $131.21 per student.

Comment: The Public School Finance Act of 1994 indicates that "no district shall receive less in state aid than an amount established by the general assembly in the annual general appropriation act based upon the amount of school lands and mineral lease moneys received pursuant to the provisions of article 41 of [Title 22] and section 34-63-102 (2), C.R.S., multiplied by the district's funded pupil count"[5]. [Please note that this is different than the *minimum per pupil funding* referenced in Section 22-54-104 (2) (a), C.R.S.] **Although no school districts have been affected by the *"minimum state aid"* factor for a number of years, there are two districts anticipated to be affected in FY 2007-08: Gunnison, and Routt - Steamboat Springs**.

The minimum per pupil state aid amount identified in this footnote is used by both the Department of Education and Legislative Council staff in calculating the amount of state aid for which each district is eligible based upon annual public school finance legislation. For FY 2007-08, staff recommended utilizing actual revenues credited to the State Public School Fund in FY 2005-06 in order to calculate the *minimum per pupil state aid* for FY 2007-08. Prior to FY 2007-08, staff had used projected revenues for the following fiscal year. The Joint Budget Committee, and ultimately the General Assembly, approved this approach. Minimum per pupil state aid was thus calculated as follows for FY 2007-08:

[5] See Section 22-54-106 (1) (b), C.R.S.

Interest/ investment earnings on the Public School Fund	$19,439,985
Rental income earned on state public school lands	12,000,000
Mineral lease moneys allocated to State Public School Fund	69,249,702
Total estimated revenues	$100,689,687
Divided by: Projected statewide funded pupil count (Long Bill)	767,416.3
Minimum per pupil state aid	$131.21

Please note that staff has included rental income that is earned on state public school lands in the above calculation for a number of years. Last Spring, staff noted that the statutory provision concerning minimum per pupil state aid does not reference Section 36-1-116, C.R.S., which allocates (up to $12 million in) rental income earned on state public school lands to the State Public Income Fund. However, given that the above statutory provision references "school lands and mineral lease moneys", staff assumed that it was appropriate to continue to include the rental income earned on state public school lands that is available for appropriation.

13 **Department of Education, Assistance to Public Schools, Public School Finance, State Share of Districts' Total Program Funding** -- The Department is requested to provide to the Joint Budget Committee, on or before November 1, 2007, information concerning the Colorado Preschool and Kindergarten Program. The information provided is requested to include the following for fiscal year 2006-07: (a) data reflecting the ratio of the total funded pupil count for the Program to the total funded pupil count for kindergarten; (b) data indicating the number of three-year-old children who participated in the Program; (c) data indicating the number of children who participated in the Program for a full-day rather than a half-day; (d) data indicating the number of Program FTE used to provide a full-day kindergarten component; and (e) the state and local shares of total program funding that is attributable to the Program.

Comment: *This footnote was vetoed by the Governor on the basis that: (1) it violates the separation of powers by attempting to administer the appropriation*; *and, (2) it constitutes substantive legislation. In his May 2, 2007, letter to the General Assembly, however, the Governor indicated that he would instruct the Department to comply to the extent feasible. Further, after the General Assembly overrode all Long Bill vetoes, the administration reviewed each footnote to determine which could be reasonably complied with given available resources and departmental priorities. To the extent that this footnote could be adhered to without adversely impacting executive branch operations or the delivery of services, the Governor directed departments to comply pursuant to the August 16, 2007 letter from the director of the Office of State Planning and Budgeting to the leadership of the General Assembly.*

The Department provided the information as requested, and it is summarized below.

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

The number of school districts participating in CPKP has increased from 32 in FY 1988-89 to 169 (of 178) in FY 2006-07. The Department indicates that an additional eight districts participated in FY 2006-07. Most districts that are not currently participating in CPKP are small, rural districts. However, two non-participating districts have funded pupil counts in excess of 1,000: El Paso - Cheyenne Mountain (with a funded pupil count of 4,511 in FY 2006-07) and El Paso - Manitou Springs (with a funded pupil count of 1,307).

Total Number of Slots. The number of state-funded half-day preschool program "slots" is limited in statute. Since the program began operating in January 1989, its target population has been expanded and the maximum number of children that may be served has increased from 2,000 to 16,360 for FY 2007-08. Most recently, **the General Assembly increased the number of funded CPKP slots from 12,360 in FY 2005-06, to 14,360 in FY 2006-07, to 16,360 in FY 2007-08.** Current law further increases the number of funded slots **to 19,860 for FY 2008-09 and subsequent fiscal years.**

For FY 2006-07, participating districts received funding to serve a total of 14,360 pupils. However, the Department is required to allow districts to apply for authorization to serve up to 2,154 (15 percent of the total slots) through a full-day kindergarten program. The Department allocates these slots separately from those designated for preschool. Thus, for FY 2006-07, the Department allocated 12,206 slots designated for preschool. For comparison purposes, the number of pupils in public kindergarten programs statewide was 60,744. Thus, on a statewide basis, **the total number of CPKP *preschool* slots authorized for FY 2006-07 represented 20.1 percent of the total number of public school kindergarten students**.

For purposes of putting this ratio in perspective, please note that the proportion of the funded pupil count considered "at-risk" in FY 2006-07 based on the School Finance Act formula (which counts the number of children eligible for the federal free lunch program or whose dominant language is not English) was 31.5 percent. If every district had received CPKP preschool slots in proportion to its at-risk population entering kindergarten programs the following school year (using the number of children in kindergarten programs in the current year as a proxy), a total of 19,144 CPKP preschool slots would have been funded. This analysis implies that an additional 6,938 slots would have been necessary to provide half-day preschool to all at-risk children.

The following table uses the School Finance Act definition of "at-risk" for purposes of estimating the shortfall of CPKP *preschool* slots for fiscal years 2005-06 through 2008-09.

Fiscal Year	(A) Number of Authorized CPKP Half-Day *Preschool* Slots	(B) Number of Children in Kindergarten Funded Through School Finance Act	(C) Ratio (A / B)	(D) Percent of Children Considered At-risk Under School Finance Formula	(E) Number of Additional Slots Required to Serve Children "At-risk" Per Formula
2005-06	10,506	59,278	17.7%	31.6%	8,226
2006-07	12,206	60,774	20.1%	31.5%	6,938
2007-08	13,906	62,013	22.4%	31.2%	5,442
2008-09	16,881	63,103	26.8%	31.0%	2,681

Please note that there are several possible proxies that one could use to estimate the total number of at-risk children. For example, if one used the percentage of students in grades one through eight who are eligible for free <u>or reduced</u> lunch (38.6 percent of children in FY 2006-07), the estimated shortfall would be higher than indicated in the above table (e.g., approximately 7,500 slots in FY 2008-09).

Allocation of Slots. In recent years, the Department has greatly improved the equity of the allocation of slots among districts. When allocating the 2,000 new slots for FY 2007-08, the Department gave first priority to those districts not yet participating in the program. In addition, the Department considered a number of other factors in determining the allocation, including:

- the district's need, demographics and population served, including: the number of children eligible for the federal <u>free or reduced</u> lunch program; Colorado Student Assessment Program scores for 3rd, 4th, and 5th grade students in reading, writing, and math; whether the district's elementary schools are making "adequate yearly progress"; the percentage of district elementary schools with an overall academic rating of "low" or "unsatisfactory"; the percentage of district elementary schools with an academic improvement rating of "declining" or "significantly declining"; and district dropout and graduation rates;

- the district's ability to collaborate within the community in providing CPKP services;

- the district's plan for implementing the program and its compliance with statutory mandates; and

- the district's ability to evaluate and assess the effectiveness of their program.

The Department provided information comparing each districts' funded pupil count for CPKP preschool to its funded pupil count for public school kindergarten programs. This comparison continues to reveal disparity among districts, with ratios ranging from zero percent for those districts not participating to 166 percent (e.g., Baca - Campo received funding for five preschool slots and it had only three children enrolled in public kindergarten programs). In fact, in 14 districts, the number of CPKP preschool slots equaled or exceeded the number of pupils in public kindergarten. However, these 14 districts are relatively small, with kindergarten enrollments ranging from 2 to 20.

A review of larger districts reveals less of a disparity, and the disparities appear to relate to the number of low income students served. However, **if one considers the number of pupils considered "at-risk" based on the School Finance Act formula, the allocation of CPKP slots does not always correlate with the number of at-risk pupils**. The table on the following page compares the number of CPKP preschool slots allocated to the 16 districts with more than 1,000 pupils in public kindergarten programs to the percent of each district's pupils that are considered "at-risk" for purposes of the School Finance Act (i.e., children who are eligible for the federal <u>free</u> lunch program or are English language learners). The last column (E) provides an estimate of the gap between the number of authorized CPKP preschool slots and the number of at-risk pupils. For example, Denver's allocation of 2,257 CPKP preschool slots allowed them to serve about 34 percent of children who would be entering kindergarten the next school year. However, approximately 65 percent of Denver's pupils are considered "at-risk" (for purposes of the School Finance Act), so the gap between Denver's FY 2006-07 allocation and the number of at-risk children who entered kindergarten this year is estimated at 2,036. Statewide, this gap for FY 2006-07 is estimated at 6,938.

Larger Districts (with 1,000+ kindergarten pupils) / Statewide	(A) Total CPKP *Preschool* Slot Allocation (FY 06-07)	(B) Kindergarten Funded Head Count (FY 06-07)	(C) Ratio (A / B)	(D) Percent of Pupils "At-Risk" per School Finance Act (FY 06-07)	(E) Estimated Number of At-Risk 4-year-olds Not Served [(D x B) - A]
Denver	2,257	6,630	34.0%	64.8%	2,036
Arapahoe - Aurora	583	2,899	20.1%	55.3%	1,020
Adams - Northglenn	278	3,014	9.2%	27.7%	555
El Paso - Colorado Springs	478	2,378	20.1%	39.9%	471
Weld - Greeley	309	1,505	20.5%	51.6%	468
Jefferson	811	5,727	14.2%	21.8%	439
Boulder - St. Vrain	160	1,891	8.5%	28.1%	372
Arapahoe - Cherry Creek	235	3,481	6.8%	16.2%	328
Larimer - Poudre	117	1,896	6.2%	23.1%	321
Pueblo - Pueblo City	637	1,418	44.9%	58.7%	195
Mesa - Mesa Valley	264	1,519	17.4%	28.9%	175
Larimer - Thompson	75	1,035	7.2%	23.9%	173
Boulder - Boulder	225	2,070	10.9%	16.7%	120
Douglas	50	4,035	1.2%	3.5%	91
Arapahoe - Littleton	110	1,040	10.6%	14.4%	40
El Paso - Academy	58	1,428	4.1%	5.3%	17
Statewide	**12,206**	**60,774**	**20.1%**	**31.5%**	**6,938**

Please note that some of the at-risk children who are not served through CPKP are receiving quality preschool services through the federal Head Start Program. In FY 2005-06, 9,820 children were served through Head Start and Early Head Start programs around the state (this figure includes three-, four-, and five-year olds, as well as children under age three).

In addition, similar to the analysis of the total number of at-risk children, other proxies could be used to analyze the allocation of CPKP slots. For example, if one used the percentage of students in grades one through eight who are eligible for free or reduced lunch, certain districts would appear to have a greater relative need than indicated in the table on the previous page (e.g., El Paso - Academy, Douglas, and Arapahoe - Cherry Creek).

Participation of Children Under Age Four. Since FY 2002-03, all districts have been allowed to serve eligible three-year-old children through CPKP as long as the child lacks overall learning readiness that is attributable to at least three significant family risk factors. In FY

2006-07, **63 percent** (107 of 169) **of participating school districts chose to use CPKP slots to serve children under age four**. This compares to 71 districts (44 percent) in FY 2005-06. **These districts used 2,158 CPKP slots (17.7 percent of CPKP *preschool* slots) to serve a total of 2,084 children**[6]. This compares to 1,468 slots (13.5 percent) in FY 2005-06. The percent of CPKP slots that these districts used to serve children younger than age four ranged from 0.6 percent (Boulder - St. Vrain) to 100 percent (Lincoln - Genoa Hugo).

Number of Children Allowed to Use Two Slots. Districts may apply to the Department to use two CPKP slots to provide an eligible child with a full-day, rather than half-day, preschool program. The Department is required to limit the total number of CPKP slots that can be used for this purpose to five percent of the total, or 718 for FY 2006-07. The Department provided a list of districts that used slots for this purpose in FY 2006-07. A total of 15 school **districts** (compared to 17 in FY 2005-06) **used only 416** (compared to 554 in FY 2005-06) **CPKP slots to serve children through a full-day program**. The percent of CPKP slots that these districts used to provide full-day preschool ranged from 0.5 percent (Adams - Westminster) to 27.8 percent (Lincoln - Limon).

Allocation of Slots for Full-day Kindergarten. Districts may apply to the Department to use CPKP slots to provide full-day kindergarten classes to eligible children. **The Department is required to allow districts to apply for authorization to use up to 15 percent of total CPKP slots (2,154 for FY 2006-07) through a full-day kindergarten program. The Department allocates these slots separately from those designated for preschool.** The Department provided a list of the 52 districts (compared to 33 in FY 2005-06) that used 2,153 slots to provide full-day kindergarten classes in FY 2006-07. The percent of CPKP slots that these districts used to provide full-day kindergarten ranged from 8.6 percent (Boulder - St. Vrain) to 100.0 percent (Conejos - South Conejos, El Paso - Hanover, and Prowers - Granada).

State and Local Funding. The CPKP is funded through the School Finance Act by allowing districts to count each participating child as a half-day pupil. Thus, the program has always been financed with both local and state funds. The amount of funding that each district receives per participant is based on the statutory formula that determines per pupil funding. The Department provided details concerning the portion of each participating district's total program funding that was earmarked for CPKP in FY 2006-07. **Statewide, $45.2 million of districts' total program funding was earmarked for the CPKP** (less than one percent), **including $29.0 million in state funding** (64 percent of total CPKP funding).

<u>14</u> **Department of Education, Assistance to Public Schools, Public School Finance, State Share of Districts' Total Program Funding** -- Of the amount appropriated for this line item, a portion, not to exceed $250,000 for fiscal year 2007-08, shall be transferred to the Legislative Council for the purpose of funding the biennial cost of living analysis pursuant to Section 22-54-104 (5) (c) (III) (B), C.R.S.

[6] Districts used 74 slots to provide full-day preschool services, and three districts (Denver, Fremont - Canon City, and Fremont - Florence) used 76 slots to serve children younger than age three under a pilot waiver.

Comment: Pursuant to Section 22-54-104 (5) (c) (III) (A), C.R.S., the **Legislative Council staff is required to conduct a biennial study concerning the relative cost of living in each school district**. The results of the study are then to be used to adjust each school district's cost of living factor for purposes of calculating per pupil funding for the following two fiscal years. Thus, **the results of the current study will impact funding requirements for FY 2008-09 and FY 2009-10**.

Prior to FY 2003-04, this biennial study was funded from the General Fund. Pursuant to a provision included in S.B. 03-248 [Section 22-54-104 (5) (c) (III) (B), C.R.S.], the costs of this study are now funded "off-the-top" of districts' total program funding. Thus, the Department of Education is to transfer a portion of the total amount appropriated for the State Share of Districts' Total Program Funding for FY 2007-08 to the Legislative Council to fund the statutorily required cost of living analysis. The amount transferred by the Department is not to exceed an amount specified in a Long Bill footnote. The 2007 study will reduce districts' funding by about $0.33 per pupil.

The FY 2007-08 Long Bill included a $250,000 cash funds exempt appropriation to the Legislative Department to receive and spend funds transferred from the Department of Education. Legislative Council staff is working with two vendors to collect and analyze cost-of-living data for a total of $250,000. They anticipate that the results of the study should be available by mid-January 2008.

15 **Department of Education, Assistance to Pupilc Schools, Categorical Programs; and Department of Higher Education, Division of Occupational Education, Colorado Vocational Act Distributions pursuant to Section 23-8-102, C.R.S.** -- The Department of Education is requested to work with the Department of Higher Education and to provide to the Joint Budget Committee information concerning the distribution of state funds available for each categorical program excluding grant programs. The information for special education - children with disabilities, English language proficiency programs, public school transportation, Colorado Vocational Act distributions, and small attendance center aid is requested to include the following: (a) a comparison of the state funding distributed to each district or administrative unit for each program in fiscal year 2006-07 and the maximum allowable distribution pursuant to state law and/or State Board of Education rule; and (b) a comparison of the state and federal funding distributed to each district or administrative unit for each program in fiscal year 2005-06 and actual district expenditures for each program. The information for special education services - gifted and talented children is requested to include a comparison of the state funding distributed to each district or administrative unit for each program in fiscal year 2005-06 and actual district expenditures.

Comment: *This footnote was vetoed by the Governor on the basis that: (1) it violates the separation of powers by attempting to administer the appropriation*; *and, (2) it constitutes substantive legislation. In his May 2, 2007, letter to the General Assembly, however, the Governor indicated that he would instruct the Department to comply to the extent feasible. Further, after the General Assembly overrode all Long Bill vetoes, the administration reviewed each footnote to determine which could be reasonably complied with given available resources and departmental priorities. To the extent that this footnote could be adhered to without adversely impacting executive branch operations or the delivery of services, the Governor* *directed departments to comply pursuant to the August 16, 2007 letter from the director of the Office of State Planning and Budgeting to the leadership of the General Assembly.*

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

Last year, staff identified four factors to consider when allocating state funds among categorical programs:

1. Are districts statutorily required to provide the services?

2. If the program has a statutory reimbursement formula, how close does state funding come to the maximum statutory reimbursement?

3. What percent of districts' actual expenditures are covered by state and federal funds?

4. Are districts' expenditures for providing the service proportionate, or are certain districts impacted significantly more than others?

Staff provides a discussion of each of these factors below.

1. Statutory Requirements. As indicated by the structure of the annual Long Bill appropriations for categorical programs, there are two categorical programs that districts are statutorily required to provide:

✓ <u>Special Education for Children with Disabilities</u> - Pursuant to the federal *Individuals with Disabilities Education Act* and the state *Exceptional Children's Educational Act* [Article 20 of Title 22, C.R.S.], school districts are required to provide free educational services to children, ages three to 21, who by reason of one or more conditions are unable to receive reasonable benefit from ordinary educational services. Federal and state law require administrative units (usually a district or a board of cooperative services) to provide all necessary services to children identified as having a disability regardless of the cost or other district needs and priorities.

✓ <u>English Language Proficiency Act Programs</u> - Pursuant to the federal *No Child Left Behind Act* [Title III - Language Instruction for Limited English Proficient and Immigrant Students], the federal *Civil Rights Act of 1964* [Title VI], and the English Language Proficiency Act [Article 24 of Title 22, C.R.S.], districts are required to identify and provide programs for students whose dominant language is not English.

While services that are partially funded through the remaining categorical programs are important to individual students and to districts (i.e., transportation; services for children who are gifted and talented or at-risk of expulsion; and vocational education and comprehensive health education services), districts are not statutorily required to provide them.

2. Statutory Reimbursement Formula. State funding is provided through a statutory formula for five categorical programs. The following table (Table I) provides a comparison of the state funding available for each of these programs for FY 2006-07, and the maximum statutory reimbursement. Based on this comparison, state funding for English Language Proficiency Programs is the least adequate, covering less then ten percent of the statutory maximum.

TABLE I: Maximum Amount of State Funds Districts Were Statutorily Eligible to Receive for FY 2006-07				
Long Bill Line Item	**Description of What Determines Maximum State Funding**	**Estimated Portion of Maximum Covered by Existing Funds**	**Estimated Increase Required to Fund Statutory Maximum**	
			Amount*	**Percent**
District Programs Required by Statute:				
Special Education - Children With Disabilities*	Driven by the number of children requiring special education services, characteristics of the children eligible for such services, and the cost of such services	53.3%	$101,538,519	87.6%
English Language Proficiency Program	Driven by the number of eligible students and statewide average per pupil operating revenue	9.7%	57,199,150	932.7%
Other Categorical Programs (with specified statutory reimbursement levels):				
Public School Transportation	Driven by total miles traveled and total transportation-related costs (excluding capital outlay expenses)	59.9%	28,657,466	66.8%
Colorado Vocational Act Distributions*	Driven by the number of students participating in vocational education programs and the costs of such services per FTE in relation to each district's per pupil operating revenues	87.5%	2,860,119	14.3%
Small Attendance Center Aid	Driven by the number of eligible schools, such schools' enrollment, and eligible districts' per pupil funding	100.0%	0	0.0%
Total			**$190,255,254**	**94.5%**

* The estimated increase required to fund the statutory maximum for special education for children with disabilities includes: $103,973,845 ($1,250 per student with disabilities); $111,018,000 (assuming districts received $6,000 per student for 100 percent of the 18,503 students with specified disabilities, rather than for 8.6 percent of these students); $2,000,000 for high cost grants; and $500,000 for "educational orphans". Staff has not attempted to estimate the costs of "fully funding" the high cost grant program.

3. Percent of Actual Expenditures Covered by State and Federal Funds. The previous table (Table I) compared available state funding to the amount of state funding that districts are eligible to receive pursuant to state statute. However, these statutory formulas are generally designed to cover only a portion of districts' costs. Staff believes that it is also important to compare actual district expenditures on categorical programs to the amount of state and federal funding available for categorical programs. The following table (Table II) provides a comparison of actual district expenditures for categorical programs to available state and federal funding. Based the availability and relevance of expenditure data, staff has included data for five categorical programs (excluding data for three programs: Expelled and At-risk Student Services Grant Program, Small Attendance Center Aid, and Comprehensive Health Education).

This analysis indicates that districts spent over $732 million in FY 2005-06 (the equivalent of 16.0 percent of districts' total program funding for FY 2005-06) on five categorical programs. Districts spent the largest dollar amount of local funds to provide special education services to children with disabilities ($374 million), followed by English language proficiency programs ($157 million) and public school transportation services ($132 million).

TABLE II: Categorical Program Revenues and Expenditures: FY 2005-06						
Long Bill Line Item	**State Funding**	**Federal Funding**	**Total State and Federal Funding**	**Percent of Districts' Expenditures Covered by State and Federal Funds**	**Total Categorical Expenditures Covered by Local Districts' General Fund**	**Percent of Districts' General Fund Used to Cover Unreimbursed Expenditures**
District Programs Required by Statute:						
Special Education - Children With Disabilities a/	$129,967,125	$136,625,874	$266,592,999	41.6%	$373,685,031	8.2%
English Language Proficiency Program	4,014,841	9,208,001	13,222,842	7.8%	157,294,346	3.4%
Other Categorical Programs:						
Public School Transportation	41,420,731	0	41,420,731	23.9%	132,155,371	2.9%
Colorado Vocational Act Distributions	19,996,048	6,041,903	26,037,951	33.9%	50,688,334	1.1%
Special Education - Gifted and Talented Children	7,727,160	0	7,727,160	29.0%	18,932,257	0.4%
Total					**$732,755,339**	**16.0%**

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

4. Distribution of Costs Among Districts'. One additional factor to consider when allocating state funds among categorical programs is whether the costs of providing the service are proportional among districts (i.e., districts spend a similar proportion of their budgets providing the service), or whether certain districts are impacted significantly more than others. As indicated above, statewide, districts' local expenditures for five categorical programs represented 16.0 percent of total district expenditures in FY 2005-06. This percentage ranges widely among districts (e.g., in FY 2004-05 these expenditures represented less than two percent for three districts -- El Paso - Cheyenne Mountain, Hinsdale, and Baca-Vilas -- and more than 23 percent for Denver[7]).

Last year, staff analyzed local expenditures for five categorical programs incurred in FY 2004-05 by those 15 districts that devoted the highest percentage of local expenditures for such purpose. This analysis revealed several differences among districts. First, Denver spent significantly more local funds on categorical programs than any other district - at least six percentage points more than any other district.

Second, for the majority of those districts that spend the highest percentage of their local funds on categorical programs, special education services for children with disabilities represented the largest share of local expenditures.

Third, in general, rural districts spent more local funding on transportation than urban districts. In addition, it appears that small, rural districts spent a greater share of their local funding on vocational education programs compared to larger urban districts.

Finally, the variance in the proportion of local expenditures was greatest for three categorical programs: English Language Proficiency Programs (a range of 12.45 percentage points); Special Education for Children with Disabilities (a range of 11.19 percentage points); and public school transportation (a range of 9.06 percentage points). However, while nearly all districts are impacted to some extent by the latter two programs, fewer than half of districts were impacted at all by the provision of services to English language learners. In fact, only 11 districts spent a greater share of their local budget on services for English language learners than the statewide average of 2.0 percent:

Denver County (12.45%)
Garfield - Roaring Fork (5.79%)
Eagle County (3.36%)
Yuma - Yuma 1 (3.30%)
Otero - Rocky Ford (2.91%)
Adams - Westminster 50 (2.46%)
Prowers - Lamar (2.31%)
Morgan - Fort Morgan (2.17%)
Costilla - Sierra Grande (2.16%)
Garfield - Garfield (2.12%)
Kit Carson - Burlington (2.04%)

In summary, the General Assembly is unlikely to be able to provide sufficient funding to "fully fund" statutory reimbursements for all categorical programs in the near future. However, the requirements of Section 17 of Article IX of the Colorado Constitution provide a window of opportunity over the next three years to continue to close the funding gap for one or more

[7] For purposes of this analysis, based on data limitations, staff excluded boards of cooperative services.

programs. Staff estimates that the General Assembly will be required to increase state funding for categorical programs by $27.0 million over the next three years. This level of increase will not be adequate to "fully fund" all categorical programs. Based on the four criteria discussed above, staff recommends using the gaps between state and federal funding and actual district expenditures to allocate state funding increases among categorical programs. This would result in the following prioritization:

Special Education-Children with Disabilities (51% of new funds; 3.3% increase in state funds)
English Language Proficiency Programs (21% of new funds; 23.8% increase in state funds)
Public School Transportation (18% of new funds; 3.3% increase in state funds)
Colorado Vocational Act Distributions (7% of new funds; 2.6% increase in state funds)
Gifted and Talented Programs (3% of new funds; 2.6% increase in state funds)

Please note that pursuant to S.B. 07-199, the Joint Budget Committee is required to consider a joint recommendation from the Education Committees regarding the allocation of the required state funding increase for all categorical programs when developing the Long Bill.

16 **Department of Education, Assistance to Public Schools, Grant Programs and Other Distributions** -- The Department is requested to provide information to the Joint Budget Committee by November 1, 2007, concerning the allocation of funding to eligible boards of cooperative services (BOCES) pursuant to Section 22-2-122 (3), C.R.S. Specifically, the Department is requested to detail the sources of funds and the allocations made to each BOCES in fiscal year 2006-07.

Comment: *This footnote was vetoed by the Governor on the basis that: (1) it violates the separation of powers by attempting to administer the appropriation; and (2) it constitutes substantive legislation. In his May 2, 2007, letter to the General Assembly, however, the Governor indicated that he would instruct the Department to comply to the extent feasible. Further, after the General Assembly overrode all Long Bill vetoes, the administration reviewed each footnote to determine which could be reasonably complied with given available resources and departmental priorities. To the extent that this footnote could be adhered to without adversely impacting executive branch operations or the delivery of services, the Governor directed departments to comply pursuant to the August 16, 2007 letter from the director of the Office of State Planning and Budgeting to the leadership of the General Assembly.*

Pursuant to a provision added by H.B. 02-1053 (Young/Taylor), the Department is required to annually allocate funds to those boards of cooperative services (BOCES) that provide a wide range of services to their member school districts, or school districts with student populations of less than four thousand students [see Section 22-2-122 (3), C.R.S.]. Specifically, up to $250,000 is to be allocated annually using 1.0 percent of amounts appropriated "to all education grant programs for that fiscal year"; moneys are to be allocated proportionately on a per school district basis, based on the total number of school districts that have student populations of less than four thousand students and are members of eligible BOCES. The BOCES that receive allocations are required to use such moneys to assist member school districts and schools in applying for grants.

The following table details amounts allocated, by BOCES, since FY 2002-03. Primarily due to reductions in the amount of tobacco settlement moneys allocated to the Read-to-Achieve

Grant Program, the total amount of funding allocated to BOCES dropped from nearly $215,000 in FY 2005-06 to less than $120,000 in FY 2006-07.

Board of Cooperative Service	FY 2002-03 Allocation	FY 2003-04 Allocation	FY 2004-05 Allocation	FY 2005-06 Allocation	FY 2006-07 Allocation
Centennial	$25,926	$11,260	$14,809	$20,548	$11,392
East Central	31,481	21,269	31,263	31,613	17,963
Front Range	0	6,256	9,872	9,484	4,820
Mountain	14,815	10,009	13,163	12,645	6,134
Northeast	25,926	17,516	19,745	18,967	10,516
Northwest	11,111	7,507	9,873	9,484	6,134
Pikes Peak	22,222	15,013	19,745	17,387	7,887
Rio Blanco	0	2,502	3,291	3,161	1,753
San Juan	7,407	5,004	6,582	6,322	11,392
San Luis Valley	25,926	17,516	23,036	22,129	10,516
Santa Fe Trail	9,259	6,256	8,227	7,904	4,381
South Central	24,074	16,265	21,391	20,548	3,505
South Platte Valley	7,407	5,004	6,582	0	0
Southeastern	24,074	16,264	21,391	20,548	12,268
Southwest	7,407	5,004	6,582	6,322	3,505
Uncompahgre	9,259	6,256	8,227	7,904	4,381
Total	**246,296**	**168,901**	**223,779**	**214,966**	**116,547**

For FY 2006-07, $62,852 (53.9 percent) was allocated from appropriations for the Expelled and At-risk Student Services Grant Program, $43,696 (37.5 percent) of the funding was allocated from the Read-to-Achieve Grant Program, and the remaining $10,000 of the funding was allocated from the Summer School Grant Program (8.6 percent).

As this provision references amounts "appropriated" to education grant programs, staff has always assumed that it was not intended to apply to federal grant programs. Further, staff assumes it applies only to competitive grant programs open to districts and/or BOCES, and not to those sources of funds that are distributed based on a formula or that are intended for other individuals and entities (e.g., funding for special education services, charter school capital construction funding, or assistance for individuals seeking a national credential). The Legislative Council Staff fiscal note for the bill indicated that the, "Programs affected by this allocation include: Read-to-Achieve Grant Program; Teacher Development Fund; Services for Expelled and At-Risk Students; Science and Technology Education Fund; and Information Technology Education Fund."

17 **Department of Education, Library Programs, Reading Services for the Blind** --This appropriation is for the support of privately operated reading services for the blind, as authorized by Section 24-90-105.5, C.R.S. It is the intent of the General Assembly that

$150,000 of this appropriation be used to provide access to radio and television broadcasts of locally published and produced materials, and $50,000 of this appropriation be used to provide telephone access to digital transmissions of nationally published and produced materials.

Comment: *This footnote was vetoed by the Governor on the basis that: (1) it violates the separation of powers by attempting to administer the appropriation; and, (2) it constitutes substantive legislation. In his May 2, 2007, letter to the General Assembly, however, the Governor indicated that he would instruct the Department to comply to the extent feasible. Further, after the General Assembly overrode all Long Bill vetoes, the administration reviewed each footnote to determine which could be reasonably complied with given available resources and departmental priorities. To the extent that this footnote could be adhered to without adversely impacting executive branch operations or the delivery of services, the Governor directed departments to comply pursuant to the August 16, 2007 letter from the director of the Office of State Planning and Budgeting to the leadership of the General Assembly.*

The State Board of Education approved two payments from this line item for FY 2007-08. First, the Board approved $150,000 for the Radio Reading Service of the Rockies (the same amount approved for the last two fiscal years) to continue providing free access to ink print materials statewide through various broadcasts (via television SAP feed, Internet, telephone, and podcasts), related audio services, and listener equipment. Please note that the Radio Reading Service of the Rockies' Board recently approved a name change; the Service is now named the "Audio Information Network of Colorado".

The Board also approved a payment of $50,000 to the National Federation for the Blind (NFB) for its Newsline service (the same amount approved for FY 2006-07), which provides eligible Coloradans access to newspapers nationwide and a few magazines via touchtone telephone. Newsline services now includes television listings (based on an individual's zip code); the NFB indicates that this increased use of their Newsline service nationwide by about 30 percent last year. Anyone who is a patron of the Colorado Talking Book Library (CTBL) is eligible to access Newsline services. The CTBL is able to sign patrons up for the Newsline service through their existing database.

ISSUE:

This issue brief provides preliminary projections of state funding that will be required for K-12 public education in future years, as well as estimates of the General Fund appropriations that will be required to comply with constitutional funding requirements.

SUMMARY:

❑ Based on recent assessed value data, it appears that local revenues for school finance for FY 2007-08 will be $65.9 million higher than anticipated last Spring. Thus, it appears that the General Assembly will be able to reduce current year appropriations for school finance by $65.9 million, including up to $33.9 million General Fund.

❑ Based on Legislative Council staff's projections of the 2007 inflation rate (2.9 percent) and a projected 1.8 percent projected increase in the funded pupil count, total program funding for districts is estimated to increase by $293.0 million (5.7 percent) for FY 2008-09.

❑ Based on estimates of the amount of local revenues that will be available, staff estimates that the state share of funding will increase by $191.7 million (5.9 percent) in FY 2008-09 compared to existing FY 2007-08 appropriations.

❑ The Department's request reflects a 5.3 percent General Fund increase ($149.7 million) for school finance and no General Fund increase for categorical programs. Based on moneys projected to be available from the State Public School Fund and the State Education Fund in future fiscal years, staff estimates that the General Fund appropriations for districts' total program funding and categorical programs will need to increase by an average of 5.5 percent in FY 2008-09 ($165.3 million) and annually thereafter through FY 2016-17 to comply with constitutional funding requirements.

RECOMMENDATION:

It appears that the General Assembly will have an opportunity to reduce current year appropriations for school finance by $65.9 million, including up to $33.9 million General Fund. Staff recommends that the Committee consider the long-term implications when making significant mid-year funding adjustments. First, the Committee could choose to free up $33.9 million General Fund in the current fiscal year, but this would require slightly higher annual General Fund increases for K-12 in future fiscal years (*e.g.,* 5.7 percent compared to 5.5 percent). Second, if the Committee chooses to free up General Fund in the current fiscal year, these funds would not likely be available until early April. Given the timing, the Committee may want to consider using these funds for one or more one-time purposes that would offer long-term benefits, such as appropriating moneys to the Controlled Maintenance Trust Fund.

DISCUSSION:

I. PROJECTIONS OF TOTAL PROGRAM FUNDING AND THE STATE SHARE OF SUCH FUNDING

Summary
Based on information available to date, staff has prepared Table 1 (beginning on page 66), which summarizes the state and local funding that will be required annually for school finance through FY 2012-13. Table 1 is followed by a chart illustrating the components of the annual funding increases.

With respect to FY 2007-08, it appears likely that local revenues for school finance will be significantly higher than anticipated last Spring based on assessed value data submitted by county assessors to the Department of Education in August 2007. Specifically, Legislative Council staff estimate that local revenues will be $65.9 million higher than anticipated. This would allow the General Assembly to reduce the appropriation of state funds for districts' total program funding for FY 2007-08 by $65.9 million. The actual amount of any mid-year adjustments will not be known until early 2008, when all counties' assessed valuation data and districts' student count data are finalized. Given the magnitude of the mid-year adjustment anticipated this year, staff has included an "adjusted" column for FY 2007-08 to reflect the shift of $65.9 million from state to local funding sources. This adjusted column is then used for purposes of calculating changes in funding from FY 2007-08 to FY 2008-09.

Based on Legislative Council staff's September 2007 projection of the 2007 inflation rate (2.9 percent), total program funding for districts is estimated to increase by $293.0 million (5.7 percent) for FY 2008-09. Based on estimates of the amount of local revenues that will be available, staff estimates that the *state share* of funding will need to increase by $191.7 million (5.9 percent) compared to existing FY 2007-08 appropriations.

Comparison of Request and Staff Projection
Table 1 also details the Department's FY 2008-09 request. There are two major differences between staff's projections and the Department's request:

- The request is based on the Office of State Planning and Budgeting's September forecast of the 2007 rate of inflation (2.8 percent compared to Legislative Council staff's projection of 2.9 percent), resulting in a slightly lower base per pupil funding amount. As a result, staff's projections are $5.2 million higher than the request.

- The request assumes a $113.6 million increase in local revenues, compared to the $101.3 million increase used in staff's projection -- a difference of $12.3 million.

Overall, staff's projection of the additional state funds that will be required for FY 2008-09 is $16.2 million *higher* than the request.

Before the Committee takes action on the Department's FY 2008-09 request, more timely information will be available to help inform the Committee's decisions. Specifically, the Committee will have information concerning: the actual 2007 student count (including the number of "at-risk" students), updated enrollment projections, the actual amount of local revenues available for the current fiscal year, updated local property tax projections, the actual inflation rate for calendar year 2007 (which is applicable for FY 2008-09), and the results of the biennial cost-of-living study.

TABLE 1
FIVE-YEAR PROJECTION OF STATE FUNDING NEEDED FOR DISTRICTS' TOTAL PROGRAM FUNDING
BASED ON PROJECTED ENROLLMENT PLUS CONSTITUTIONALLY REQUIRED INFLATIONARY INCREASES
(Dollar amounts reflected in millions unless otherwise noted)

	FY 2007-08		FY 2008-09	PROJECTIONS USING LCS STAFF FORECAST				
	Appropriation	Adjusted <1>	Request	FY 2008-09	FY 2009-10	FY 2010-11	FY 2011-12	FY 2012-13
PROJECTED FUNDING NEED:								
Funded Pupil Count (FTE) <2>	768,416.3	768,416.3	781,796.0	781,924.0	793,468.6	805,096.5	817,606.7	834,078.4
Annual Percentage Change	*2.0%*	*2.0%*	*1.7%*	*1.8%*	*1.5%*	*1.5%*	*1.6%*	*2.0%*
Multiplied by: Average Per-pupil Funding (NOT in millions)	$6,658	$6,658	$6,914	$6,918	$7,202	$7,511	$7,774	$8,015
Denver-Boulder Inflation Rate for Previous Calendar Year	*3.6%*	*3.6%*	*2.8%*	*2.9%*	*3.1%*	*3.3%*	*3.5%*	*3.1%*
Annual Percentage Change in Base <3>	*4.6%*	*4.6%*	*3.8%*	*3.9%*	*4.1%*	*4.3%*	*3.5%*	*3.1%*
Annual Percentage Change in Average <4>	*4.7%*	*4.7%*	*3.8%*	*3.9%*	*4.1%*	*4.3%*	*3.5%*	*3.1%*
Districts' Total Program Funding	**$5,116.4**	**$5,116.4**	**$5,405.6**	**$5,409.4**	**$5,714.3**	**$6,047.4**	**$6,356.3**	**$6,685.4**
Annual Percentage Change	*6.8%*	*6.8%*	*5.7%*	*5.7%*	*5.6%*	*5.8%*	*5.1%*	*5.2%*
PROJECTED STATE AND LOCAL SHARES:								
Local Share <5>	**$1,850.1**	***$1,916.0***	**$1,963.7**	**$1,951.4**	**$2,054.5**	**$2,092.6**	**$2,228.0**	**$2,294.9**
Annual Percentage Change	*7.0%*	*10.8%*	*2.5%*	*1.8%*	*5.3%*	*1.9%*	*6.5%*	*3.0%*
Remainder: State Share <4>	**$3,266.3**	***$3,200.4***	**$3,441.8**	**$3,458.0**	**$3,659.8**	**$3,954.8**	**$4,128.3**	**$4,390.5**
Annual Percentage Change	*6.8%*	*4.6%*	*7.5%*	*8.0%*	*5.8%*	*8.1%*	*4.4%*	*6.4%*
ANNUAL INCREASE IN STATE SHARE:								
Required Increase in State Share	$206.8	$140.9	$241.4	$257.6	$201.9	$294.9	$173.5	$262.2

Notes:

<1`> The "Adjusted" column for FY 2007-08 reflects more recent estimates of local property tax revenues -- an increase of $65.9 million. Thus, the state share in this column is $65.9 million lower than the existing appropriations.

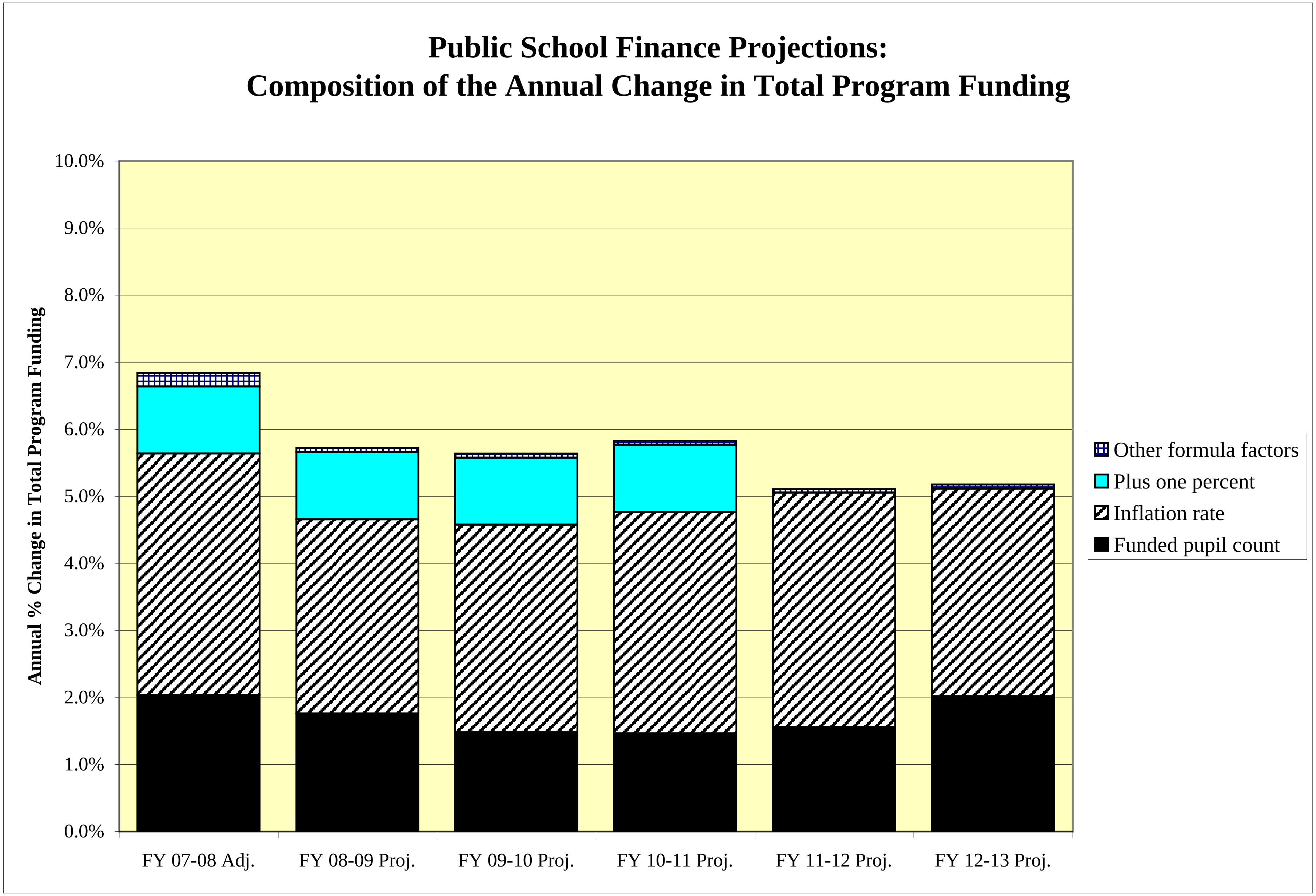
<2> Projected funded pupil counts are based on Legislative Council staff's December 2006 estimates, as well as on legislation adopted during the 2007 Session. Specifically, projections for FY 2008-09 and subsequent fiscal years include an increase of 3,500 slots for the Colorado Preschool and Kindergarten Program, plus 623.0 FTE for on-line students pursuant to S.B. 07-215.

TABLE 1
FIVE-YEAR PROJECTION OF STATE FUNDING NEEDED FOR DISTRICTS' TOTAL PROGRAM FUNDING
BASED ON PROJECTED ENROLLMENT PLUS CONSTITUTIONALLY REQUIRED INFLATIONARY INCREASES
(Dollar amounts reflected in millions unless otherwise noted)

<3> For purposes of this projection, it is assumed that the General Assembly will provide funding sufficient to increase the base per-pupil funding amount by the Denver-Boulder inflation rate for the previous calendar year plus one percent (for FY 2008-09 through FY 2010-11), and by inflation for subsequent fiscal years these are the minimum increases required by the State Constitution. The annual percentage change in base per pupil funding for fiscal years 2008-09 through FY 2012-13 is thus based on Legislative Council staff's September 2007 projections of inflation for calendar years 2007 through 2011.

<4> The annual percentage change in average per pupil funding may be higher or lower than the change in base per pupil funding depending on how much the various factors in the statutory formula affect base per pupil funding for individual school districts. For purposes of this analysis, staff assumes that for fiscal years 2008-09 through 2012-13, average per pupil funding will increase at the same rate as base per pupil funding.

<5> Projected local share data is based on Legislative Council staff's May 2007 estimates, plus $65.9 million beginning in FY 2007-08 based on updated estimates prepared by Legislative Council staff in September 2007. Such estimates have been reduced by amounts which will not be collected as a result of locally-negotiated business incentive agreements. Thus, the State Share figures include amounts estimated to be necessary to offset the impact of locally-negotiated business incentive agreements.



Public School Finance Projections:
Composition of the Annual Change in Total Program Funding
Annual % Change in Total Program Funding
10.0%
9.0%
8.0%
7.0%
6.0%
5.0%
4.0%
3.0%
2.0%
1.0%
0.0%
FY 07-08 Adj.
FY 08-09 Proj.
FY 09-10 Proj.
FY 10-11 Proj.
FY 11-12 Proj.
FY 12-13 Proj.
Other formula factors
Plus one percent
Inflation rate
Funded pupil count

II. CHANGE IN THE METHOD OF DETERMINING SCHOOL DISTRICT LEVIES

Limitations on Local Funding

Two constitutional provisions limit property taxes in Colorado: the Gallagher Amendment and the Taxpayer's Bill of Rights (TABOR). These two provisions have caused property taxes to increase at a slower rate than they otherwise would -- particularly for homeowners. In fact, Colorado residential property taxes are 2nd lowest in the nation[8].

The **Gallagher Amendment** was part of a property tax reform measure referred by the legislature and approved by the voters in November 1982. This measure included a number of provisions aimed at addressing a lack of uniformity in assessing property for tax purposes as well as potential significant property tax increases resulting from rapidly increasing property values. Among other things, this measure fixed the assessment rate for most *nonresidential* property at 29 percent, and lowered the residential assessment rate from 30 percent to 21 percent. In addition, the "Gallagher amendment", a provision within the measure, required that the *residential* assessment rate be adjusted periodically to ensure that the proportion of assessed valuation attributable to residential versus nonresidential property remains the same [see Article X, Section 3 (1) (b) of the Colorado Constitution].

Since 1982 the statewide residential assessment rate has declined from 30.0 percent to 7.96 percent. From 1987 (when the Gallagher amendment first affected the residential assessment rate) to 2006, while actual residential property values increased nearly four-fold (an increase of 383 percent), the portion of residential property value that is taxed has only doubled (an increase of 113 percent). In contrast, the portion of non-residential property values that is taxed increased at a faster rate than actual values (134 percent compared to 114 percent). These changes are detailed in Table 2.

TABLE 2
Changes in Actual and Assessed Property Values: 1987 to 2006

Property Type	Actual Values ($ millions)			Assessed Values ($ millions)		
	1987	2006	% Change	1987	2006	% Change
Residential	$89.3	$431.5	383.0%	$16.1	$34.4	113.4%
Non-residential	57.5	123.2	114.1%	17.2	40.2	134.0%
Total	146.9	554.8	277.7%	33.3	74.5	124.0%

Source: Department of Local Affairs, Division of Property Taxation: 2006 Annual Report, Table 9.

The 1982 property tax measure has shifted the property tax burden from homeowners to businesses. Specifically, while the percentage of *actual* property values attributable to residential property has increased from 53.2 percent in 1983 to 77.8 percent in 2006, the percentage of *assessed* value comprising residential property has remained essentially stable, (46.1 percent of total assessed

[8] Josh Harwood, Legislative Council Staff, "Colorado's Tax Structure & State Rankings". Presentation to the 2005 Interim Committee on School Finance (August 2, 2005).

valuation in 2006)[9]. Based on estimates prepared by the Department of Local Affairs, Division of Property Taxation, the Gallagher amendment has resulted in property tax savings for homeowners totaling $11.5 *billion* over 19 years[10]. This figure is calculated based on what homeowners would have paid if the residential assessment rate had remained at 21 percent. Please note, however, that the vast majority of these savings are attributable to years following the adoption of TABOR. Thus, it is important to understand the interaction between TABOR and Gallagher.

Prior to the adoption of the **TABOR** in 1992, local governments could generally collect and spend the same amount of property tax revenue each year. When the total taxable value of property increased substantially, the mill levy would be decreased; when the total taxable value of property decreased, the mill levy would be increased. The mill levy changed each year based on the revenue required to support local services, with a general statutory limit of 5.5 percent on annual increases in property tax revenues. Thus, property taxes provided a stable source of revenue that was not generally affected by changes in economic conditions (unlike sales or income taxes).

Three provisions of TABOR directly affected property taxes:

- TABOR imposed a limit on property tax revenues equal to inflation in the prior calendar year plus a measure of growth. For schools, growth is measured as the percentage change in student enrollment.

- TABOR prohibited local governments from increasing a mill levy above the prior year's level without voter approval[11].

- TABOR required voter approval for any increase in the assessment rate for a class of property.

With regard to school district property taxes, TABOR reduced the General Assembly's role in determining school finance property tax revenues and it has resulted in a large variation in districts' mill levies. Prior to TABOR, the General Assembly set property taxes for school operations through the School Finance Act (e.g., directing the Department of Education to set a mill levy sufficient to raise a particular dollar amount of property taxes or to target a specified percentage state share or appropriation, or simply establishing a uniform mill levy in statute). With the adoption of TABOR, the General Assembly no longer actively controls the level of property taxes available for schools each year.

Each school district is required to impose a property tax mill levy to finance a share of its total program funding. School districts are prohibited from imposing a levy greater than the levy specified

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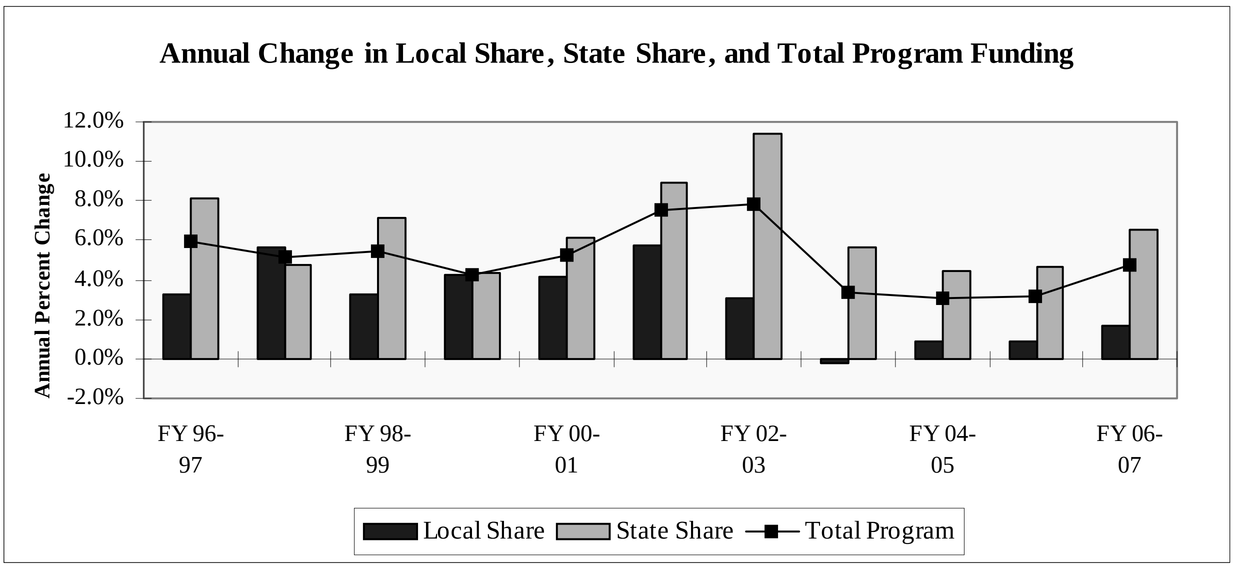
[9] The residential share of assessed valuation has increased slightly, from 43.2 percent in 1983 to 46.1 percent in 2006, due to new construction and increased mineral production.

[10] Department of Local Affairs, Division of Property Taxation, 2006 Annual Report, Table 8.

[11] Courts have ruled that the TABOR limits do not apply to all mill levies. For example, local governments may increase or "float" mill levies to cover the repayment costs for bonded debt and to cover property tax abatements and refunds. In addition, local governments other than school districts are specifically authorized under state law to enact temporary property tax credits and temporary mill levy rate reductions as a means for refunding excess revenues [see Section 39-1-111.5, C.R.S.].

in the **School Finance Act**. Prior to FY 2007-08, school districts were statutorily required to levy the same number of mills from year to year, unless the mill levy would raise more property taxes than TABOR permits (inflation plus the percentage change in enrollment). In this case, the levy had to be reduced to avoid exceeding the property tax revenue limit -- even if a districts' voters have authorized the district to spend revenues which exceed the TABOR limit.

Due to the combined effects of Gallagher, TABOR, and the School Finance Act, mill levies decreased in areas of the state that experienced rapidly increasing values (generally due to new construction, oil and gas production values, and high housing/commercial demand). The average statewide mill levy for school finance decreased from 38.264 in 1991 to 21.371 in FY 2006-07. Mill levies also became quite disparate, ranging from 1.571 mills (Las Animas - Primero) to 40.080 mills (Washington - Lone Star). In addition to creating a large variation in districts' mill levies, this method of determining school district property taxes caused the local share of funding for public school finance to grow at a slower rate than total program funding, requiring a greater state subsidy each year that did not necessarily relate to districts' wealth. The approval of **Amendment 23** in 2000 accelerated this phenomenon by requiring total program funding to grow at a rate that exceeds the TABOR limit. The following chart depicts the annual change in the local and state shares of districts' total program funding through FY 2006-07, and compares these rates of growth to the rate of growth in total program funding.



In addition to the overall increase in the state share of districts' total program, it is important to note that increases in the state share of funding for individual districts are not necessarily related to changes in the relative wealth of the district. Table 3 lists the ten school districts with the lowest 2006 school finance mill levies, along with the percentage of school finance costs paid for by the State in FY 2006-07.

TABLE 3 The Ten School Districts With the Lowest Mill Levies		
District	**2006 Mill Levy (mills)**	**FY 2006-07 State Share**
Las Animas - Primero	1.680	57.5%
Rio Blanco - Rangely	2.116	68.8%
Garfield - Parachute	2.231	75.5%
La Plata - Ignacio	2.274	76.3%
San Miguel - Norwood	3.910	76.3%
Gilpin - Gilpin	4.075	58.1%
Garfield - Rifle	4.700	74.8%
Pitkin - Aspen	4.836	29.8%
San Miguel - Telluride	6.053	27.6%
Mesa - DeBeque	6.132	57.1%

Eight of these ten districts receive more than 50 percent of their total program funding from the State, and the state share for five of these districts is higher than the statewide average of 63.9 percent. As recently as FY 1997-98, the Aspen school district was funded almost entirely from local revenues; the State is now paying for nearly 30 percent of Aspen's total program funding.

Senate Bill 07-199

In the 2007 Session, the General Assembly modified the School Finance Act to change the method for calculating school district property taxes. Pursuant to Sections 22-54-106 (2) and 22-54-107 (1), C.R.S., a school district must levy the *smallest* mill[12] of the following options:

1. The mill that it levied in the prior year;

2. The mill necessary to pay for its total program funding plus its categorical programs, less any specific ownership tax revenues and minimum state aid for total program;

3. *For a district that has <u>not</u> obtained voter approval to retain and spend revenues in excess of the maximum mill allowed by TABOR*, the number of mills allowed by TABOR[13]; or

[12] Local property tax revenues are calculated as follows: [Total property valuation X Assessment rate X Mill levy]. One "mill" equals one-tenth of one percent (.001). For example, for a property with an *actual* value of $100,000, and an *assessed* value of $7,960 (based on the 7.96 percent assessment rate for residential property effective for property tax years 2003 through 2008), each mill of tax raises $7.96.

[13] Please note that a school district may seek approval from its voters to raise and expend additional ("override") property tax revenues in excess of the district's total program via an additional mill levy. An override is different than approval to collect revenues in excess of the district's TABOR limit. A district's override revenues cannot exceed 20 percent of its total program funding or $200,000, whichever is greater. A district's authorization to raise and expend "override" revenues does not affect the amount of State Share funding which the district is eligible to receive. As of FY 2007-08, 78 of the 178 districts had voter-approved override mill levies providing $491.5 million in additional local revenues. [See Section 22-54-108, C.R.S.]

4. *Twenty-seven mills.*

The italicized language, above, was added through S.B. 07-199. This new language changed the method of calculating school district property taxes that support school finance in two ways. First, it imposes a cap of 27 mills on school finance levies. Second, for districts that have received voter approval to exceed the TABOR property tax revenue limit, it sets the levy for FY 2007-08 and future budget years at the levy for FY 2006-07. This change is anticipated to increase the amount of property tax revenue available for school finance. Since the State provides the difference between funding allocated to districts through the School Finance Act and local property taxes, the increase in local tax revenue reduces the amount of state money required to fund school finance.

Initial estimates indicated that this change will cause mill levies to be higher than they otherwise would have been in 106 districts, lower than they otherwise would have been in 34 districts, and unchanged in the remaining 38 districts. This last category includes three districts—Cherry Creek, Colorado Springs, and Harrison—that have not approved ballot questions to override TABOR property tax revenue limits. Legislative Council staff initially estimated that this law change would increase school finance property tax revenues by $49.8 million. Based on assessed value data submitted by county assessors to the Department of Education in August 2007, Legislative Council staff updated the estimated fiscal impact of S.B. 07-199. Table 4 provides a comparison of these two estimates. Please note that the actual impact of S.B. 07-199 will not be known until early 2008, when all counties' assessed valuation data and districts' student count data are finalized.

TABLE 4
Comparison of Initial Estimate of Impact of S.B. 07-199 on School Finance Property Taxes and More Recent Estimate Based on August 2007 Certifications of Value

	April 2007*	September 2007	Difference
Statewide Impact	$48,177,489	$114,085,216	$65,907,727

* This figure differs slightly from the $49.8 million identified in the Legislative Council staff fiscal note for S.B. 07-199 because this figure reflects the actual allocation of new Colorado Preschool and Kindergarten Program slots.

As indicated above, more recent assessed valuation data indicates that property tax revenues will be $65.9 million higher than estimated last Spring, which would allow the General Assembly to reduce the appropriation of state funds for districts' total program funding for FY 2007-08 by $65.9 million. The General Assembly will determine which source(s) of funds will be reduced accordingly. Please note, however, that the FY 2007-08 General Fund appropriation for school finance could not be reduced by more than $33.9 million due to the five percent maintenance of effort requirement.

In addition, certain school districts were authorized to request voter approval for a mill levy to raise property taxes for a "supplemental cost-of-living adjustment." The property taxes collected in any given year cannot exceed the amount of the supplemental cost-of-living adjustment. Because cost-of-living amounts are recalculated every other year, the amount of the supplemental cost-of-living adjustment is likely to change. The Department indicates that six districts received voter approval in November 2001 for a supplemental cost-of-living adjustment. [See Section 22-54-107.5, C.R.S.]

III. Fund Sources Available for the State Share of Districts' Total Program Funding

There are three sources of state funding available to the General Assembly to comply with the constitutional requirements related to funding for public schools: the State Public School Fund, the State Education Fund, and the General Fund. Each of these fund sources is discussed below.

State Public School Fund

The State Public School Fund (SPSF) is the smallest source of revenue available for public school finance. The SPSF receives revenues from four primary sources[14], discussed below.

1. *Federal Mineral Lease Revenues.* Federal funds received by the State for sales, bonuses, royalties, and rentals of public lands within the state are also credited to the SPSF. These revenues, called "federal mineral lease revenues", are primarily derived from coal, gas, and oil, and most revenues are earned from federal lands on the Western Slope. Due to production and price changes, federal mineral lease revenues can vary significantly from year to year, and are therefor difficult to project. Pursuant to S.B. 07-253, Legislative Council staff now prepare quarterly forecasts of federal mineral lease revenues. Federal mineral lease revenues are distributed through a complex statutory formula for the benefit of public schools, local governments, and the Colorado Water Conservation Board Construction Fund.

   In FY 2006-07, federal mineral lease revenues allocated to the State Public School Fund ($60.4 million) represented 66 percent of total SPSF revenues. This represents more than a three-fold increase compared to annual lease revenues in the late 1990s. The Governor's request is predicated on these revenues increasing to $96.1 million in FY 2008-09.

2. *Interest and Income Earned on the Public School Fund.* Section 3 of Article IX of the Colorado Constitution establishes the "Public School Fund" (often referred to as the "Permanent" School Fund). This fund consists of proceeds from lands that were granted to the State by the federal government for educational purposes (usually referred to as "state trust lands" or "public school lands"). The Public School Fund is to remain intact, but all interest derived from the investment and reinvestment of the Public School Fund is credited to the "Public School Income Fund", and then periodically transferred to the "State Public School Fund" [Section 22-41-106, C.R.S.]. Moneys in the State Public School Fund (SPSF) are then appropriated by the General Assembly for the state's share of districts' total program funding and other educational programs.

   Interest and other income earned on the Public School Fund currently provides the second largest source of annual revenue to the SPSF. Pursuant to S.B. 03-248 [Section 22-41-102 (3), C.R.S.], however, the maximum amount of interest earnings that may be expended annually is $19.0 million (this compares to earnings of $24.6 million in FY 2006-07). Interest and other

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[14] Please note that the Department is required to transfer to the SPSF, on a quarterly basis, amounts appropriated from the General Fund for the state share of districts' total program funding [see Section 22-54-114 (1), C.R.S.]. The SPSF thus serves as a flow-through account for much of the state funding for school finance. In addition, the Department is required to transfer half of any unexpended balance at the end of each fiscal year to the Colorado Comprehensive Health Education Fund. These portions of the SPSF are excluded from the above discussion.

income earned on the Public School Fund represented 18 percent ($19.4 million) of SPSF revenues in FY 2006-07.

3. *Rental Income Earned on Public School Lands.* About 11 percent of annual revenues to the SPSF ($12.0 million in FY 2006-07) comes from rental income earned on public school lands, including timber sales, rental payments for the use and occupation of the surface, and agricultural and mineral leases. A portion of the revenues are transferred to the SPSF, and the remainder is transferred to the Public School Fund. Pursuant to S.B. 05-196 [Section 36-1-116 (1) (a) (II), C.R.S.], the amount annually transferred to the SPSF is limited to $12.0 million (this compares to revenues of $13.2 million in FY 2006-07).

4. *District Audit Recoveries.* The balance of annual revenues to the SPSF ($7.8 million in FY 2006-07) come from amounts recovered by the Department pursuant to school district audits. Prior to FY 1997-98, these amounts were simply deposited into the General Fund.

Based on projections of SPSF revenues, staff has estimated the amounts available for appropriation in FY 2007-08 and FY 2008-09. Due to higher than anticipated revenues in FY 2006-07, the Fund has reserves totaling $15.5 million. However, $5.5 million of this fund balance represents accounts receivable, which may or may not be paid by June 30, 2008. Thus, it appears that $10.0 million could be appropriated for FY 2007-08. Please note that current appropriations assume that $78.3 million in federal mineral lease revenues will be available for FY 2007-08; based on Legislative Council staff's September revenue projections, actual federal mineral lease revenues may fall short by up to nine million. Thus, the $10 million SPSF balance may be necessary to cover a shortfall in federal mineral lease revenues. [A history of SPSF revenues is provided at Appendix C.]

State Education Fund

The State Education Fund consists of approximately 7.4 percent of annual state income tax revenues[15], plus any interest earned on the fund balance. The General Assembly may annually appropriate moneys from the State Education Fund for the following education-related purposes:

- to comply with the requirement to annually increase base per pupil funding for public school finance, as long as it is in addition to the required increases in General Fund appropriations;
- to comply with the requirement to annually increase funding for categorical programs;
- for accountable education reform;
- for accountable programs to meet state academic standards;
- for class size reduction;
- for expanding technology education;
- for improving student safety;
- for expanding the availability of preschool and kindergarten programs;
- for performance incentives for teachers;

[15] Constitutionally, revenues collected from a tax of one-third of one percent on federal taxable income are required to be deposited into the State Education Fund. Given the current state income tax rate of 4.63 percent, this equates to 7.20 percent of revenues. However, due to certain state tax credits which reduce federal taxable income, deposits to the State Education Fund actually represent a slightly larger percent of actual income tax revenues (an estimated 7.4 percent for FY 2006-07).

- for accountability reporting; or
- for public school building capital construction.

State Education Fund revenues are not subject to the TABOR limitation on fiscal year spending, and appropriations from the State Education Fund are not subject to the six percent statutory limitation on state General Fund appropriations.

As detailed in Table 5, the General Assembly appropriated a total of $360.0 million from the State Education Fund for FY 2007-08. This compares to $421.4 million in projected fund revenues. Appropriations from the State Education Fund exceeded fund revenues for three years (shortfalls of $96.0 million in FY 2002-03, $59.9 million for FY 2003-04, and $24.2 million for FY 2004-05). While these actions assisted the General Assembly in balancing the General Fund budget in each fiscal year, they resulted in a declining State Education Fund balance. Specifically, at the end of FY 2001-02, the fund balance peaked at close to $300 million; the fund balance declined to $118.4 million by the end of FY 2004-05.

Of the total amount appropriated from the State Education Fund for FY 2007-08, $352.9 million (98 percent) was appropriated for constitutionally required inflationary increases in statewide base per pupil funding and state funding for categorical programs. The remaining $7.0 million was appropriated for capital construction programs and for seven other programs. [A complete history of appropriations from the State Education Fund is provided in Appendix D.]

TABLE 5
FY 2007-08 Appropriations from the State Education Fund

Constitutionally-Required Inflationary Increases:		
Public School Finance, State Share of Districts' Total Program Funding		$325,331,078
Categorical programs (various line items)		27,539,820
	Subtotal	**352,870,898**
Other Programs:		
Charter school capital construction (S.B. 01-129)		5,000,000
Summer school grant program (S.B. 01-129 and H.B. 06-1375)		1,000,000
Facility summer school grant program (H.B. 02-1349 and H.B. 06-1375)		500,000
Civic education (S.B. 05-200)		200,000
Family literacy education grant program (H.B. 02-1303 and H.B. 06-1375)		200,000
National credential fee assistance (H.B. 02-1349)		125,000
Financial literacy resource bank and technical assistance (H.B. 04-1360)		40,000
Colorado History Day (H.B. 04-1202)		10,000
	Subtotal	**7,075,000**
GRAND TOTAL		**$359,945,898**

General Fund

Although moneys available in the State Public School Fund and the State Education Fund may be used to provide a portion of the funding required for districts' total program and for categorical programs, the state General Fund has always been and will continue to be the primary source of funding for this purpose. Currently, the General Fund provides 87 percent of the *state* funding for both districts' total program funding and categorical programs. Based on projections of moneys that will be available in the State Public School Fund and the State Education Fund in future years, staff estimates that the General Fund will need to support about 86 percent of the state share of districts' total program and categorical programs over the long term.

For purposes of providing a historical perspective, Table 6 summarizes annual appropriations for the *state share* of school districts' total program funding since FY 1994-95 (when the current School Finance Act was adopted). From FY 1994-95 to FY 2000-01, the compound annual growth rate in General Fund appropriations for districts' total program funding was 6.13 percent. This compares to a compound annual growth rate of 5.25 percent for the seven years following the passage of Amendment 23 (FY 2001-02 through FY 2007-08).

TABLE 6
Recent History of Appropriations for the State Share of Districts' Total Program Funding

Fiscal Year	General Fund	Annual % Change	State Public School Fund/ State Education Fund	Annual % Change	Total Funds	Annual % Change
1994-95	$1,393,562,842		$34,016,762	-36.87%	$1,427,579,604	
1995-96	1,469,655,920	5.46%	56,613,541	66.43%	1,526,269,461	6.91%
1996-97	1,594,123,930	8.47%	53,580,360	-5.36%	1,647,704,290	7.96%
1997-98	1,689,946,178	6.01%	35,647,023	-33.47%	1,725,593,201	4.73%
1998-99	1,776,015,806	5.09%	74,830,202	109.92%	1,850,846,008	7.26%
1999-00	1,887,449,285	6.27%	42,685,306	-42.96%	1,930,134,591	4.28%
2000-01	1,974,673,211	4.62%	73,400,663	71.96%	2,048,073,874	6.11%
Passage of Amendment 23						
2001-02	2,073,406,872	5.00%	156,629,363	113.39%	2,230,036,235	8.88%
2002-03	2,137,582,405	3.10%	346,960,158	121.52%	2,484,542,563	11.41%
2003-04	2,247,917,791	5.16%	379,156,261	9.28%	2,627,074,052	5.74%
2004-05	2,342,782,148	4.22%	401,122,658	5.79%	2,743,904,806	4.45%
2005-06	2,480,460,455	5.88%	390,768,821	-2.58%	2,871,229,276	4.64%
2006-07	2,657,663,684	7.14%	403,505,151	3.26%	3,061,168,835	6.62%
2007-08	2,824,496,821	6.28%	441,831,954	9.50%	3,266,328,775	6.70%

Maintenance of Effort Requirement. Section 17 of Article IX of the Colorado Constitution requires the General Assembly to annually increase the General Fund appropriation for the state share of districts' total program by at least five percent annually through FY 2010-11. This "maintenance of effort" requirement, however, does not apply in any fiscal year in which Colorado personal income grows less than 4.5 percent between the two previous calendar years[16]. While the maintenance of effort requirement did not apply for FY 2002-03 through FY 2004-05, current estimates indicate that it will apply for FY 2007-08 through FY 2010-11. Please note that even though the five percent maintenance of effort requirement did not apply for FY 2003-04, the General Assembly increased the General Fund appropriation by more than five percent.

In addition to the General Fund maintenance of effort requirement, two other provisions place legal limits on the General Assembly's authority to set the level of General Fund appropriations for total program and categorical programs. First, Article IX, Section 17 (5) of the Colorado Constitution states that moneys appropriated from the State Education Fund may not be used to supplant the level of General Fund appropriations that existed on December 28, 2000 (the effective date of Amendment 23) for categorical programs and total program. The FY 2007-08 General Fund appropriation for categorical programs exceeds this "floor" amount ($141,765,474) by $40.9 million. Thus, this General Fund appropriation could be reduced. However, in order to continue to comply with other provisions of Amendment 23, another source of state funding would need to be appropriated to offset such a reduction. With regard to total program, the FY 2007-08 General Fund appropriation is $2,824.5 million, compared to an appropriation of $1,982.6 million that existed on December 28, 2000.

Second, the General Assembly is required to increase base per pupil funding and state funding for categorical programs by at least inflation plus one percent each year through FY 2010-11, and by inflation each year thereafter. Thus, **the General Assembly needs to appropriate an amount of General Fund for total program each year sufficient to ensure that the General Assembly is capable of providing the required annual inflationary increases in the future**.

General Fund Appropriation Increases Required to Maintain State Education Fund Solvency. Staff has utilized the model originally developed by Pacey Economics Group to estimate the impact of various levels of General Fund appropriations on the solvency of the State Education Fund. The model was updated by Legislative Council staff last January in order to submit a statutorily-required report to the General Assembly. Subsequently, staff has further updated the model to reflect more recent estimates of inflation, actual and projected revenues, productivity data, and population projections. The model has also been updated to reflect appropriations and estimates of future spending from the State Education Fund based on legislation passed in the 2007 Session. Finally, consistent with the five-year forecast included on page 66, staff has increased local revenues for school finance by $65.9 million (and decreased state funding by the same amount) in FY 2007-08 and subsequent fiscal years, based on Legislative Council staff's more recent estimates that local revenues. [Please note, however, that updated projections of the funded pupil count and the local share of funding will be available later this month. Thus, staff will prepare updated projections for the Committee early next year.]

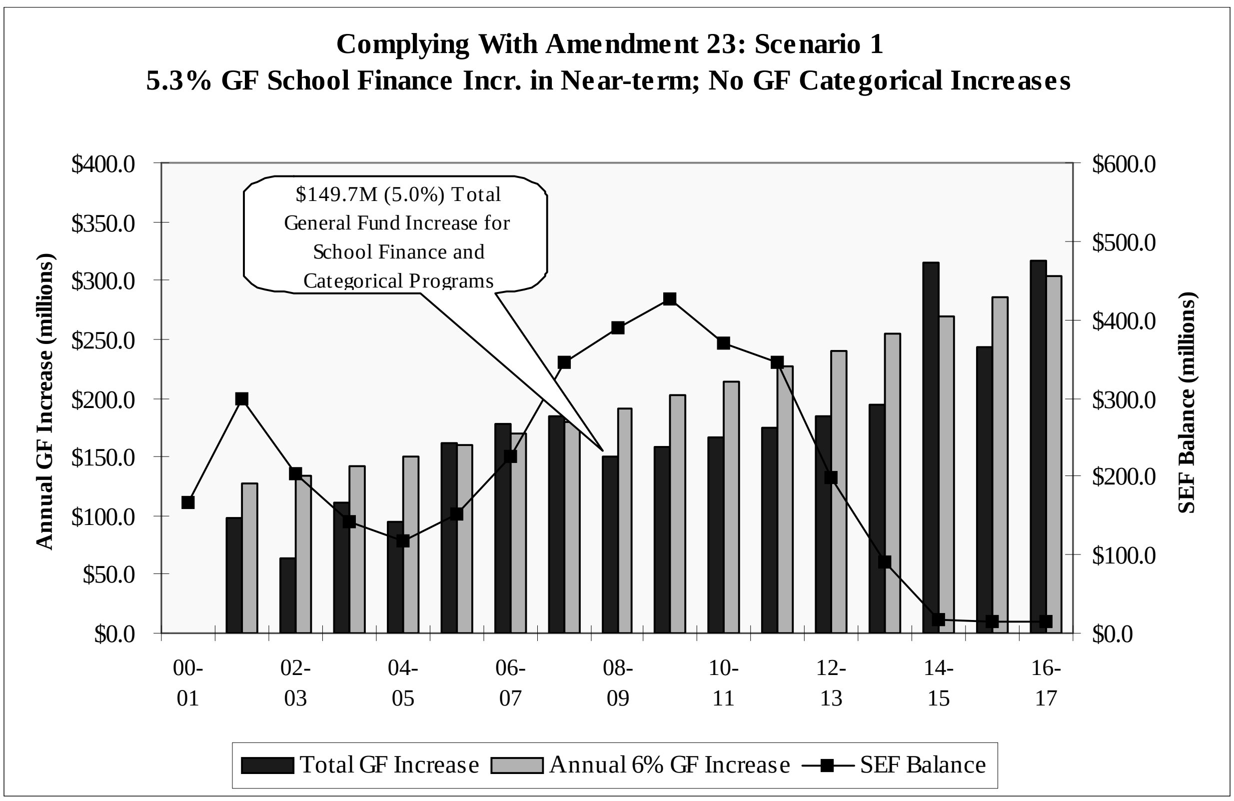
Staff has prepared two funding scenarios, based on two different approaches to financing the state share of funding for public schools. Both scenarios provide the same overall level of funding for public schools (the minimum required under current law), and both assume the same level of local funding in each fiscal year. In addition, **both scenarios assume that the General Assembly will**

[16] The determination of whether the General Fund maintenance of effort provision applies to a particular fiscal year is based on the Colorado personal income data that is released in December of that same fiscal year.

reduce the <u>State Education Fund</u> appropriation by $65.9 million in the current year, rather than the General Fund appropriation.

Scenario 1: The first scenario is consistent with the FY 2008-09 budget request submitted by Governor Ritter. Under this scenario, the General Fund appropriation for categorical programs does <u>not</u> increase in FY 2008-09 or in future fiscal years. Instead, the State Education Fund is used to cover the full required increase in state funding for categorical programs each year. In addition, the General Fund appropriation for school finance is increased by 5.3 percent for FY 2008-09. For purposes of this scenario, staff assumed that the General Fund appropriation for school finance would continue to increase by 5.3 percent annually, unless a greater increase is needed in a particular fiscal year to provide the overall amount of state funding required (i.e., the State Education Fund balance is depleted to the point that it cannot cover the required increase).

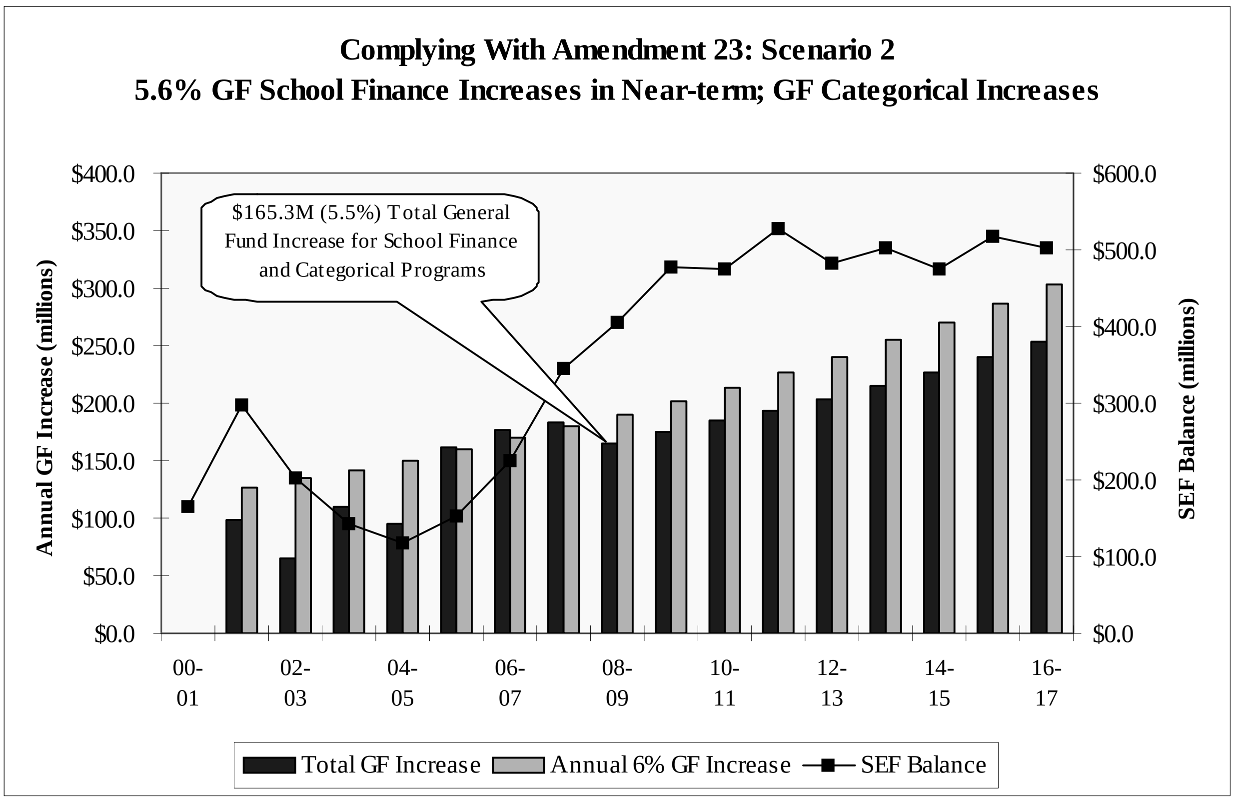
Under Scenario 1, the State Education Fund balance increases for two years. However, the fund balance decreases in each subsequent fiscal year until FY 2014-15, when it would be insufficient to cover the required increases in state funding. As a result, General Fund appropriations would need to increase by 7.8 percent in FY 2014-15. This would require that $315.5 million of the $603.7 million allowable increase in General Fund appropriations for FY 2014-15 (52 percent) be devoted to K-12 education, leaving $288.2 million for other state programs. This approach would also reduce the annual interest and investment income earned on the State Education Fund balance.



Scenario 2: Under scenario 2, General Fund appropriations for categorical programs will increase proportionately in future fiscal years (e.g., if total state funding for categorical programs increases by 3.9 percent, General Fund appropriations also increase by 3.9 percent). In addition, the annual General Fund appropriation for districts' total program funding will increase at a steady rate,

sufficient to avoid a declining balance in the State Education Fund over the long-term. Specifically, Scenario 2 reflects 5.6 percent annual increases in General Fund appropriations for school finance through FY 2016-17, when pupil enrollment increases are projected to peak.

This scenario not only avoids the significant General Fund increase otherwise required in FY 2014-15, it provides for a State Education Fund balance that increases from $345 million at the end of the current fiscal year to about $500 million at the end of FY 2016-17. This balance could serve as a "rainy day fund" for periods of economic downturn (as it did from FY 2002-03 through FY 2004-05), or for those periods of relatively high inflation (such as FY 2002-03). This fund balance, particularly if it is sustained and predictable, also allows the State Treasurer to earn greater interest and investment income. This income is exempt from TABOR and the six percent limit on General Fund appropriations, thus making it easier for the General Assembly to comply with educational funding requirements under existing spending and revenue limitations (i.e., in the long-term, this would reduce the General Fund increases needed for education).



ISSUE:

Dual Enrollment and "Fifth Year" Programs

SUMMARY:

- ❏ The General Assembly recently enacted the Fast College Fast Jobs (FCFJ) Pilot Program, targeting certain districts and high schools to increase graduation rates, ensure more students complete a higher education credential, and assist students in obtaining meaningful employment after graduation.

- ❏ In May the State Board of Education repealed a rule which prohibited districts from receiving funding under the School Finance Act for "fifth year programs", through which districts extend the time a student is enrolled in twelfth grade in order to allow them to complete a higher education credential. This repeal may be interpreted to allow any school district to operate a fifth year program outside of the limitations included in the FCFJ Pilot Program.

- ❏ The Joint Budget Committee sent a letter to the State Board expressing concern that the rule changes may have a significant fiscal impact on public education funding, and requesting a response from the State Board clarifying the intended impact of these rule changes. The State Board did not formally respond to the Committee's letter, and subsequently adopted this rule change as permanent.

RECOMMENDATION:

Given the actions of the State Board and the strong interest in expanding and broadening access to dual enrollment programs, staff recommends that the General Assembly modify existing statutory provisions related to dual enrollment programs. At a minimum, modifications are necessary to clarify whether the General Assembly intends to allow any district to operate a "fifth year" program outside the FCFJ Pilot Program. If it so chooses, the General Assembly should provide sufficient funding accordingly. Statutory modifications should also clarify the policy objectives of the program(s), and require the Department of Education and the Colorado Commission on Higher Education to collaborate and gather data to evaluate whether the program(s) are achieving the desired objectives.

DISCUSSION:

Background Information

Dual or concurrent enrollment programs are collaborative efforts between high schools and colleges in which high school students (usually 11th and 12th graders) are permitted to enroll in college courses. These programs provide students with a challenging academic experience and the opportunity to earn college credit prior to high school graduation. Unlike other "accelerated learning" programs such as Advanced Placement and International Baccalaureate, dual enrollment students generally take actual college courses with a college syllabus, often on a college campus, rather than college-level courses intended to be taken by high school students.

In addition to strengthening links between the secondary and postsecondary education systems, dual enrollment programs are perceived to offer several benefits to participating students, including the following:

- increasing the academic rigor of the high school curriculum;
- reducing the cost of college for students and families;
- providing more academic opportunities and electives to small, rural, and financially-challenged schools; and
- helping students acclimate to college life[17].

The target population for dual enrollment programs has traditionally been academically motivated and successful students. More recently, dual enrollment programs have begun targeting low-income and at-risk students who might not otherwise finish high school or go on to college or technical school. These programs are thus perceived to help low-achieving students meet high academic standards, as well as to reduce high school dropout rates and increase student aspirations[18]. Recent findings from a study of dual enrollment programs in Florida and New York City seem to indicate that dual enrollment programs can be an effective strategy for encouraging student access to and persistence in postsecondary education, particularly for males and low-income students who are struggling in postsecondary education[19].

Several dual enrollment options are currently available in Colorado through schools and school districts. The table that begins on the following page provides a brief description of each program.

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[17] National Research Center for Career and Technical Education, University of Minnesota. October 2007. *The Postsecondary Achievement of Participants in Dual Enrollment: An Analysis of Student Outcomes in Two States*, page 1.

[18] Ibid.

[19] Ibid, page 8.

Dual Enrollment Programs in Colorado				
Program	**References**	**Description**	**Eligibility**	**Funding**
High School Fast Track Program	Section 22-34-101, C.R.S. (S.B.81-248)	Allows districts to allow certain students to take one or more higher education courses during their twelfth grade year, earning college credit.	High school seniors who have completed their high school graduation requirements	Allows school district to receive per pupil funding for the student, and allows the higher education institution to include the student in its enrollment based on the number of credit hours in which the student is enrolled. Requires the district to forward up to 75 percent of its per pupil funding to the higher education institution to cover the student's tuition.
Postsecondary Enrollment Options (PSEO)	Section 22-35-101 through 105, C.R.S. (H.B. 88-1244) Section 22-11-104 (2), C.R.S., requires K-12 system accreditation indicators to include the percentage of students enrolled in an institution of higher education pursuant to PSEO	Allows certain high school students to apply to enroll in higher education courses. Allows the high school to determine whether such courses shall count as high school credit.	11th and 12th grade students who are ready for college work in one or more subjects	Allows the school district to receive per pupil funding for the student so long as the student is taking courses for which they are receiving high school credit. Allows the higher education institution to include the student in its enrollment if a student is enrolled in *one or more courses for postsecondary students*. The pupil's parent must pay the institution tuition unless the student is eligible for the federal free or reduced lunch program; tuition paid for the first two courses per term are subject to reimbursement by the district if the student passes the course. If a student is receiving high school credit for the course, the student is classified as an in-state student for purposes of tuition. If a student is enrolled in *one course for high school students*, the district is to pay the institution an agreed upon amount.

Dual Enrollment Programs in Colorado				
Program	**References**	**Description**	**Eligibility**	**Funding**
Fast College Fast Jobs Pilot Program	Section 22-35.5-101 through 108, C.R.S. (S.B.07-148)	Allows certain school districts and target high schools to allow students to receive a high school diploma and an associates degree or technical certificate within five years (beginning with 9th grade).	9th grade students enrolled in "target high schools" may receive a high school diploma and an associates degree or career and technical education certificate within five years	Allows a school district to receive 100% per pupil funding for each student enrolled in less than 12 higher education hours; 85% for each student enrolled in 12 or more higher education hours. Students participating in the program are not eligible for a College Opportunity Fund stipend. The district and the institution are required to negotiate the amount paid by the district to the institution for tuition, counseling and tutoring services, and other course fees.
Early College High Schools	Initiative of The Bill & Melinda Gates Foundation (along with Carnegie Corporation of New York, the Ford Foundation, and the W.K. Kellogg Foundation) to create or redesign more than 150 early college high schools by 2008	• Small high schools which either include middle grades or provide outreach to middle grades to promote academic preparation • Offer college courses taught in high school or on a college campus • Allow students to graduate with a high school diploma and an associate's degree (or two years of college credit) in four or five years (rather than six)	Priority is to serve low-income youth, first generation college goers, English language learners, and students of color (those underrepresented in higher education)	Other states use various combinations of K-12 per-pupil funding (e.g., allow schools to count students until age 21), postsecondary per-student or per-credit funding, state financial aid (e.g., allow high school students access if >50% of coursework is college-level), and separate incentive funds

State Board of Education "Fifth Year" Rule Change

Pursuant to the *Postsecondary Enrollment Options Act* (PSEO), enacted in 1988, a school district may allow a student "who is not more than twenty-one years old and who is enrolled in the eleventh or twelfth grade" to enroll in higher education courses while still enrolled in high school. The district is authorized to include these students in its pupil enrollment count for purposes of calculating the school district's funding so long as the students are taking courses for which they are receiving high school credit.

In recent years, some school districts have created programs through which students may choose to remain enrolled in "twelfth grade" for one or more additional years, enroll in higher education courses, and simultaneously complete the requirements for a high school diploma and for an associates degree or a career and technical education certificate. The school districts have included the students enrolled in these programs in their pupil enrollment counts and have received state funding for them beyond the traditional one year of twelfth grade.

These programs were identified in a June 2001 report by the State Auditor's Office. In the report, the State Auditor questioned the school districts' interpretation of Section 22-35-104 (1), C.R.S., in extending the time during which students were enrolled in twelfth grade in order to allow them to complete a higher education credential while still being funded through the K-12 education system, and the potential costs to the State if the programs were adopted by more school districts. The State Auditor specifically recommended that the Department of Education work with the Colorado Commission on Higher Education to determine whether specific statutory authority is needed for fifth-year programs and, if so, propose a statutory change. Presumably in response to the audit, the State Board adopted a rule which prohibited school districts from receiving funding for students who "voluntarily extend their high school education one year and graduate with a high school diploma and an associates degree simultaneously" and specifically prohibited school districts from offering "fifth-year" programs.

Last Session, the General Assembly created the *Fast College Fast Jobs (FCFJ) Pilot Program* through S.B. 07-148. Under this program, certain school districts (including those districts that had in place an agreement with a community college to implement a fifth-year program in the two years prior to passage of S.B. 0-148) and certain target high schools[20] may implement a dual enrollment program that would allow students to receive a high school diploma and an associates degree or technical certificate within five years (beginning with 9th grade). The school district may include the student in its pupil enrollment for state funding for up to five years. If the student enrolls in twelve or more higher education credit hours, the school district will receive 85 percent of the per pupil funding for the student; otherwise, it receives 100 percent of per pupil funding for the student.

On May 10, 2007, the State Board of Education adopted emergency rules to implement the FCFJ Program, as required to implement S.B. 07-148 and allow eligible school districts and schools time to establish programs beginning in the Fall of 2007. In addition, the State Board voted to repeal the following rule prohibiting "5th Year Programs":

[20] Department of Education staff have determined that 62 schools in 25 school districts are eligible to participate in the Fast College Fast Jobs Pilot Program because they either implemented a dual degree program in the last two years or their graduation rate for FY 2004-05 is less than 75 percent.

5.18 (1) Fifth Year Programs

Districts with students who enrolled during their junior year, in postsecondary options programs that were designed to allow students to voluntarily extend their high school education one year and graduate with a high school diploma and an associates degree simultaneously, are no longer allowed to receive funding for the fifth year under the "Public School Finance Act of 1994". Districts shall not offer such fifth year programs.

Elimination of this type of program was a result of a performance audit of postsecondary programs for high school students conducted by the office of the State Auditor in 2000 and an agreement between the Commission on Higher Education and the Department of Education.

Legislative Actions

The Joint Budget Committee (JBC) was briefed on the rule change in June by JBC staff and staff from the Office of Legislative Legal Services (OLLS). JBC staff expressed concern that the State Board's repeal of this rule could significantly increase the State funds required to fund public schools. JBC staff did not attempt to estimate the potential fiscal impact of the State Board's actions. However, staff pointed out the General Assembly has previously considered legislation that would have authorized fifth year programs:

- *H.B. 06-1358 (Coleman/Grossman):* This bill would have authorized districts to receive 75 percent of per pupil funding for students in their 5th and 6th years of high school who participate in dual enrollment programs. The Legislative Council staff fiscal note for this bill indicated that the annual state General Fund costs of the new program could range from $4.3 million (if one percent of students participate) to $426.9 million (if 100 percent of students participate). This bill was postponed indefinitely in the Senate Committee on State, Veterans, and Military Affairs.

- *S.B. 06-106 (Grossman/McGihon):* The 2006 rule review bill was amended on Second Reading in the House to repeal the State Board rule prohibiting 5th Year Programs. The Legislative Council staff fiscal note for this bill, as amended, indicated that the annual state General Fund costs of repealing this rule could range from $2.7 million (if one percent of students participate) to $274.2 million (if 100 percent of students participate). The amendment was removed from the bill on Third Reading.

OLLS staff indicated that the State Board's actions appear to extend the authorization for fifth year programs beyond those schools and districts specified to be eligible under S.B. 07-148; this change appears to be a significant change in policy that was not specifically authorized by the General Assembly.

The JBC subsequently sent a letter to the State Board of Education [see Appendix G]. The letter expressed the Committee's concern that the emergency rule changes may have a significant fiscal impact on public education funding, and requested a response from the State Board clarifying the intended impact of these rule changes. The State Board did not formally respond to the Committee's letter. In August, the State Board adopted this rule change as a permanent rule, so it will remain in effect until May 15, 2008.

The Committee on Legal Services met in November to review all rule changes adopted by various state agencies. The Committee eliminated conflicts between the State Board's new rule and the FCFJ statute. Specifically, the Committee eliminated a rule which would have allowed a school district that had in place a fifth year program prior to enactment of FCFJ to continue to include the students enrolled in the fifth-year program in its pupil enrollment, regardless of the students' grade levels. This rule conflicted with a provision in S.B. 07-148 which specifies that a student who participates in a FCFJ Program must begin the program in ninth grade.

The State Board's action repealing the rule prohibiting fifth year programs, however, will remain in place until May 2008 because the annual rule review bill is not an appropriate mechanism to reinstate a rule that has been repealed by the State Board. OLLS staff have indicated that the repeal of this rule may be interpreted as allowing <u>any</u> school district (not just those districts and target high schools specified in S.B. 07-148) to operate a fifth-year program under PSEO. In addition, S.B. 07-148 requires any school district that was previously operating a fifth year program to make changes as necessary to comply with the requirements specified in S.B. 07-148. As a result of the State Board's actions, these programs would not be subject to either the time limits or the funding limits specified in S.B. 07-148.

Statutory Clarification Necessary

There appears to be a fair amount of interest in increasing and broadening access to dual enrollment programs. For example, the "Preparation and Transitions Subcommittee" of the Governor's P-20 Council was asked to examine the following questions:

- Can dual enrollment programs be improved and expanded to all students throughout the state, regardless of students' location?

- Should all high schools be <u>required</u> to offer a dual enrollment option?

- Should the state maintain separate dual enrollment policies or consolidate all into one?

- Could and should the School Finance Act be joined with the College Opportunity Fund to pay for dual enrollments? If so, could this be done in such a way to avoid double payments, ensure fiscal solvency at the local level, and reduce total program costs?

The subcommittee identified several concerns about existing dual enrollment programs, including the following:

- uneven opportunities statewide in concurrent enrollment
- lack of coordination among available programs
- lack of integrated data collection
- ambiguous financial and administrative policies
- fiscal disincentives for schools, districts, and colleges
- lack of coordinated effort to address public confusion/lack of understanding/lack of familiarity with opportunities
- lack of adequate statewide promotion opportunities

The subcommittee recommended that existing statutes and funding mechanisms be reviewed with the intent to develop "effective, coordinated guidance and controls". The subcommittee recommended promoting consistency and assuring rigor. In addition, the subcommittee recommended addressing the "need for additional funding", and examining policies to eliminate fiscal disincentives for participation of students, school districts, and colleges. This recommendation included proposing amendments to higher education performance contracts and K-12 accreditation rules to include access/success in dual enrollment programs. The subcommittee also noted that implementation costs may be offset by reduced remediation costs.

Given the actions of the State Board and the strong interest in expanding access to dual enrollment programs, staff recommends that the General Assembly modify existing statutory provisions related to dual enrollment programs. At a minimum, modifications are necessary to clarify whether the General Assembly intends to allow any school district to receive per pupil funding through the School Finance Act for students who remain in high school for more than four years for the purpose of obtaining an associates degree, technical certification, or college credit (i.e., outside of the FCFJ Program). This clarification would ensure that all school districts are "playing by the same rules" and provide the Department with clear guidelines for monitoring statutory compliance.

Statutory modifications should also clarify the policy objective(s) of such programs. Are these programs aimed at encouraging academically motivated and successful students to maximize learning through their 12th grade year and reduce the time and costs associated with obtaining a postsecondary degree or certification? Is the goal to align secondary and postsecondary education systems? Is the goal to reduce the need for postsecondary institutions to offer remedial education courses? Is the goal to reach out to those students least likely to attend and succeed in college, reduce to the dropout rate, and achieve greater equity of postsecondary outcomes? If so, what supports are necessary for student success (*e.g.*, assistance to cover the cost of tuition, books, fees, and transportation; individualized advising; supplemental instruction as needed in college-level classes)? Is the goal to create an avenue for Colorado high school students who are ineligible for the College Opportunity Fund stipend to receive state support for higher education? Is the goal restricted to postsecondary education, or can students obtain career and technical education certifications? Dual enrollment programs should be consolidated and/or modified based on the policy objectives. Further, if the General Assembly chooses to expand and broaden access to dual enrollment programs, it should take this into account and appropriate funds accordingly.

Finally, statutory modifications should require the Department of Education and the Colorado Commission on Higher Education to collaborate to gather data to evaluate whether the program(s) are achieving the desired objectives. This information should include the number and academic profile of participants, and the costs and savings attributable to the program. The Departments should also be asked to determine whether some programs or approaches are more effective than others. For example, does it matter if students take one course or two? In what sequence? On campus of off? What academic and social supports are required? Are college professors and credentialed high school teachers equally effective instructors for college courses? Do dually enrolled students get credentialed more quickly or with greater success then their similar peers[21]?

[21] Nancy Hoffman, Jobs for the Future. April 2005. *Add and Subtract: Dual Enrollment as a State Strategy to Increase Postsecondary Success for Underrepresented Students*, page 6.

ISSUE:

"Forward Thinking: The Voice (and Future) of the Colorado Department of Education"

SUMMARY:

- ❏ The new Education Commissioner, Dwight D. Jones, released a report in September 2007 outlining his goals and plans for the Department.

- ❏ The Commissioner's plans are largely aimed at changing the Department's organizational structure and culture to better support schools and districts and equipping professionals in the field with the tools necessary to improve student achievement.

- ❏ The report indicates that the success of the educational system should be measured by student academic achievement and progress in narrowing and eliminating race and income achievement gaps. The Commissioner indicates that he intends to allocate resources in a manner that prioritizes students, schools, and programs with the greatest needs.

RECOMMENDATION:

The Department has submitted two decision items which are clearly aimed at implementing two tasks outlined in the Forward Thinking report (#3, Closing the Achievement Gap initiative; and #4, hiring content area specialists). However, the report includes several initiatives that will require additional resources or significant re-direction of existing resources. Staff recommends that the Committee ask the Commissioner to discuss those tasks, goals, and programs which will require additional resources or re-direction of resources in FY 2007-08 or FY 2008-09, as well as those that are likely to require additional resources in the near-term (FY 2009-10 or FY 2010-11).

DISCUSSION:

The State Board of Education appointed Dwight D. Jones as the new Commissioner of Education on June 1, 2007. In September 2007, following an in-depth survey of Department staff conducted by an independent agency and a two-day retreat for Department leadership, Commissioner Jones publicly released a report entitled "Forward Thinking: The Voice (and Future) of the Colorado Department of Education". This report outlines the Commissioner's goals and plans for the Department. Staff has summarized the report beginning on the next page. Staff has attempted to identify any budget initiatives or recent legislation that appear to align with the Commissioner's goals. Staff has also included at Appendix H the most recent organizational chart for the Department.

Staff recommends that the Committee ask the Commissioner to discuss those tasks, goals, and programs which will require additional resources or re-direction of resources in FY 2007-08 or FY 2008-09, as well as those that are likely to require additional resources in the near-term (FY 2009-10 or FY 2010-11).

Objectives and Premises

The report indicates that there is currently a mismatch between the Department's purpose and function: while the primary purpose of the Department is service and support, the primary function is related to compliance and monitoring. Thus, the Commissioner's plans are largely intended to change the Department's organizational structure and culture to better accomplish its primary purpose of providing service and support to schools and districts, and equipping professionals in the field with the tools they need to improve student achievement. Over a three-year period, the Commissioner plans to re-organize and align the Department in an effort to ensure that Department leaders and staff consult with one another, use research-based practices, and verify the effectiveness of their work.

The report includes a background section that sets forth several premises, including the following:

> "The challenge of preparing all students for academic success on state assessments is daunting for many Colorado schools. Yet with a system of standards in place for 13 years (and assessments for 10), Colorado has had adequate time to show it can improve. Despite that, sustained success proves elusive... Achieving greater success requires re-evaluating how well all aspects of CDE operation provide benefit to students. In some cases, achieving greater success may require retooling and adopting new ways of doing business."

Further, the report provides the following statement concerning roles and responsibilities:

> "The wise exercise of CDE’s ability to apply resources depends upon clarity with respect to roles and responsibilities:
>
> - Taxpayers own our schools.
> - Students and parents are our clients.
> - Districts, universities, businesses and foundations are our partners."

The report indicates that the overarching goal is to "promote high standards for all, not just a talented or privileged few". Thus, the one "yardstick" that should be used to measure success is enhancing student performance and eliminating achievement gaps. The report indicates that in order for the Department to improve system performance, it needs to collaborate more with the field, focus more attention on doing what works instructionally, and revise and streamline Department structures and processes that fail to add value.

The report sets forth the following five "non-negotiables" that clearly state where the Commissioner intends to focus resources:

- Narrowing and eliminating the achievement gap
- A continued and expanded focus on literacy
- Ensuring all children quality instruction
- Continued emphasis on high standards and rigor
- Graduating college- and/or workforce-ready high school students

The report also notes additional areas that require attention, including the integrity of online schools; school funding; early childhood education; a partnership between K-12 and higher education; and adequate facilities.

Goals

The report is organized around seven goals, which are listed and described below.

1. *Provide guidance and support to meet district and school needs.*

2. *Enhance professional development involving best practices.* In order to enhance the system's capacity to provide educators in the field with high-quality technical assistance and support, this goal calls for the Department to:

   ✓ acquire and develop expertise within the Department in math, reading, science, writing, arts (including music), social studies and languages [see **Decision Item #4**];
   ✓ partner with districts, foundations, universities, and professional organizations to develop technical aid;
   ✓ systematically assess practitioner needs and provide timely services; and
   ✓ provide education-based tools to enhance student learning and information access.

   This goal also involves enhancing support to small and rural schools and districts through supporting and expanding the services provided by boards of cooperative services (BOCES). Finally, this goal includes providing professional development that is geared to preparing teachers for hard-to-staff positions, and helping "Response to Intervention" gain traction.

3. *Develop tools to eliminate gaps and increase achievement for all.* This goal involves providing support to districts and schools in ways that eliminate and narrow the race and income gaps [**see Decision Item #3**]. The report lists a number of factors to consider:

   ✓ Achievement gap managers
   ✓ Addressing gaps early
   ✓ Understanding data
   ✓ High expectations
   ✓ Quality teachers
   ✓ Professional development
   ✓ Leadership
   ✓ Race, poverty and cultural competencies training
   ✓ More time for learning
   ✓ Literacy focus
   ✓ Research–based best practices
   ✓ Family and community involvement
   ✓ After-school programs
   ✓ Increased and aligned resources
   ✓ Health and nutrition
   ✓ Technology
   ✓ Collaborative library services

The report calls for the Department to disseminate and incentivize districts to voluntarily use model curricula and related assessment tools. The report also states that the system must include a variety of opportunities and methods for learners of all ages (i.e., school choice) to improve student achievement and engage families. Finally, the report notes that "reform must also take place in the world outside of schools so that children are supported and prepared to learn. It will take courage and it will cost."

4. *Implement a seamless, collaborative leadership system with intentional intensity, urgency and impatience.* This goal involves changing the accreditation process (within current statutory boundaries) so that rather than labeling and stigmatizing schools, the process is informative, helpful, and fair to struggling schools. Accreditation rules should be aligned with the federal *No Child Left Behind Act*, and resources should be funneled toward schools and programs with the greatest need. This goal also calls for revising standards and assessments so clear expectations exist for P-3 learners, and so that students exiting high school are "prepared for success in life, work or the next level of schooling". [This latter effort appears to be consistent with **H.B. 07-1118** (establishing high school graduation requirement guidelines and developing an education system blueprint using a community-based process).]

5. *Make efficient, effective use of federal, state, and private funds.* This goal involves four changes in resource allocation and operations:

   ✓ Make budgeting transparent and understandable. Provide monthly management reports that identify revenues and expenditures by function, and clearly differentiate between earmarked and discretionary fund sources.

   ✓ Design and implement a position control system to manage and align human resources with the highest priorities of the Department. Implement internal controls to provide checks and balances and prevent "conversion of salary and benefit funds for other purposes and bar commingling of general funds with capital funds, reserved funds and the like".

   ✓ Develop a "consistent, comprehensive statewide system of discretionary Department funding for schools that reflects priority based on student need". This approach would involve prioritizing resources as follows: (1) students who are not yet proficient; (2) students who are proficient but are not keeping up; and (3) students who are proficient and are keeping up or advancing. This approach specifically calls for shifting attention away from categorizing students based on demographic characteristics (e.g., socio-economic status), and instead categorizing students based on academic achievement.

   ✓ Implement quality standards for the operation and administration of multi-district online educational enterprises and develop the infrastructure (policies, procedures, curriculum, practices, and management tools) needed to support this effort. [This effort is consistent with **S.B. 07-215**, which concerns the oversight of on-line education programs.]

6. *Become a reliable source for research, data, and analysis that is envied by all professionals.* This goal calls for the Department to change the way it manages data, develops tools, and responds to research requests to focus on what the field finds useful. In terms of data management, this involves eliminating reporting and documentation redundancies, bringing

existing databases under a single umbrella, and making instructionally meaningful data more accessible and useful for educators and researchers. [This effort is consistent with the goals of both **H.B. 07-1270** (comprehensive assessment of the current data technology systems) and **H.B. 07-1320** (reviewing school district data reporting requirements and developing a "data dictionary".] This goal also calls for increasing the reliance on longitudinal data for purposes of educational accountability. [This effort is consistent with **H.B. 07-1048**, which declares information on the longitudinal growth of students to be the "cornerstone" of the educational accountability system.]

7. *Define, detail and implement a model that builds and expands leadership capacity.* This goal involves implementing a "network of distributed leadership" within the Department that includes four centers:

   ✓ Principal Center: An entry-level training program for practicing principals designed to help them earn their professional certification

   ✓ Superintendent and School Board Center: A support service offered to district superintendents, assistant superintendents, and school boards

   ✓ Futures Center: Support for veteran school and district leaders with more advanced, data-focused and individually tailored training

   ✓ Coaching Center: A consultation service offered to individual principals and superintendents working on professional growth and school reform efforts [This effort appears to be consistent with **H.B. 06-1001**, concerning performance evaluation and professional development for principals.]

   This goal also involves the creation of a new position at the Department -- Associate Commissioner for Strategic Partnerships -- which will be supported by outside funding sources. This individual will identify, develop, and maintain statewide community partnerships with key public and private stakeholders (including private sector employers, chambers of commerce, economic development agencies, workforce development groups, community and civic leaders, non-profit organizations, etc.) for the purpose of accelerating the most promising teaching and learning efforts. This person will coordinate planning, partnerships, marketing, community education, and several new initiatives:

   ✓ Colorado Legacy Foundation: This non-partisan 501(c)(3) non-profit organization will support innovation, entrepreneurship, 21st century teaching and learning, and the dissemination of best practices across the state.

   ✓ Commissioner’s Council on Innovation & Entrepreneurship: This council will lead an effort to identify and integrate critical industry skill sets into Colorado content standards, and it will accelerate the reform effort with private sector tools and strategies. [This effort appears to be consistent with **H.B. 07-1118** (establishing high school graduation requirement guidelines and developing an education system blueprint using a community-based process).]

- ✓ CDE Best Practices Guide: This guide will help promote statewide innovation and build entrepreneurial capacity through the annual publication of leading practices in teaching and learning, the development of instructional leadership, community partnerships, and 21st century school facilities.

- ✓ Commissioner's Cup: An award to honor districts undertaking successful, systemic school reform.

- ✓ Commissioner's Breakfast: An event to honor leaders reshaping the way we prepare Colorado students for the 21st century.

- ✓ Commissioner's Summit: A retreat designed to bring together P-20 leaders from across Colorado for the purpose of building districts' capacity to partner with stakeholders and share innovative ideas.

- ✓ Colorado Legacy Scholars: A program designed to provide scholarships that underwrite the tuition for 100 top high school seniors who agree to enroll in Colorado colleges or universities in exchange for service (after graduation) in hard-to-staff teaching assignments.

INFORMATIONAL ISSUE:

Recommendations from the Governor's P-20 Education Coordinating Council

SUMMARY:

❏ In April 2007, Governor Ritter established the Governor’s P-20 Education Coordinating Council, consisting of individuals from the business, education, child care, and foundation communities. The Council was charged with making recommendations to the Governor regarding potential legislation, policies, and programs that will implement the goals found in the Governor's *Colorado Promise*.

❏ The Council recently met to present fifteen recommendations to the Governor, and to vote on each recommendation. Ten of the fifteen recommendations would likely require additional resources to implement.

DISCUSSION:

Background Information
In April 2007, Governor Ritter issued Executive Order #B 003 07, creating the Governor’s P-20 Education Coordinating Council. The Council consists of individuals from the business community, schools and school districts, higher education institutions, child care providers, foundations, and state agencies [a list of Council members is provided at Appendix I]. The Council was charged with facilitating statewide conversations and convening subcommittees as needed to discuss and make recommendations to the Governor regarding potential legislation, policies, and programs that will make progress toward implementing goals found in the Governor's *Colorado Promise*. Topics the Council was to address include the following:

- Options for expanding, monitoring, and effectively coordinating early childhood education;
- Methods for engaging and retaining all students, thereby reducing the number of students who drop out of high school;
- Approaches for recovering high school dropouts and adults in need of retraining;
- Improving transitions between high school and postsecondary education, including establishing common high-school level expectations for competencies within certain content areas such as English, mathematics, and science;
- Identifying various methods to demonstrate attainment of the above-mentioned objectives;
- Developing innovative options for postsecondary matriculation, retention, and completion;
- Improving the recruitment and retention of and supporting innovative approaches to competitively compensate high quality teachers;
- Aligning federal and state financial aid policies in order to widen college access and maximize the utility of state-level resources;
- Examining appropriate levels and potential sources of funding, including the resources needed to ensure the long-term sustainability of the state’s educational systems;
- Enhancing accountability practices and improving statewide data systems; and,

- Connecting regional and statewide workforce needs with current and future educational capacities.

The Governor's Office of Policy and Initiatives provided information, data, analytical information, and administrative support to the Council. Over a four-month period, the Council and five subcommittees met several times and developed a series of recommendations. Most recently, the Council met to present each of the subcommittee's recommendations to the Governor, and to vote on each recommendation.

Recommendations

The recommendations of each of the five subcommittees are described below. Every recommendation received at least a majority vote; staff has provided Council vote tallies for each recommendation. Those recommendations likely to require additional resources are noted with an asterisk (*).

Preschool Through Third Grade Subcommittee

Lieutenant Governor O'Brien presented these recommendations at the November 27 Council meeting. She indicated verbally that the priority order of the following recommendations is intentional.

1.* In the long-term, make *full-day kindergarten* an integral part of the State's K-12 system, providing full-day kindergarten for all children whose parents choose to enroll them. Phase in full-day kindergarten incrementally, focusing first on the most at-risk children. [30 yes, 0 no]

2.* Expand the *Colorado Preschool and Kindergarten Program*, adding 2,000 slots annually (beginning in FY 2009-10) until all eligible three- and four-year-old children have an opportunity to participate. [30 yes, 0 no]

3.* Assign a *unique child identifier* (akin to the SASID used by the Department of Education) to every three- and four-year-old child who is enrolled in a publicly funded early care and education (i.e., Head Start, Child Care Assistance Program, and the School Readiness Quality Improvement Program). The identifier would be used to analyze and improve system performance. [30 yes, 0 no]

4. Direct the Department of Education to take the lead on researching and writing a *report concerning best practices* for curriculum, instruction, and assessment. [29 yes, 1 abstention]

Dropout Prevention and Recovery Subcommittee

1. Direct the Department of Education to conduct a *sunset review of current statutes* related to dropouts, truancy, and the support of at-risk students. The purpose of this review is to evaluate existing programs and eliminate those that are ineffective. [30 yes, 0 no]

2.* Develop a *P-20 data system* in which a student's unique identifier could be matched to data related to student performance and various indicators that are closely linked to dropout behavior. Make data readily available to counselors, teachers, and administrators. [30 yes, 0 no]

Educator Recruitment, Preparation, and Retention

1.* *Increase school funding* to a level that fully funds state mandates and adequately meets the needs of districts to attract, retain, and support high quality educators. [30 yes, 0 no]

2. Encourage school districts to explore *alternative compensation systems*, which may significantly change how educator quality is identified and rewarded, as a method of improving educator quality. Improve the collection, maintenance, and availability of education data in order to support, evaluate, and learn from alternative compensation programs. [27 yes, 3 abstentions]

3.* Create a pool of public ($10,000,000 initially) and private *seed money* to be competitively allocated to schools and districts for the design, development, planning, and evaluation of alternative educator compensation statewide. Provide technical assistance to districts and schools. [30 yes, 0 no]

Data and Accountability Subcommittee

1.* Create a *P-20 data system* to improve teaching and learning, inform public policy, conduct research, evaluate system effectiveness, and provide progress. Create a new team to manage the data and ensure privacy and security. [30 yes, 0 no]

2. Ensure that each segment of the P-20 system (early childhood, K-12, and postsecondary) have their own *accountability systems* that include clear expectations and accurate measures of progress and incorporate some cross-system elements. [28 yes, 2 no]

Preparation and Transitions Subcommittee

1.* Establish *postsecondary preparation* as the primary purpose of the P-12 system. Through the State Board of Education, create a statewide guidance policy. To accomplish this: (a) articulate standards that guide and stimulate school planning and activity; (b) enhance counseling and guidance capacity; (c) support efforts to transform the school culture into one that promotes postsecondary preparation; (d) support model partnerships that enlist the resources of educational systems across sectors; and (e) create a coordinating council. [31 yes, 0 no]

2.* Modify *concurrent enrollment programs* in order to expand access (by eliminating financial disincentives and developing appropriate policy incentives) and ensure consistently high levels of quality and rigor. Create a coordinating council and develop effective, coordinated guidance and controls. [31 yes, 0 no]

3. *High School Diploma Endorsements*: Formally study the creation of various statewide pathways to high school diplomas, such as those leading to distinctions for college and career readiness, and other demonstrations of proficiency. [22 yes, 6 no, 3 abstentions]

4.* *Modify the statewide assessment program* to incorporate the "Explore" (8th grade students) and "Plan" (10th grade students) assessments. Similar to the existing requirement that all 11th grade students take the ACT, provide state funding for this sequence of "pre-collegiate" tests that would be administered on a voluntary basis by districts. [18 yes, 10 no, 3 abstentions]

ISSUE:

Improving the Education of Children in "Eligible Facilities".

SUMMARY:

- ❑ While most children in Colorado receive public education services through local school districts, some children receive educational services through state-operated programs or through community-based "eligible" facilities. While the state covers the costs of educational services provided by state-operated facilities, state funding for eligible facilities falls short.

- ❑ Since the early 1990s, several groups have been convened to identify problems associated with the delivery of educational services through eligible facilities, as well as potential solutions. To date, these problems have not been addressed.

- ❑ Available studies concerning the educational status of children and youth who are or have been in out-of-home care indicate that they are more likely to repeat a grade level, more likely to be performing below grade level, more likely to drop out of school, less likely to be employed, and more likely to be arrested and/or incarcerated.

RECOMMENDATION:

Staff recommends that the General Assembly consider changing the system of providing educational services to children and youth in "eligible facilities". Changes should be designed to improve these students' academic achievement, decrease the likelihood they will drop out of school, and increase the likelihood that they will be employed.

DISCUSSION:

Background Information
Most children and youth in Colorado receive public education services through School districts and schools that are authorized by the State Charter School Institute. Some children and youth, however, receive public educational services through other facilities or programs. The State Board of Education has the duty to "exercise general supervision over the public schools of the state and the educational programs maintained and operated *by all state governmental agencies* for persons who have not completed the twelfth-grade level of instruction"[22] (emphasis provided). With respect to the education of children with disabilities, the State Board is required to adopt rules to establish "minimum standards for administrative units, *state-operated programs, eligible facilities*, and

[22] See Section 22-2-106 (1) (a), C.R.S.

personnel"[23] (emphasis provided). Further, each administrative unit, state-operated program, and eligible facility is required to make available special education services as specified in the individualized education program (IEP) for any child with a disability for whom it is responsible[24].

State-Operated Programs

There are four state-operated programs which are approved and supervised by the Department of Education[25]. For purposes of providing special education services to children with disabilities, each state-operated program is considered a local education agency, and thus receives federal special education funding. The Department of Education is required to monitor the provision of special education services in all state-operated facilities. The process of supervising the general education program provided by each state-operated program, and the other sources of revenue available to each program, are described below:

- *Colorado School for the Deaf and the Blind (CSDB).* The CSDB provides educational services to children who are blind and/or deaf and under the age of twenty-one. A staffing team, including CSDB staff, the parents, and a local school district representative, determine if the CSDB is the appropriate learning environment based on the educational needs of the student. If a student's parents or legal guardians reside within Colorado and outside the El Paso County area, the student is eligible to participate in the residential living program during the week. The district of residence pays for the costs of transporting students to and from the CSDB each week if the district agrees that it is the most appropriate placement for the student; otherwise, the parent is responsible for providing transportation. While the CSDB provides services to infants and preschool children year-round, on-grounds educational services are only provided during the school year. The CSDB is accredited by the Department of Education.

  Similar to eligible facilities (discussed below), the CSDB receives the statewide average per pupil operating revenues (PPOR) for eligible[26] enrolled students. The CSDB also receives other sources of state and federal funding for students with disabilities, for nutrition programs, for low income children, and through various grant programs. In addition, the CSDB receives tuition from other states that place children at CSDB, as well as from school districts that place students at CSDB on a short-term basis for diagnostic purposes. The General Assembly appropriates state General Fund moneys to cover operating costs that are not covered by other revenue sources ($9.2 million for FY 2007-08).

- *Mental Health Institutes (at Ft. Logan and Pueblo).* In addition to receiving federal nutrition funds, educational services for youth residing at the Institutes are funded in two ways. First, at both the Ft. Logan and Pueblo Institutes, adolescents in the inpatient psychiatric hospital receive educational services from Institute staff. Similar to CSDB, the Institutes receive the

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[23] See Section 22-20-104 (1), C.R.S.

[24] See Section 22-20-106 (3), C.R.S.

[25] "State-operated program" is defined in Section 22-20-103 (28), C.R.S.

[26] The CSDB provides services to some students who are not eligible for per pupil funding under the School Finance Act, including infants, preschool children, and older students in the transition program.

statewide average PPOR for eligible enrolled students. Any costs that exceed this revenue source are covered by direct General Fund appropriations to the Institutes. [In FY 2006-07, General Fund covered $183,000 at Pueblo and $290,000 at Ft. Logan.] While the Department of Education provides oversight for the Institute's special education services, the Institutes' general education programs for inpatient psychiatric clients are not accredited or monitored by the Department of Education.

Second, educational services at Ft. Logan are also provided through the therapeutic residential child care facility (TRCCF) that is operated at the facility (called "Mountain Star"). Mountain Star is licensed by the Division of Child Care and approved as an "eligible facility" by the Department of Education. This facility employs state staff to serve children and youth placed by county departments of social services and the Division of Youth Corrections (DYC). The rates paid by counties and DYC to this facility do not cover any of the costs of the educational program. As described for eligible facilities, below, Mountain Star receives the statewide average PPOR for eligible enrolled students, and it receives funding from each special education student's district of residence to cover the "excess costs" of providing special education services. Any Mountain Star general education costs that exceed these two revenue sources are covered by direct General Fund appropriations to the Institutes. [In FY 2006-07, General Fund covered $31,365 of Mountain Star expenses.]

- *Department of Human Services' Division of Youth Corrections (DYC).* Educational services for youth in the custody of DYC are paid for in three ways. In all cases, services are provided year-round. First, educational services for youth in detention facilities are provided by the school district in which the facility is located. These districts then bill those districts within the associated judicial catchment area for their proportionate share[27] of the actual costs of the educational program (including both general educational services and special education services for children with disabilities)[28]. School districts may provide educational services to detained youth using school district staff or through contract staff. Districts are accredited by the Department of Education, and the Department monitors detention education programs.

  Second, educational services for youth who are committed to state-operated DYC facilities (approximately 35 percent of committed youth) are provided by DYC staff or contract staff. The DYC also receives other sources of federal funding for education, including Title 1 funds, special education funds, and Perkins Grants for vocational training. While the Department of Education provides oversight for DYC's special education services, DYC's educational programs are not accredited by the Department of Education.

  Third, educational services for youth who are committed to DYC and placed in community-based residential facilities (approximately 65 percent of committed youth) are provided by such facilities. The DYC requires facilities to provide these services year-round. Similar to children placed through the child welfare system, the rates paid by DYC to these facilities do not cover any of the costs of the educational program. The funding sources available to these eligible

[27] The Public School Finance unit is responsible for calculating each district's proportionate share based on the overall funded pupil count for each school district.

[28] The district in which the facility is located is not allowed, however, to bill for the costs of educating students who are included in its funded pupil count.

facilities to cover educational program costs, as well as related oversight functions, are described below.[29]

- *Department of Corrections (DOC).* Section 17-32-105, C.R.S., sets forth the goals and objectives of the DOC's education program. This provision indicates that an individual who wishes to receive a standard high school diploma is required to meet the graduation requirements established by the school district where he/she was last enrolled or to pass an equivalency examination. Educational services are provided year-round, and may be provided by DOC staff or through contract staff. While the Department of Education provides oversight for the DOC's special education services to those eligible individuals under the age of 22 who have not yet graduated high school, the DOC's educational programs are not accredited by the Department of Education. The costs of DOC's educational programs are covered entirely by direct appropriations of state funds to the DOC.

Eligible Facility Programs
Some children and youth are placed by public agencies in residential child care facilities, day treatment programs, and hospitals. Previously, all educational services were provided to these children by school districts. In 1983 the General Assembly passed legislation that created the existing system for educating children in these facilities (H.B. 83-1504).

Educational services are now provided to these children and youth either through the administrative unit (the local school district or group of school districts) or through an on-grounds school which is operated by the facility. These on-grounds schools are called "eligible facilities"[30]. While these facilities are licensed by the Department of Human Services and/or the Department of Public Health and Environment, they must apply to the Department of Education for approval to provide educational services and receive public funds to do so. Colorado children who are placed in these facilities by a public agency (e.g., the Division of Youth Corrections or a county department of social services) are entitled to a publicly funded education. Facilities cannot deny a child educational services unless the child's behavior at a specific time is out of control and the child is dangerous to themselves or others or inappropriate in a school setting. Approved facilities must provide special education services to eligible students (through licensed teachers with the appropriate endorsements, or through contracts if necessary based on the small number of eligible students).

Currently, 59 eligible facilities (which operate 72 school sites) serve about 2,200 students at any given time (e.g., 2,138 full-time-equivalent students received educational services through eligible facilities in October 2007)[31]. These facilities provide educational services to children in residential placements, as well as "day treatment" services to children who are at-risk for out-of-home placement and in need of mental health treatment beyond what can be provided in a public school

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[29] Please note that while the Ridge View Youth Services Center is a state facility, DYC contracts with a private provider (Rights of Passage) to operate the facility. The educational program is provided through a school that has been chartered by Denver Public Schools (DPS). Thus, the Ridge View education program is paid for and accredited by DPS.

[30] "Eligible facility" is defined in Section 22-20-103 (9), C.R.S.

[31] The number of facilities and the FTE figure for October 2007 were provided by Mary Lynn Christel, Public School Finance Unit, Department of Education.

setting. About half of these facilities operate one- or two-teacher schools. Eligible facilities serve children who are often out of control (either internally or externally), suicidal, suffering from severe psychiatric disorders, exhibit runaway behaviors, or have committed sexual or other offenses. Over the last four years, the number of children in residential facilities has declined (due largely to licensing and other changes required by changes to federal Medicaid reimbursement rules), so the acuity level of children has generally increased.

Once a facility has been licensed and has its on-grounds school approved, it is entitled to at least two funding sources:

- The district of residence (i.e., the district in which his or her parents live) includes the student in its October count, and thus receives per pupil operating revenue (PPOR) for the student[32]. The PPOR differs for every district (ranging from $5,983 to $14,059 for FY 2007-08). An eligible facility bills the Department of Education monthly for the number of children served[33]. The Department pays each facility the statewide average PPOR ($6,388 for FY 2007-08). To do so, the Department withholds the PPOR *for each home district* that is associated with students in facilities as of October 1[34]. The Department pays each facility 90 percent of the *statewide average PPOR* for each FTE served each month (this includes all students, regardless of their special education status)[35]. In June, the Department disburses any remaining funds to reimburse facilities for up to 100 percent of the statewide average PPOR.

- Students' districts of residence are required to pay any extra costs associated with providing special education services to children with disabilities who are placed in an eligible facility pursuant to a court order or public agency, or pursuant to a contract between the district of residence and another administrative unit. The Department of Education establishes an "excess cost" rate for each approved eligible facility based on the actual costs of providing special education services that are not covered by PPOR. The facility sets up an individual contract with each special education student's district or residence. An eligible facility bills each district of residence for "excess costs". If a student's parent or guardian cannot be located or if the parent or guardian is homeless, the student is considered a resident of the district in which the eligible facility is located; this district is thus required to pay excess costs.

Eligible facilities that operate year-round education programs may apply for state funds through the Facility Summer School Grant Program. In addition, eligible facilities may qualify for various sources of federal funds (e.g., Title ID for neglected and delinquent children), and they may receive assistance through the school nutrition program.

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[32] See Section 22-54-103 (10) (e), C.R.S.

[33] Hospitals can only bill for students who are patients of the hospital. Residential facilities can only bill for privately placed students if the home school district agrees that it is the most appropriate placement and agrees to pay the excess costs.

[34] See Section 22-54-109, C.R.S.

[35] Whether an eligible facility is approved to provide a nine- or twelve-month program, it may only receive the statewide average PPOR for each FTE served. Facilities that are approved to provide a nine-month program are paid 1/9 of the statewide average PPOR for nine months; those that are approved to provide a 12-month program are paid 1/12 of the statewide average PPOR for 12 months.

Proposed Changes Concerning Educational Services for Children in Facilities

Problems with Current System
Since the early 1990's, several groups have been convened to discuss problems associated with educational services provided through eligible facilities and/or state-operated facilities. Staff has summarized many of these efforts below.

1994-95: The "Alternative Facilities Funding Group" brought together representatives from school districts, facilities, hospitals, community centered boards, county departments of social services, the Department of Education, the Department of Human Services' Division of Youth Services, and members of the General Assembly to discuss issues associated with out-of-district students. This group suggested creating an "educational services unit" which would ensure the provision of educational services and flow funds to approved facilities based on cost-based rates for each facility. The objectives were to: provide more coordinated, less fragmented services for students; simplify counting and billing procedures; provide a funding mechanism whereby district costs could be better managed; and increase the graduation rate through better tracking and compilation of credits. The unit would receive funding through a "super PPOR" that essentially includes both PPOR and excess costs. This new unit would contract for services through school districts and facilities. Legislation was introduced at least twice, in the 1996 and 1997 Sessions. These efforts failed, largely due to the significant fiscal impact of the proposed solution.

H.B. 96-1354: This act required the Departments of Education and Human Services to conduct a study regarding the impact of foster home placements on school districts. The resulting report concluded that "issues for students in out-of-home/out-of-district placements reaches across all state agencies dealing with these children…Efforts of one state agency to control costs or improve efficiency inevitably impact other systems involved with these children…Services to children become fragmented and issues of gaps or duplications in services are not easily assessed. The committee recommends that a task force...be formed to explore options for development of a comprehensive, cohesive approach to services for all children in out-of-home/out-of-district placements. There is concern that if not addressed as a larger systems issues (sic), continued efforts to develop "band-aid" approaches in response to various problems are ultimately counter-productive."

H.B. 97-1293: This act required the Department of Human Services, county departments of social services, and the Department of Education to share information related to educational enrollment and services and out-of-home placements, facilities, and programs.

1998: In March 1998 another workgroup formed at the request of Denver Public Schools, and another concept paper was developed. This paper detailed desired outcomes for students and families as well as systems, and offered a number of policy strategies and alternatives including early interventions, interagency programming, and funding changes. The paper acknowledged that several of the potential strategies would require increased funding. The "next step" recommended by the study was a legislative interim committee.

2000: In January 2000, the Final Report of the Governor's Task Force on Child Welfare included a recommendation to encourage reforms that improve access and the quality of services to children served in the child welfare, developmental disabilities, mental health, and youth corrections systems. Recommended reforms included: revising the current formula for on-grounds schools, grouping these schools together as a separate district, and securing additional state funding for students in out-of-district placements.

H.B. 02-1246: This act created a task force to examine the key issues and determine what structure(s) would address these issues. The "Eligible Facilities Education Task Force" consisted of members from the General Assembly, the juvenile court system, the State Board of Education and the Department of Education, the Department of Human Services, urban and rural school districts, boards of cooperative services, residential treatment facilities, counties and county departments of social services, community mental health centers, and the Governor's office. The Task Force was charged with studying the following issues:

(a) Funding of eligible facilities, taking into consideration risk factors pertaining to the students being served, economies of scale, and the payment of the additional cost of providing services to students with disabilities;
(b) The administration and logistics of placing a child in an eligible facility when more than one agency is involved;
(c) The difficulties of tracking a child's school credits and transcripts, assigning credits, and enabling children who are placed in eligible facilities to obtain a diploma;
(d) Accessing appropriate education services and placement for children to be placed in eligible facilities, and the coordination among facilities and public agencies in providing those services;
(e) Ways to provide stability for children placed in eligible facilities, addressing factors such as multiple placements and the barriers to providing continuity in the children's education;
(f) Teacher recruitment and retention in eligible facilities; and
(g) Any other issues concerning children who are placed in eligible facilities receiving educational services that arise during the course of the task force study.

The Task Force identified several problems with the current system, including the following:

<u>Inadequate and Complicated Funding</u>

- Generally, facilities are required to provide year-round educational services to students with intense needs, so it is more costly to educate them than the average student in a regular classroom. The *statewide average PPOR does not cover facility's educational costs*.

- Previously, some facilities could use "excess cost" reimbursements to help cover the shortfall in funding. In recent years the proportion of students in facilities who are eligible for special education services has decreased from close to 100 percent to about 60 percent.

- For students with disabilities, the administrative unit where the student is attending school counts the child for purposes of receiving both state and federal special education funding. Thus, the *district of residence does not receive per pupil funding or special education funding for these students, but it is required to pay the excess costs* incurred by another administrative unit or facility that is serving the student. These districts have no control over excess cost rates or the number of students placed in any given year.

- The process of *setting excess cost rates and billing for excess costs is complicated and time consuming*. In addition, parents often move without informing the school or the facility, making it difficult to track the district of residence and bill appropriately.

Educational Services Do Not Meet Students' Needs

- Placement decisions are often made based on available space, so *students are often placed far from their family and home school district*. This requires school districts to spend significant time verifying placements, tracking IEPs, billing, managing contracts, etc.

- Due in part to their size, *most facilities are not adequately addressing all state content standards*. Smaller facilities also have difficulty providing required special education services.

- Due to the short duration of some placements and frequent moves between facilities (often based on treatment needs), *it is difficult for districts to track students' academic credits*. In addition, there is no statewide continuity in curriculum, so students will generally receive elective credit for classes taken while at a facility – especially if it was for less than a semester. Often, these credits will not satisfy graduation requirements.

- Generally, neither state-operated facilities or eligible facilities may issue high school diplomas[36], offering only a general educational development (GED) transcript. Thus, *students who spend time in facilities are likely to drop out of high school* (due to a lack of credits) *or only obtain a GED.*

Facilities Often Lack Experienced, Qualified Teachers

- Due to funding shortfalls and the fact that they are privately operated, facilities cannot offer competitive salaries and benefits for teachers. In addition, services are provided year-round, the students served by facilities have significant needs, and there are limited professional development opportunities. As a result, *facilities experience high teacher turnover rates* (64 percent at time of study), *and most facility teachers are inexperienced* (about 80 percent are on emergency authorizations, and half were in their first year of emergency authorization and had no previous classroom experience and no training).

- *Many facilities will find it difficult, if not impossible, to meet requirements of the federal No Child Left Behind Act* (*e.g.,* adequate yearly progress, highly qualified teachers, and highly qualified paraprofessionals).

- Phone calls, serious compliance issues, and the intensity of necessary technical assistance indicate that many teachers are unable to provide adequate services to their students. However, *the Department of Education's current process of approving eligible facilities does not address student learning or improvement.*

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[36] The one exception staff is aware of is the Ridge View facility. As this is a charter school authorized by Denver Public Schools, students can graduate from the facility and receive a DPS diploma.

Potential Solutions
The Task Force developed the following criteria for a successful solution (in order of importance):

- Kids across the state should have the same educational opportunities
- Child-focused
- Address the needs of all agencies
- Simplify processes/systems
- Realistic for legislative passage
- Cost-efficient
- Qualified staff to offer comparable educational opportunities
- Focus on tracking credits
- Establish minimal funding standards for acceptable solutions

In addition, the solution should: take care of all children, regardless of whether or not they are eligible for special education services; provide stability for kids; be flexible; and provide comparable resources and compensation. The Task Force formulated a list of options for consideration, but their implementation will depend on whether the educational delivery system is changed. The report identifies three options for service delivery:

1. Maintain the current delivery system, but provide more oversight and support;
2. Require school districts to provide all educational services; or
3. Establish a statewide entity or chartering authority that hires and employs teachers and contracts with facilities to provide educational services.

Based on the testimony of individuals who met with the JBC on November 15, 2007, it appears that there is interest in option three, creating a state-level entity that could employ teachers (offering competitive salary and benefits), centralize data and track student's credits, and achieve economies of scale. The entity would offer a statewide curriculum that is consistent with state standards and includes a scope and sequence that is consistent among all facilities, thereby allowing students to accumulate credits and graduate regardless of placements.

The report includes a number of specific recommendations, including the following:

> *Web-based database system housed at the state level.* Establish a data system that would include information on facilities and year-round contacts. It would also track student-level data including IEPs, assessment results, academic credits and progress toward graduation. Finally, the system would include information for educators such as federal loans and grants that might be available, and professional development opportunities.
>
> *Integrated interagency relationships.* Require agencies to consider the educational impact of placement decisions (e.g., high school student transitions should be made at semester break). Develop memorandums of understanding among state licensing agencies for joint approval/monitoring, integrating educational, therapeutic, and behavioral components. Each child entering facility should receive a coordinated plan (or there should be an integrated systems-of-care approach to planning services). Provide support for students who are kept in public school, yet need services.

Educational requirements. Develop curriculum that is aligned with state and school district standards. Develop a common definition of credits and/or competencies that are required for promotion or graduation. Provide professional development to teachers, and use appropriate assessment methods to guide instruction and evaluate programs. Consider establishing an accreditation system for eligible facilities.

Teacher recruitment and training. Offer competitive salaries and benefits relative to school districts, considering the job difficulty and teacher performance and experience. Offer a loan forgiveness program. Establish Summer internships for psychology, social work, and/or education students so that regular facility teachers can have a break (or rotate/integrate facility teachers into regular schools). Provide a centralized staff development and training program.

Members of the Task Force have made presentations to the Education Committees, the State Board of Education, and the Joint Budget Committee. During their presentation to the State Board, the group indicated that they are working with Senator S. Williams and Representative Peniston to develop legislation to address these issues. Commissioner Jones indicated that he and his staff would work with the group to develop potential legislation.

Policy Considerations

In 2004, the Chapin Hall Center for Children released information from two studies concerning the educational status of children and youth in out-of-home care[37]. One study concerned youth aging out of the child welfare systems in Illinois, Wisconsin, and Iowa; the second study concerned Chicago Public School students in out-of-home care. The study concerning children aging out of foster care indicated that although many foster youth have high educational expectations, many are experiencing significant academic failure. Specifically, most of the students interviewed had recently completed 10th or 11th grade, but were reading at only a seventh grade level, on average. Substantially more of these youth repeated a grade level compared to a national sample.

The study of foster children in Chicago Public Schools found that foster children are often old for their grade level when they enter care, and once in care they face a greater likelihood of being retained in school. Almost one-half of the third- to eighth-grade students studied scored in the bottom quartile on Illinois' standardized reading test, and the proportion of students in foster care who dropped out of school between the ages of 13 and 16 (15 percent) was more than double the averages for other students in the same age range. Fifteen-year old students in care were almost half as likely as other students to have graduated five years later, with significantly higher percentages of students in care dropping out or being incarcerated.

Both of the Chapin Hall studies revealed substantial levels of school mobility associated with placements in out-of-home care. Of the adolescents interviewed in the study of children aging out of foster care, over a third reported five or more school changes.

[37] Mark E. Courtney, Melissa Roderick, Cheryl Smithgall, Robert Matthew Gladden, and Jenny Nagaoka (December 2004) *The Educational Status of Children in Foster Care.* Chapin Hall Center for Children at the University of Chicago.

A more recent study concerning approaches to dropout prevention included information about those academic and social indicators that are most closely associated with students who drop out[38]. The social indicators included the following:

- Juvenile justice placement (all students): Represents 14.4 percent of dropouts
- Juvenile justice placement (males only): Represents 22.6 percent of dropouts
- Foster care placement: Represents 7.4 percent of dropouts
- Mobility (e.g., number of schools enrolled): Students who move twice during their high school years are twice as likely not to graduate as students with consistent enrollment

This report also indicated that students who fail to be promoted are more likely to dropout – one study indicated that "being held back trumps all for dropout indicators". The report recommends a number of dropout prevention interventions, including attention to school climate in order to facilitate student engagement, rigorous coursework for all students, and effective use of extended learning time.

Beyond educational achievement, an ongoing project in Florida has produced findings that point to other potential public benefits of increasing the educational achievement of youth in out-of-home care. The Florida Department of Education and Florida State University's Criminology College started the "Juvenile Justice Educational Enhancement Program" in 1998. This program has devised a data-management and accountability system for the state's juvenile justice schools, and helped establish a research-based approach to improving teaching and learning in these facilities. The Director of the project, Thomas G. Blomberg, is quoted as follows in a July 2005 article:

> "The education of delinquent youths has never gotten much attention…There is a general kind of benign neglect when it comes to this kind of population. It's almost viewed in some circles as a disposable population."[39]

In a recent presentation, Mr. Blomberg released the following statistics that have been gathered through this project:

- The odds of youth returning to school following release with above average academic achievement while incarcerated were 69% higher than for those youth who achieved below average while incarcerated
- Post release return to and attendance in school significantly reduced the likelihood of being rearrested within 12 and 24 months.
- Youth who returned to school exhibited a 52% greater likelihood of being employed compared to youth who did not return to school.

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[38] National High School Center at the American Institutes for Research, *Approaches to Dropout Prevention: Heeding Early Warning Signs With Appropriate Interventions*. October, 2007.

[39] John Gehring, *"NCLB's Mandates on Delinquent Youths Gets Attention"*. Education Week, July 27, 2005.

- The length of employment also increased for those youth who returned to and stayed in school. Within the first year following release, each quarter of employment reduced the likelihood of rearrest by 8.7% and 4.1% within the first two years[40]

Thus, this study indicated that youth who achieve academically while incarcerated are more likely to return to and stay in school following release which, in turn, increases their likelihood of obtaining and sustaining employment and decreases their likelihood of re-offending.

[40] Powerpoint presentation by Tom Blomberg, Dean and Sheldon L. Messinger Professor of Criminology, to the 2007 National Conference on Juvenile Justice Education and No Child Left Behind in Annapolis, Maryland. March 12, 2007.

FY 2008-09 Joint Budget Committee Staff Budget Briefing
DEPARTMENT OF EDUCATION

INFORMATIONAL ISSUE:

This issue brief provides an overview of the statutory formulas used to determine annual funding for Colorado school districts.

SUMMARY:

- ❑ The primary source of funding for public schools in Colorado is provided pursuant to the Public School Finance Act of 1994, as amended. The Act sets forth a complex funding formula intended to provide for a "thorough and uniform system of public schools", as required by the state constitution.

- ❑ This statutory formula involves two steps: (1) Establish a specific level of per pupil funding for each school district that reflects variances in districts' costs of providing educational services; and (2) Determine a specific state and local share of funding for each district.

- ❑ For FY 2007-08, districts will receive an average of $6,658 per pupil. This per pupil funding amount consists of $5,088 in "base" per pupil funding, plus $1,570 per pupil related to various factors that are applied to the base through the School Finance Act funding formula.

- ❑ In addition, for FY 2007-08, the General Assembly has allowed districts to "count" 13,906 at-risk children participating in preschool programs and 2,454 at-risk children in kindergarten programs as full-day (versus half-day) students. Thus, $41.6 million in "base" funding is currently provided at the discretion of the General Assembly to support preschool and full-day kindergarten programs. Further, districts are currently allowed to average up to four years of pupil enrollment counts, allowing districts with declining enrollments to receive more funding than they otherwise would (accounting for about $25.8 million in "base" funding in FY 2007-08).

- ❑ In summary, about 76 percent ($3.91 billion) of districts' total program funding is directly related to the "base" funding to which the constitutional inflationary increase applies, and the remaining 24 percent ($1.21 billion) is related to other factors and elements of the School Finance Act that have been put in place at the discretion of the General Assembly.

DISCUSSION:

THE PUBLIC SCHOOL FINANCE ACT OF 1994

Public schools in Colorado receive funding from a variety of sources. However, the primary source of state and local funding is provided through the Public School Finance Act of 1994, as amended. This legislative declaration associated with the Act indicates that it was enacted "in furtherance of the general assembly's duty under section 2 of article IX of the state constitution to provide for a thorough and uniform system of public schools throughout the state; that a thorough and uniform system requires that all school districts operate under the same finance formula; and that equity considerations dictate that all districts be subject to the expenditure and maximum levy provisions of [the Act]." The funds provided pursuant to the School Finance Act represent the financial base of support for public education in each district; such funds are referred to as a district's "total program". With a few statutory exceptions[41], districts have the discretion to determine the amounts and purposes for which such moneys are budgeted and expended.

The Act thus sets forth a complex formula designed to ensure that all school districts are funded on an equitable basis. The General Assembly amends the Act each year to address changing state needs. Essentially, this statutory formula provides a method for determining each school district's total program funding using two steps: (1) establishing a specific per pupil level of funding for each school district; and (2) determining a specific state and local share of funding for each district. Each of these steps is described in detail below.

CALCULATION OF TOTAL PROGAM FUNDING FOR EACH SCHOOL DISTRICT

The first step in determining the amount of state funding required for K-12 education is the calculation of total (state and local) funding for each individual school district. The Public School Finance Act of 1994 established a per pupil funding formula. For each pupil, the formula provides a base amount of funds plus additional funds associated with variances in districts' costs of providing educational services. The formula also provides additional funding for districts' "at-risk" pupils. The basic formula for allocating funds to school districts for FY 2007-08 is the greater of:

[(District Per Pupil Funding x (District Funded Pupil Count - District On-line Pupil Enrollment)) + District At-Risk Funding + District On-line Funding]

-OR-

[(Minimum Per Pupil Funding[42] x (District Funded Pupil Count - District On-line Pupil Enrollment)) + District On-line Funding]

In addition to the above formula, no district's total per pupil funding may increase by more than 25 percent annually [see Section 22-54-104 (6) (b), C.R.S.]. No district is anticipated to be impacted by this cap in FY 2007-08. Finally, please note that Article X, Section 20 (the "Taxpayer's Bill of Rights" or TABOR) limits the annual change in a school district's annual "fiscal year spending" to inflation plus the percentage change in student enrollment. Student enrollment is statutorily defined as the percentage change in a district's funded pupil count [see Article X, Section 20, subsection (7)

[41] These exceptions, which are described more fully at the end of this issue brief, include: instructional supplies and materials; capital reserves, insurance reserves, and other risk management activities; at-risk funding; per pupil operating revenues for children participating in the Colorado Preschool and Kindergarten Program; per pupil revenues for pupils enrolled in charter schools; and total program funding associated with Institute charter schools.

[42] Beginning in FY 2008-09, "minimum per pupil funding" equals 95 percent of the "minimum per pupil funding base"; this base is calculated by totaling all districts' per pupil funding, excluding on-line funding (for each district: [(district per pupil funding X (district funded pupil count - district on-line pupil enrollment)) + district at-risk funding], and dividing the total by the statewide funded pupil count, excluding on-line pupil enrollment. For FY 2007-08, minimum per pupil funding equals 94.3 percent of the minimum per pupil funding base (currently estimated at $6,275). Eleven districts are anticipated to be funded based on "minimum per pupil funding" in FY 2007-08.

(b) Colorado Constitution, and Section 22-54-104.3 (2.7), C.R.S.]. Each school district is required to certify to the Department of Education that it can accept the calculated amount of total program funding and not exceed its TABOR limit. Please note that districts need to take into consideration all sources of funds that are subject to TABOR to make this certification.

Each of the components of the school finance formula are described in more detail below.

1. District Per Pupil Funding

Each district's per pupil funding amount equals the statewide base, adjusted for a variety of factors. These factors include a cost-of-living adjustment for personnel-related costs, as well as an adjustment associated with the size of the district (in terms of students). Pursuant to Section 22-54-104 (3), C.R.S., the per pupil funding formula is as follows:

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

Statewide Base Per Pupil Funding.
A Statewide Base Per Pupil Funding amount is established in statute. Each year since the current School Finance Act was enacted, the General Assembly has elected to increase this factor to at least partially offset the effects of inflation. Pursuant to Article IX, Section 17 of the Colorado Constitution, the General Assembly is now *required* to increase this factor by inflation plus one percent each year through FY 2010-11, and by inflation each year thereafter. For FY 2007-08, the General Assembly increased this base amount from $4,863.87 to $5,087.61, or 4.6 percent. [Section 22-54-104 (5) (a) (XIV), C.R.S.]

District Personnel Costs Factor / Nonpersonnel Costs Factor:
Districts' funding is adjusted based on the personnel costs of each particular area. Each district is assigned a "personnel costs factor" based on its funded pupil count, which is intended to represent that portion of a district's expenditures that relate to personnel. This is the portion of the budget that is then adjusted by the cost-of-living factor. For FY 2007-08, personnel costs factors range from 79.97 percent (Las Animas - Kim) to 90.50 percent (Adams - Northglenn, Arapahoe - Cherry Creek, Arapahoe - Aurora, Denver, Douglas, El Paso - Colorado Springs, and Jefferson), with smaller districts getting smaller personnel costs factors [Section 22-54-104 (5) (d), C.R.S.]:

District Funded Pupil Count	Personnel Costs Factor
Less than 453.5	0.8250 - [0.0000639 x (453.5 - pupil count)]
453.5 or more but less than 1,567.5	0.8595 - [0.0000310 x (1,567.5 - pupil count)]
1,567.5 or more but less than 6,682	0.8850 - [0.0000050 x (6,682 - pupil count)]
6,682 or more but less than 30,000	0.9050 - [0.0000009 x (30,000 - pupil count)]
30,000 or more	0.9050

A district's "Nonpersonnel Costs Factor" simply represents that portion of a district's base funding is *not* adjusted for cost of living. These factors thus currently range from 20.03 percent to 9.50 percent. [Section 22-54-104 (5) (e), C.R.S.]

District Cost of Living Factor

Cost of living factors are applied to districts' personnel-related costs to reflect differences in the costs of housing, goods and services among regions. The cost of living factor does not reflect any annual increase in the costs of such goods caused by inflation. Cost differences are reviewed every two years. Cost of living factors currently range from 1.010 (Las Animas - Kim) to 1.641 (Pitkin - Aspen). Statewide, approximately **15 percent** of districts' total program funding can be attributed to the cost of living factor. [Section 22-54-104 (5) (c), C.R.S.].

Pursuant to Section 22-54-104 (5) (c) (III) (A), C.R.S., the Legislative Council staff is required to conduct a biennial study concerning the relative cost of living in each school district. The results of the study are then to be used to adjust each school district's cost of living factor for purposes of calculating per pupil funding for the following two fiscal years. Thus, the results of the current study will impact funding requirements for FY 2008-09 and FY 2009-10.

District Size Factor

The District Size Factor is applied to recognize the differences in purchasing power among school districts. Each district is assigned a size factor based on its funded pupil count. The larger a district's size factor, the more funding it receives. Since FY 2002-03, medium- and large-sized districts have had the same size factor. For FY 2007-08, size factors range from 1.0297 (several medium- and large-sized districts) to 2.3684 (Las Animas - Kim with an estimated funded pupil count of 57.3). Statewide, approximately **five percent** of districts' total program funding can be attributed to the size factor. [Section 22-54-104 (5) (b) (I.5), C.R.S.]

District Funded Pupil Count	FY 2006-07 Size Factor
Less than 276	1.5457 + [0.00376159 x (276 - funded pupil count)]
276 or more but less than 459	1.2385 + [0.00167869 x (459 - funded pupil count)]
459 or more but less than 1,027	1.1215 + [0.00020599 x (1,027 - funded pupil count)]
1,027 or more but less than 2,293	1.0533 + [0.00005387 x (2,293 - funded pupil count)]
2,293 or more but less than 4,023	1.0297 + [0.00001364 x (4,023 - funded pupil count)]

District Funded Pupil Count	FY 2006-07 Size Factor
4,023 or more	1.0297

2. District Funded Pupil Count

The "funded pupil count" [see Section 22-54-103 (7) (c), C.R.S.] refers to the number of pupils for which a district receives state funding. This figure is likely to be slightly different than the actual number of students served. The funded pupil count in each district includes three components.

First, it includes the district's *pupil enrollment* as of October 1 of each year (or the school day nearest that date).[43] Districts are given an eleven day window in which to determine pupil enrollment, allowing for students who may be absent on the official day to be counted. A district's pupil enrollment includes expelled students who are receiving educational services. It also includes students who were participating in on-line programs in FY 2001-02 who continue to participate in such programs. Beginning in FY 2008-09, it will also include students who are participating in "single district" on-line programs (those programs that only serve students within the district or group of districts within a board of cooperative services). Districts with declining enrollments may use the average of the current year pupil enrollment and the previous one, two, or three pupil enrollments, whichever is greatest.

Second, it includes the district's *preschool and kindergarten program enrollment* (these children are counted as half-day pupils).

Third, it includes a district's *on-line pupil enrollment*, excluding those students who have been participating in on-line programs since FY 2001-02. Beginning in FY 2008-09, on-line pupil enrollment will only include students who are participating in "multi-district" on-line programs (those programs that serve students from multiple districts). Multi-district on-line students are funded through a separate component of the formula (see discussion on the next page). [Section 22-54-103 (10), C.R.S.]

The funded pupil count is expressed in terms of full-time equivalents (FTEs). Pupils in grades one through twelve are counted as either full-time or part-time based on the number of scheduled hours of course work. The State Board of Education promulgates rules concerning the proportions of funding districts will receive for various levels of part-time enrollment. Pupils in kindergarten, three- and four-year-old pupils with disabilities receiving special education services, and pupils enrolled in the Colorado preschool and kindergarten program are counted as half-day pupils. Districts are only eligible for funding for kindergarten students who are five years old as of October 1 of the applicable budget year; districts are only eligible for funding for first grade students who are six years old as of October 1 of the applicable budget year, unless the student has attended at least 120 days of kindergarten in another state. For FY 2007-08, districts' funded pupil counts are anticipated to range from 57.3 (Las Animas - Kim) to 81,235.8 (Jefferson).

[43] Please note that pursuant to Section 22-54-103 (10) (d) (II), C.R.S., a district may choose to count three- and four-year-old pupils with disabilities receiving special education services as of November 1, rather than October 1.

Please note that unlike other educational services, school districts are *not* required to provide preschool services to "at-risk" children through the Colorado preschool and kindergarten program, nor are districts required to provide full-day kindergarten programs. The General Assembly limits enrollment in these programs statutorily. The number of statutorily authorized (and thus funded) preschool and kindergarten program slots has been increased multiple times, primarily through the annual Public School Finance Act. Since the inception of the program, the number of slots has increased from 2,000 to 19,860 (in FY 2008-09). Districts are allowed to use up to 15 percent of the total number of authorized slots (2,979 for FY 2008-09) to provide full-day, versus half-day, kindergarten to at-risk children. In FY 2007-08, approximately $54.5 million of districts' total program funding, including $34.8 million in state funding (63.8 percent), is earmarked for the preschool and kindergarten program.

3. At-Risk Funding

Districts receive additional funding based on the presence of at-risk students in kindergarten through grade twelve. Eligibility for participation in the federal free lunch program (which is based on household income) is used as a proxy to identify a district's at-risk population. The at-risk "count" also includes pupils whose dominant language is not English. For FY 2007-08, it is projected that districts' at-risk counts will range from 3.5 percent of the funded pupil count (Douglas) to 78.6 percent of the funded pupil count (Arapahoe - Sheridan), with a statewide average of 31.2 percent. In FY 2000-01 this percentage dropped to the lowest point since FY 1995-96 (23.9 percent). This percentage increased steadily from FY 2000-01 through FY 2005-06, peaking at 31.6 percent; it declined slightly in FY 2006-07 and is anticipated to continue to decline in FY 2007-08.

For districts with at-risk populations that are *less than or equal to* the statewide average (31.2 percent of the funded pupil count for FY 2007-08) and for districts with a funded pupil count equal to or less than 459, the District At-Risk Factor equals 12.0 percent. For districts with at-risk populations *greater* than the statewide average and funded pupil counts of greater than 459, the At-Risk Factor is greater than 12.0 percent. The formula for calculating at-risk funding is shown below ["At-Risk Pupils" defined in Section 22-54-103 (1.5), C.R.S.; formula for determining at-risk funding defined in Section 22-54-104 (4) (a) (I) and (b) (I), C.R.S.]:

**(District Per Pupil Funding x District At-Risk Factor) x
District At-Risk Pupils**

Statewide, approximately **five percent** of districts' total program funding can be attributed to at-risk funding.

4. On-line Funding

Every district also receives additional funding for students enrolled in on-line programs. [Prior to FY 2002-03, on-line students were simply included in each district's funded pupil count.] From FY 2002-03 through FY 2007-08, every district received the same dollar amount of per pupil funding for on-line students ($6,135 for FY 2007-08). This dollar amount increases by the same percentage as statewide base per pupil funding, rounded to the nearest dollar. Please note that beginning in FY 2008-09, only students participating in "multi-district" on-line programs will be funded using this flat dollar amount; students participating in "single-district" on-line programs will be included as part of the district's funded pupil count and will thus be funded at the same per-pupil amount as students who are not participating in an on-line program. ["On-line pupil enrollment" defined in Section 22-54-103 (8.5), C.R.S.; "on-line funding" formula is set forth in Section 22-54-104 (4.5), C.R.S.]

In FY 2006-07, 8,276 students participated in on-line programs (this compares to 5,792 on-line pupils in FY 2005-06 - a 43 percent increase).

Although 18 school districts served students through on-line programs in FY 2006-07, nearly 90 percent of the on-line students were served through three school districts: Baca - Vilas (3,845 on-line students), Adams - Northglenn (2,670 on-line students), and Las Animas - Branson (830 on-line students). While on-line students represent a small portion of the total Adams - Northglenn student population (7.2 percent), on-line students represent 93 percent of the Las Animas - Branson student count (830 on-line students and 64 traditional "brick and mortar" students) and on-line students represent over 98 percent of the Baca - Vilas student count (3,845 on-line students and 92 traditional students).

As noted earlier, on-line students in multi-district programs are funded at the minimum per pupil funding level ($6,135 for FY 2007-08), which is lower than the statewide average per pupil funding level ($6,659 for FY 2007-08). However, those three districts that serve the majority of on-line students have a relatively high state share of funding for school finance. Specifically, while state funding represents 63.8 percent of all districts' total program funding in FY 2007-08, it is significantly higher for those three districts that serve the majority of on-line students (79.2 percent for Adams - Northglenn, 95.8 percent for Las Animas - Branson, and 99.1 percent for Baca - Vilas). As a result, the State is paying a higher cost for the education of many on-line students who enroll in districts other than their home district.

For example, the following calculations illustrate the difference in cost to the State of educating an on-line student in Baca - Vilas compared to another district (for purposes of this example, staff assumes the home district receives the statewide average per pupil funding amount and the statewide average state share of funding):

	On-line Student in Vilas	"Brick and Mortar" Student in Home District	**Difference**
State Funding	$ 6,080	$ 4,057	**$ 2,023**
Local Funding	55	2,302	(2,247)
Total Per Pupil Funding	6,135	6,359	(224)

In the above example, the State pays $2,023 more for a student to participate in Vilas' on-line program than it would for the student to attend a "brick and mortar" school in the average school district. Further, please note that if the on-line student's home district is in declining enrollment, the home district is allowed to continue receiving partial funding for that student for up to four years under the enrollment averaging provision.

The formula for calculating on-line funding for FY 2007-08 is shown below ["On-line Pupil Enrollment" defined in Section 22-54-103 (8.5), C.R.S.; formula for determining on-line funding defined in Section 22-54-104 (4.5), C.R.S.]:

District On-line Pupil Enrollment x $6,135

CALCULATION OF LOCAL AND STATE SHARES OF EACH DISTRICT'S TOTAL PROGRAM FUNDING.

The second step in determining the amount of state funding required for K-12 education is to determine what portion of each district's total funding may be provided through local revenue sources. If such sources are insufficient to fully fund the amount that a district is entitled to pursuant to the School Finance Act formula, state funds are provided to make up the shortfall. The School Finance Act thus provides every school district, regardless of available local revenues, with equitable resources to fund district operations.

Minimum Per Pupil State Aid

The School Finance Act formula provides for a minimum amount of state aid for each district. Specifically, pursuant to Section 22-54-106 (1) (b), C.R.S., the General Assembly annually establishes an amount of minimum per pupil state aid. The amount is determined each year based upon the amount of school lands and mineral lease moneys projected to be available for school finance. The minimum per pupil state aid amount is identified in a footnote in the annual Long Bill, and is used by both the Department of Education and Legislative Council staff in calculating the amount of state aid for which each district is eligible based upon annual public school finance legislation. Although no school districts have been affected by this factor for a number of years, there are two districts anticipated to be affected in FY 2007-08: Gunnison, and Routt - Steamboat Springs.

Local Funding

Local funding consists of both property and specific ownership (vehicle registration) tax revenues.

Specific Ownership Taxes

Vehicle registration taxes are collected by counties and shared with school districts. Each district's local share includes an amount of specific ownership tax revenue equal to the prior budget year's actual amount received.

Property Taxes

Two constitutional provisions limit property taxes in Colorado: the Gallagher Amendment and the Taxpayer's Bill of Rights (TABOR). These two provisions have caused property taxes to increase at a slower rate than they otherwise would -- particularly for homeowners. In fact, Colorado residential property taxes are 2nd lowest in the nation[44].

The **Gallagher Amendment** was part of a property tax reform measure referred by the legislature and approved by the voters in November 1982. This measure included a number of provisions

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[44] Josh Harwood, Legislative Council Staff, "Colorado's Tax Structure & State Rankings". Presentation to the 2005 Interim Committee on School Finance (August 2, 2005).

aimed at addressing a lack of uniformity in assessing property for tax purposes as well as potential significant property tax increases resulting from rapidly increasing property values. Among other things, this measure fixed the assessment rate for most *nonresidential* property at 29 percent, and lowered the residential assessment rate from 30 percent to 21 percent. In addition, the "Gallagher amendment", a provision within the measure, required that the *residential* assessment rate be adjusted periodically to ensure that the proportion of assessed valuation attributable to residential versus nonresidential property remains the same [see Article X, Section 3 (1) (b) of the Colorado Constitution].

Since 1982 the statewide residential assessment rate has declined from 30.0 percent to 7.96 percent. From 1987 (when the Gallagher amendment first affected the residential assessment rate) to 2006, while actual residential property values more than tripled (an increase of 383 percent), the portion of residential property value that has been taxed has only doubled (an increase of 113 percent). In contrast, the portion of non-residential property values that is taxed increased at a faster rate than actual non-residential values (134 percent compared to 114 percent). These changes are detailed in the following table.

Changes in Actual and Assessed Property Values: 1987 to 2006						
	Actual Values ($ millions)			**Assessed Values ($ millions)**		
Property Type	**1987**	**2006**	**% Change**	**1987**	**2006**	**% Change**
Residential	$89.3	$431.5	383.0%	$16.1	$34.4	113.4%
Non-residential	57.5	123.2	114.1%	17.2	40.2	134.0%
Total	146.9	554.8	277.7%	33.3	74.5	124.0%

Source: Department of Local Affairs, Division of Property Taxation: 2006 Annual Report, Table 9.

The 1982 property tax measure has shifted the property tax burden from homeowners to businesses. Specifically, while the percentage of *actual* property values attributable to residential property has increased from 53.2 percent in 1983 to 77.8 percent in 2006, the percentage of *assessed* value comprising residential property has remained essentially stable, (46.1 percent of total assessed valuation in 2006)[45]. Based on estimates prepared by the Department of Local Affairs, Division of Property Taxation, the Gallagher amendment has resulted in property tax savings for homeowners totaling $11.5 *billion* over 19 years[46]. This figure is calculated based on what homeowners would have paid if the residential assessment rate had remained at 21 percent. Please note, however, that the vast majority of these savings are attributable to years <u>following</u> the adoption of TABOR. Thus, it is important to understand the interaction between TABOR and Gallagher.

Please note that a change in the statewide residential assessment rate may affect individual districts differently. For example, although statewide residential property values may be increasing (thus lowering the assessment rate), property values in an individual school district

[45] The residential share of assessed valuation has increased slightly, from 43.2 percent in 1983 to 46.1 percent in 2006, due to new construction and increased mineral production.

[46] Department of Local Affairs, Division of Property Taxation, 2006 Annual Report, Table 8.

may be decreasing. In this situation, property tax revenues for that district will decrease, necessitating an increase in the state share for that district. In addition, the assessed values tend to change in an uneven or "sawtooth" manner, due to the reassessment cycle. Specifically, in odd-numbered years property assessments are updated to include both price appreciation and new construction; in even-numbered years, updates only include new construction. Thus, in recent years, local property tax collections have generally increased by a greater amount in those fiscal years following a reassessment year (e.g., FY 1999-00, FY 2001-02, and FY 2005-06).

Prior to the adoption of the **TABOR** in 1992, local governments could generally collect and spend the same amount of property tax revenue each year. When the total taxable value of property increased substantially, the mill levy would be decreased; when the total taxable value of property decreased, the mill levy would be increased. The mill levy changed each year based on the revenue required to support local services, with a general statutory limit of 5.5 percent on annual increases in property tax revenues. Thus, property taxes provided a stable source of revenue that was not generally affected by changes in economic conditions (unlike sales or income taxes).

Three provisions of TABOR directly affected property taxes:

- TABOR imposed a limit on property tax revenues equal to inflation in the prior calendar year plus a measure of growth. For schools, growth is measured as the percentage change in student enrollment.

- TABOR prohibited local governments from increasing a mill levy above the prior year's level without voter approval[47].

- TABOR required voter approval for any increase in the assessment rate for a class of property.

With regard to school district property taxes, TABOR reduced the General Assembly's role in determining school finance property tax revenues and it has resulted in a large variation in districts' mill levies. Prior to TABOR, the General Assembly set property taxes for school operations through the School Finance Act (e.g., directing the Department of Education to set a mill levy sufficient to raise a particular dollar amount of property taxes or to target a specified percentage state share or appropriation, or simply establishing a uniform mill levy in statute). With the adoption of TABOR, the General Assembly no longer actively controls the level of property taxes available for schools each year.

Each school district is required to impose a property tax mill levy to finance a share of its total program funding. School districts are prohibited from imposing a levy greater than the levy specified in law. Prior to FY 2007-08, school districts were statutorily required to levy the same number of mills from year to year, unless the mill levy would raise more property taxes than TABOR permits (inflation plus the percentage change in enrollment). In this case, the levy had

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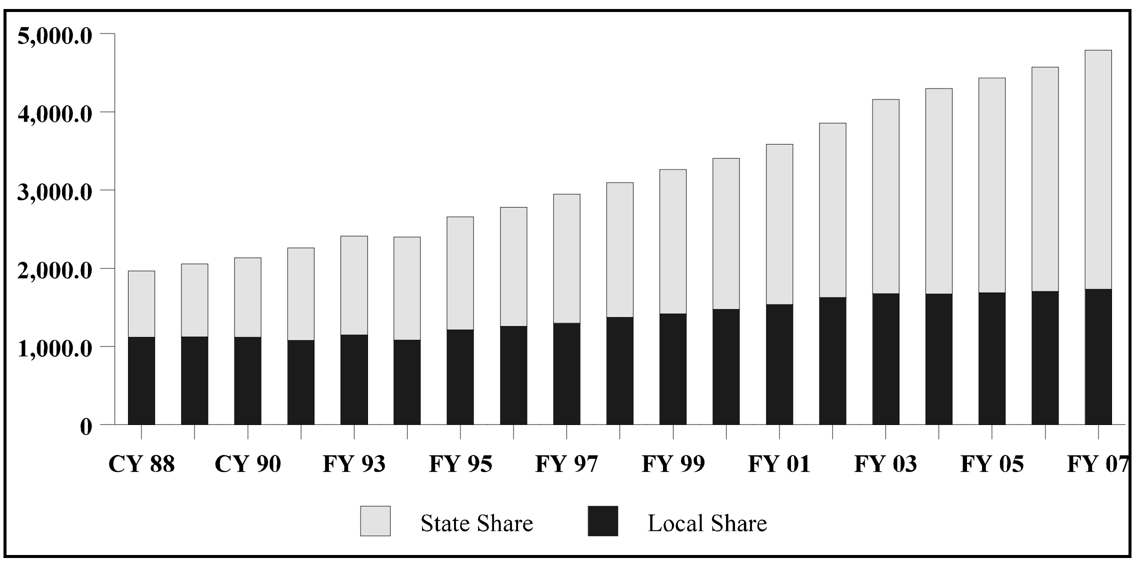
[47] Courts have ruled that the TABOR limits do not apply to all mill levies. For example, local governments may increase or "float" mill levies to cover the repayment costs for bonded debt and to cover property tax abatements and refunds. In addition, local governments other than school districts are specifically authorized under state law to enact temporary property tax credits and temporary mill levy rate reductions as a means for refunding excess revenues [see Section 39-1-111.5, C.R.S.].

to be reduced to avoid exceeding the property tax revenue limit -- even if a districts' voters have authorized the district to spend revenues which exceed the TABOR limit. Thus, TABOR restricts the amount that each local government's property taxes may increase each year and requires voter approval for most tax rate increases.

Due to the combined effects of Gallagher and TABOR, mill levies decreased in areas of the state that experienced rapidly increasing values (generally due to new construction, oil and gas production values, and high housing/commercial demand). The average statewide mill levy for school finance decreased from 38.264 in 1991 to 21.371 in FY 2006-07. Mill levies also became quite disparate, ranging from 1.571 mills (Las Animas - Primero) to 40.080 mills (Washington - Lone Star). In addition to creating a large variation in districts' mill levies, this method of determining school district property taxes caused the local share of funding for public school finance to grow at a slower rate than total program funding, requiring a greater state subsidy each year that did not necessarily relate to districts' wealth. The approval of Amendment 23 in 2000 accelerated this phenomenon by requiring total program funding to grow at a rate that exceeds the TABOR limit. The following figure illustrates the growing disparity in the state and local shares of districts' total program funding through FY 2006-07.

Local and State Shares of Districts' Total Program Funding



In addition to the overall increase in the state share of districts' total program, it is important to note that increases in the state share of funding for individual districts are not necessarily related to changes in the relative wealth of the district. The following table lists the ten school districts with the lowest 2006 school finance mill levies, along with the percentage of school finance costs paid for by the state in FY 2006-07.

The Ten School Districts With the Lowest Mill Levies		
District	**2006 Mill Levy (mills)**	**FY 2006-07 State Share**
Las Animas - Primero	1.680	57.5%
Rio Blanco - Rangely	2.116	68.8%
Garfield - Parachute	2.231	75.5%
La Plata - Ignacio	2.274	76.3%
San Miguel - Norwood	3.910	76.3%
Gilpin - Gilpin	4.075	58.1%
Garfield - Rifle	4.700	74.8%
Pitkin - Aspen	4.836	29.8%
San Miguel - Telluride	6.053	27.6%
Mesa - DeBeque	6.132	57.1%

Eight of these ten districts receive more than 50 percent of their total program funding from the State, and the state share for five of these districts is higher than the statewide average of 63.9 percent. As recently as FY 1997-98, the Aspen school district was funded almost entirely from local revenues; the State is now paying for nearly 30 percent of Aspen's total program funding.

In the 2007 Session, the General Assembly modified the School Finance Act to change the method for calculating school district property taxes. Pursuant to Sections 22-54-106 (2) and 22-54-107 (1), C.R.S., a school district must levy the *smallest* mill[48] of the following options:

1. The mill that it levied in the prior year;

2. The mill necessary to pay for its total program funding plus its categorical programs, less any specific ownership tax revenues and minimum state aid for total program;

3. *For a district that has not obtained voter approval to retain and spend revenues in excess of the maximum mill allowed by TABOR*, the number of mills allowed by TABOR[49]; or

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[48] Local property tax revenues are calculated as follows: [Total property valuation X Assessment rate X Mill levy]. One "mill" equals one-tenth of one percent (.001). For example, for a property with an *actual* value of $100,000, and an *assessed* value of $7,960 (based on the 7.96 percent assessment rate for residential property effective for property tax years 2003 through 2008), each mill of tax raises $7.96.

[49] Please note that a school district may seek approval from its voters to raise and expend additional ("override") property tax revenues in excess of the district's total program via an additional mill levy. An override is different than approval to collect revenues in excess of the district's TABOR limit. A district's override revenues cannot exceed 20 percent of its total program funding or $200,000, whichever is greater. A district's authorization to raise and expend "override" revenues does not affect the amount of State Share funding which the district is eligible to receive. As of FY 2007-08, 78 of the 178 districts had voter-approved override mill levies providing $491.5 million in additional local revenues. [See Section 22-54-108, C.R.S.]

In addition, certain school districts were authorized to request voter approval for a mill levy to raise

4. *Twenty-seven mills.*

The italicized language, above, was added through S.B. 07-199. This new language changed the method of calculating school district property taxes that support school finance in two ways. First, it imposed a cap of 27 mills on school finance levies. Second, if a district has received voter approval to exceed its TABOR property tax revenue limit, it sets the levy for FY 2007-08 and future fiscal years at the levy for FY 2006-07. This change is anticipated to increase the total amount of property tax revenue available for school finance. Since the State provides the difference between funding allocated to districts through the school finance act and local property taxes, the increase in local tax revenue reduces the amount of state money required to fund the Act.

Statewide, for FY 2007-08, property taxes are estimated to provide 33.2 percent of total program funding. In addition to property taxes, vehicle registration taxes are collected by counties and shared with school districts. Statewide, for FY 2007-08, specific ownership taxes are estimated to provide 3.1 percent of total program funding.

State Funding

The state share of districts' total program funding is calculated by determining the total cost of funding districts pursuant to the School Finance Act, subtracting the amount available from local property and specific ownership tax revenues, and backfilling the remainder with state funds. To the extent that the reassessment cycle causes local revenues to increase in a "sawtooth" manner, increases in state funds have generally followed a similar pattern with greater increases being provided for non-reassessment years. Overall, the state share of funding increased significantly from FY 1993-94 (when the existing School Finance Act was adopted) to FY 2006-07, rising from 54.3 percent to 63.9 percent. Due to the recent change in the method for calculating school district property taxes, however, the state share of funding is anticipated to stabilize in the range of 63 to 65 percent over the next several years.

Categorical Buyout

In some districts, local tax revenues more than offset the amount needed for total program funding pursuant to the formula. In these cases, pursuant to Section 22-54-107 (2), C.R.S., the excess tax revenues are used to offset state funding of categorical programs. This is referred to as "categorical buyout". This provision indicates that the excess tax dollars should be applied to the following programs in the order listed: (a) transportation aid; (b) English Language Proficiency Act programs; (c) small attendance center aid; (d) Exceptional Children's Education Act programs. From FY 2002-03 through FY 2006-07, no school districts were affected by this provision. The Department anticipates this provision affecting one district in FY 2007-08 (Routt - Steamboat Springs), and two districts in FY 2008-09 (Gunnison and Routt - Steamboat Springs).

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property taxes for a "supplemental cost-of-living adjustment." The property taxes collected in any given year cannot exceed the amount of the supplemental cost-of-living adjustment. Because cost-of-living amounts are recalculated every other year, the amount of the supplemental cost-of-living adjustment is likely to change. The Department indicates that six districts received voter approval in November 2001 for a supplemental cost-of-living adjustment. [See Section 22-54-107.5, C.R.S.]

Business Incentive Agreements

Since 1990[50], school districts have had the authority to negotiate incentive agreements with new or expanded businesses as a means of promoting economic development[51]. State law allows school districts, as well as cities and counties, to negotiate with taxpayers to forgive up to 50 percent of the property taxes levied on personal property attributable to a new or expanded business facility. A school district that negotiates such an agreement is eligible for additional state aid equal to the property tax revenues which were foregone as part of the agreement.[52] The state "backfill" for foregone property tax revenues for any single facility is limited to ten years.

The annual cost of backfilling for locally-negotiated business incentive agreements has ranged from $67,250 in FY 1994-95 to $2,785,645 in FY 2002-03. However, in FY 2002-03, the appropriation fell $784,157 short of funding the required state aid associated with these agreements. The Department was thus required to reduce the state aid for all districts by the amount of the shortfall. Similar recisions were required in FY 2001-02 ($244,237) and in FY 2003-04 ($393). Pursuant to S.B. 05-200, a statewide recision is no longer necessary when the appropriation falls short. Instead, the shortfall only affects those districts that are receiving additional state aid as a result of an incentive agreement. The FY 2005-06 appropriation of $1,140,015 fell short by $757,126; and the FY 2006-07 appropriation of $904,942 fell short by $845,430. The General Assembly did not appropriate moneys for this purpose for FY 2007-08, and the Department has not requested any funding for this purpose for FY 2008-09.

Pursuant to S.B. 03-248, local school boards may not enter into any new business incentive agreements on or after May 22, 2003. Thus, FY 2012-13 will be the last fiscal year for which districts are eligible to receive additional state funds for such agreements.

Limitations on Expenditures of Total Program Funds.

As indicated in Section 22-54-104, C.R.S., each school district has the discretion to determine how to spend its total program funds, with the following exceptions:

✓ Each district is required to budget a minimum amount per pupil ($180 for FY 2007-08) for *instructional supplies and materials* [Section 22-54-105 (1) (b), C.R.S.]. Districts are not required to budget such funding for on-line pupils or for children participating in the Colorado preschool and kindergarten program. A district is allowed to reduce the amount budgeted for this purpose if expenditures exceeded the budgeted amount in the previous budget year.

✓ Each district is required to budget a minimum amount per pupil ($292 for FY 2007-08) for *capital reserves or for insurance reserves/other risk management activities* [Section 22-54-105 (2) (b), C.R.S.]. Districts are not required to budget such funding for pupils enrolled in charter schools, for on-line pupils, or for children participating in the Colorado

[50] Senate Bill 90-118 (Wells/Arveschoug), "Concerning the Authority of Local Governments to Negotiate Incentive Payments to Taxpayers Who Establish New Business Facilities or Who Expand Existing Business Facilities".

[51] See Section 22-32-110 (1) (ff) and (gg), C.R.S.

[52] See Section 22-54-106 (8), C.R.S.

preschool and kindergarten program. In addition, a district is not required to budget any such funding if its existing capital reserves exceed five times the minimum allocation requirement ($1,395 per pupil for FY 2006-07).

✓ Each district is required to spend at least *75 percent of its at-risk funding* on direct instruction and/or staff development for the educational program of at-risk pupils [Section 22-54-105 (3) (a), C.R.S.]. In addition, Denver Public Schools is required to expend the additional amount of at-risk funding that it receives [Section 22-54-104 (5) (f) (II), C.R.S.] on English language proficiency programs [Section 22-54-105 (3) (b)].

✓ A district is required to spend 100 percent of the per pupil operating revenues it receives for children participating in the *Colorado preschool and kindergarten program* to pay the costs of providing preschool and kindergarten services.

✓ Each district is required to provide 100 percent of the district *per pupil revenues for each pupil enrolled in a charter school* (including per pupil on-line funding), less the actual amount of the charter school's per pupil share of central administrative overhead costs for services actually provided to the charter school [Section 22-30.5-112 (2), C.R.S.]. Central administrative overhead costs are capped at five percent of district per pupil revenues (including revenues for on-line students), except for districts that enroll 500 hundred or fewer students, for which the cap is 15 percent.

✓ Pursuant to Sections 22-54-104 (1) (b) and 22-54-115 (1.3), C.R.S., if a district is the "accounting" district of an institute charter school (i.e., such a school is located within the district), the Department withholds the amount of a district's state share of total program that relates to students attending the institute charter school. This amount is not available to or under the control of the accounting district, rather, it is paid to the State Charter School Institute and it is under the control of the governing board of the Institute charter school.

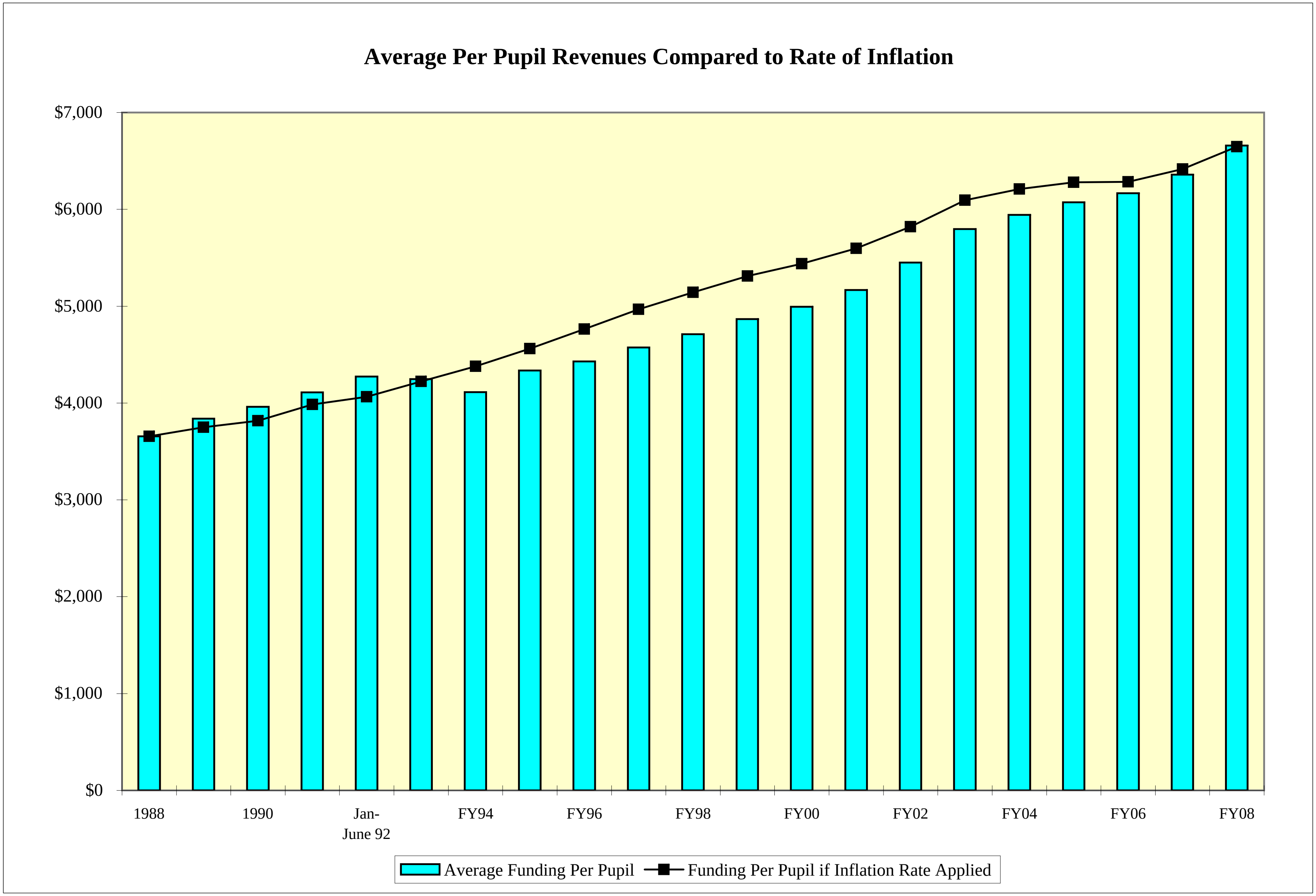
Department of Education: Federal Grants and Distributions
State Fiscal Years 2005-06 Through 2008-09

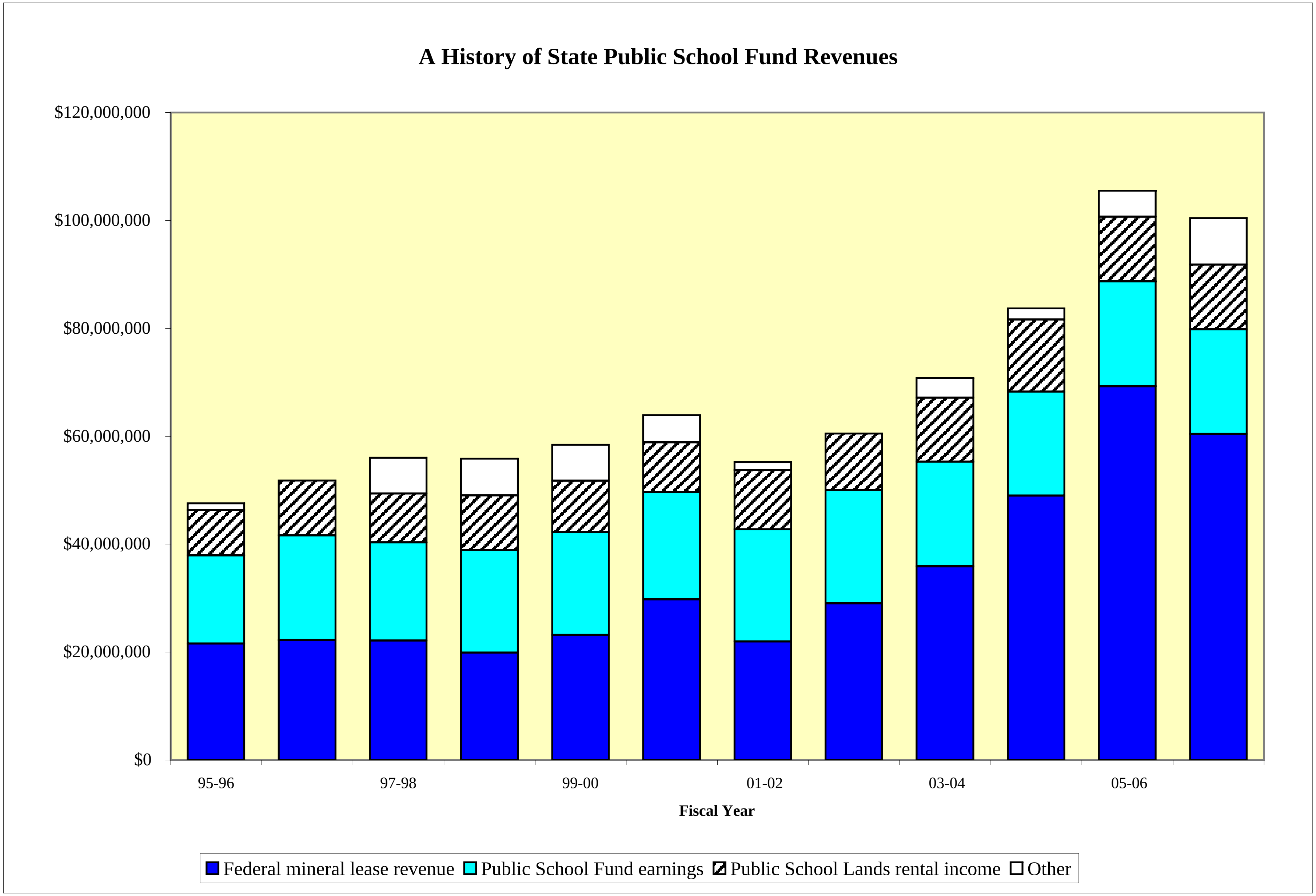
Description	FY 2005-06 Funding	FY 2005-06 FTE	FY 2006-07 Funding	FY 2006-07 FTE	FY 2007-08 Estimate Funding	FY 2007-08 Estimate FTE	*Change: FY 06 to FY 08 Funding*	*Change: FY 06 to FY 08 %*	FY 2008-09 Estimate Funding	FY 2008-09 Estimate FTE
Federal Funds Reflected in Individual Line Items:										
Special Education Programs:										
Special Education - Children with Disabilities (IDEA, Part B and Preschool)	$126,274,338	58.4	$155,353,209	62.2	$152,513,360	54.4	*$29,078,871*	*23.0%*	$152,708,944	64.0
Special Education Grant for Infants, Toddlers, and Their Families	7,161,542	5.4	664,643	1.1	Administered by DHS				Administered by DHS	
Subtotal: Special Education Programs	**133,435,880**	**63.8**	**155,353,209**	**63.3**	**152,513,360**	**54.4**	***21,917,329***	***16.4%***	**152,708,944**	**64.0**
English Language Proficiency Program (Title III)	**9,854,018**	**3.9**	**10,636,882**	**4.2**	**11,303,314**	**4.6**	***782,864***	***7.9%***	**11,289,170**	**4.6**
Title I Reading First Grant	**15,688,769**	**9.5**	**12,436,369**	**15.3**	**10,977,642**	**15.4**	***(3,252,400)***	***-20.7%***	**10,918,897**	**15.4**
Grant for State Assessments and Related Activities (including amounts expended for Colorado Student Assessment Program and Academic Growth Program)	**9,624,740**	**9.6**	**6,237,604**	**9.8**	**6,733,470**	**9.0**	***(3,387,136)***	***-35.2%***	**6,762,688**	**9.0**
Other Line Items (primarily centrally-appropriated line items)	**1,291,572**	**0.0**	**2,121,566**	**0.0**	**1,793,083**	**0.0**	***829,994***	***64.3%***	**2,172,686**	**0.0**
Federal Funds Reflected in "Appropriated Sponsored Programs" Line Item:										
Title I Programs:										
No Child Left Behind Act (Title IA)	110,182,627	10.1	143,468,303	11.1	126,254,214	13.2	*33,285,676*	*30.2%*	125,829,929	13.2
Migrant Education (Title IC)	7,770,114	7.8	9,492,604	9.5	9,492,604	11.8	*1,722,490*	*22.2%*	9,486,623	11.8
Comprehensive School Reform	3,184,314	1.1	2,516,920	0.8	2,516,920	0.9	*(667,394)*	*-21.0%*	2,516,920	0.9
Neglected and Delinquent Children (Title ID)	452,945	0.0	549,972	0.0	549,972	0.0	*97,027*	*21.4%*	549,972	0.0
Subtotal: Title I Programs	**121,590,000**	**19.0**	**156,027,799**	**21.4**	**138,813,710**	**25.9**	**34,437,799**	**28.3%**	**138,383,444**	**25.9**
U.S.D.A. Food and Nutrition Services	**89,656,332**	**7.2**	**100,032,125**	**6.5**	**96,082,125**	**7.0**	***10,375,793***	***11.6%***	**96,043,011**	**7.0**
Title II Programs:										
Teacher and Principal Training (Title IIA)	32,667,498	7.6	34,688,326	8.2	32,723,326	8.6	*2,020,828*	*6.2%*	32,708,089	8.6
Technology (Title II D)	4,853,267	2.2	3,873,197	1.4	3,873,197	1.3	*(980,070)*	*-20.2%*	3,873,197	1.3
Mathematics and Science Partnership (Title IIB)	1,083,149	0.3	1,369,981	0.4	1,369,981	0.5	*286,832*	*26.5%*	1,369,981	0.5
Subtotal: Title II Programs	**38,603,914**	**10.1**	**39,931,504**	**10.0**	**37,966,504**	**10.4**	**1,327,590**	**3.4%**	**37,951,267**	**10.4**
After School Learning Centers (21st Century)	**9,707,418**	**2.7**	**10,922,146**	**3.9**	**10,942,146**	**4.0**	***1,214,728***	***12.5%***	**10,931,827**	**4.0**

Department of Education: Federal Grants and Distributions
State Fiscal Years 2005-06 Through 2008-09

Description	FY 2005-06 Funding	FY 2005-06 FTE	FY 2006-07 Funding	FY 2006-07 FTE	FY 2007-08 Estimate Funding	FY 2007-08 Estimate FTE	*Change: FY 06 to FY 08 Funding*	*Change: FY 06 to FY 08 %*	FY 2008-09 Estimate Funding	FY 2008-09 Estimate FTE
Adult Education - Workforce Investment Act	**6,092,329**	**7.6**	**7,803,490**	**7.2**	**7,803,490**	**7.8**	***1,711,161***	***28.1%***	**7,803,490**	**7.8**
Other Grants:										
Charter Schools	4,623,466	3.3	7,521,726	3.4	7,521,726	3.0	*2,898,260*	*62.7%*	7,521,726	3.0
Safe and Drug-Free Schools and Communities (Title IVA)	3,990,243	2.8	3,328,874	2.6	3,328,874	2.8	*(661,369)*	*-16.6%*	3,328,874	2.8
Library Services and Technology Act	2,646,014	22.2	2,953,872	22.2	2,998,872	22.5	*307,858*	*11.6%*	2,983,084	22.5
Improving America's Schools Act - Title V	3,812,492	7.9	2,436,809	5.6	2,200,000	4.4	*(1,375,683)*	*-36.1%*	2,200,000	4.4
Even Start/ Even Start Family Literacy	1,481,656	0.6	1,395,630	0.4	1,395,630	0.5	*(86,026)*	*-5.8%*	1,395,630	0.5
Coordinated School Health / Aids Prevention	917,814	4.9	865,523	4.7	865,523	4.9	*(52,291)*	*-5.7%*	865,523	4.9
Byrd Scholarship Program	600,313	0.0	603,125	0.0	603,125	0.0	*2,812*	*0.5%*	603,125	0.0
Education of Homeless Children	565,248	0.9	593,296	1.1	593,296	1.3	*28,048*	*5.0%*	593,296	1.3
Defense - Troops to Teachers	443,000	0.0	500,875	0.0	500,875	0.0	*57,875*	*13.1%*	500,875	0.0
Rural and Low-income Schools	378,293	0.2	363,912	0.2	363,912	0.2	*(14,381)*	*-3.8%*	363,912	0.2
National Commission on Community Service	277,818	0.5	305,785	0.7	305,785	1.1	*27,967*	*10.1%*	305,785	1.1
CHESP/YAMC Learn and Serve	277,293	0.6	229,726	0.4	229,726	0.0	*(47,567)*	*-17.2%*	229,726	0.0
Statewide Migrant Education Even Start Consortium	280,919	0.5	194,184	0.2	194,184	0.5	*(86,735)*	*-30.9%*	204,184	0.5
Advanced Placement Incentive Program	292,428	0.0	142,905	0.0	142,905	0.0	*(149,523)*	*-51.1%*	142,905	0.0
NAEP State Administrator	117,998	1.0	118,460	1.0	118,460	1.0	*462*	*0.4%*	118,460	1.0
Javits Gifted Talented	67,189	0.0	92,729	0.0	92,729	0.0	*25,540*	*38.0%*	92,729	0.0
Performance Based Data Management	25,469	0.0	69,261	0.0	69,261	0.0	*43,792*	*171.9%*	69,261	0.0
Teacher Quality Enhancement Grant	1,979,199	1.6	64,551	0.0	64,551	0.0	*(1,914,648)*	*-96.7%*	64,551	0.0
NCES Basic Participation	0	0.0	6,383	0.0	6,383	0.0	*6,383*	*#DIV/0!*	6,383	0.0
National Coop. Education Statistical System	10,595	0.0	1,361	0.0	1,361	0.0	*(9,234)*	*-87.2%*	1,361	0.0
Katrina Relief	3,090,449	0.1	1,111,439	0.1	0	0.0	*(1,979,010)*	*-64.0%*	0	0.0
Refugee Children School Impact	154,543	0.0	0	0.0	0	0.0	*(154,543)*	*-100.0%*	0	0.0
Other	67,328	0.6	32,321	0.1	362,373	2.4	*(35,007)*	*-52.0%*	1,150,784	3.4
TOTAL: Appropriated Sponsored Programs	**291,749,760**	**94.3**	**337,649,811**	**91.7**	**313,567,526**	**99.7**	***45,900,051***	***15.7%***	**313,855,213**	**100.7**
GRAND TOTAL	**461,644,739**	**181.1**	**524,435,441**	**184.3**	**496,888,395**	**183.1**	***62,790,702***	***13.6%***	**497,707,598**	**193.7**

SOURCE: The Department of Education's FY 2008-09 budget request. In many instances, the amounts reflected for FY 2007-08 differ from those reflected in the FY 2007-08 Long Bill.


Average Per Pupil Revenues Compared to Rate of Inflation
$7,000
$6,000
$5,000
$4,000
$3,000
$2,000
$1,000
$0
1988
1990
Jan-June 92
FY94
FY96
FY98
FY00
FY02
FY04
FY06
FY08
Average Funding Per Pupil
Funding Per Pupil if Inflation Rate Applied


A History of State Public School Fund Revenues
$120,000,000
$100,000,000
$80,000,000
$60,000,000
$40,000,000
$20,000,000
$0
95-96
97-98
99-00
01-02
03-04
05-06
Fiscal Year
Federal mineral lease revenue
Public School Fund earnings
Public School Lands rental income
Other

SUMMARY OF STATE EDUCATION FUND APPROPRIATIONS

In November 2000, Colorado voters approved Amendment 23, which added Section 17 to Article IX of the Colorado Constitution. This provision requires the General Assembly to provide annual inflationary increases for kindergarten through twelfth grade education. This provision also creates the State Education Fund, consisting of one-third of one percent of income tax revenues and any interest earned on the fund balance. State Education Fund revenues are not subject to the constitutional Taxpayer Bill of Rights (TABOR) limitation on fiscal year spending, and appropriations from the State Education Fund are not subject to the six percent statutory limitation on state General Fund appropriations. The General Assembly may annually appropriate moneys from the State Education Fund for the following education-related purposes:

- to comply with the requirement to annually increase base per pupil funding for public school finance, as long as it is in addition to the required increases in General Fund appropriations;
- to comply with the requirement to annually increase funding for categorical programs;
- for accountable education reform;
- for accountable programs to meet state academic standards;
- for class size reduction;
- for expanding technology education;
- for improving student safety;
- for expanding the availability of preschool and kindergarten programs;
- for performance incentives for teachers;
- for accountability reporting; or
- for public school building capital construction.

Table 1, which begins on the following page, provides a summary of appropriations from the State Education Fund for FY 2001-02 through FY 2007-08. To date, nearly $2.0 billion has been appropriated from the State Education Fund for public school finance, representing 88.2 percent of all appropriations from the Fund. Appropriations for categorical programs ($146.3 million to date) and capital construction programs ($76.1 million to date) comprise another 10.0 percent of appropriations from the Fund. Annual State Education Fund appropriations increased significantly in FY 2002-03, when the General Assembly increased appropriations by $122.7 million mid-year to: (a) fund a higher than anticipated student enrollment and a higher than anticipated increase in the proportion of at-risk students; (b) offset lower than anticipated local property tax revenues; and (c) offset a $90.2 million reduction in state General Fund appropriations required due to a two-year decline in General Fund revenues. Appropriations from the Fund have remained fairly consistent in subsequent fiscal years, ranging from $333 million (for FY 2005-06) to $360 million (for FY 2007-08).

As detailed in Table 2, which provides a comparison of annual State Education Fund revenues to annual expenditures, the fund balance declined from FY 2001-02 through FY 2004-05 because annual expenditures exceeded annual revenues. Since FY 2004-05, the fund balance has increased annually and is projected to increase in FY 2007-08. The projected fund balance represents about 75 percent of annual expenditures from the Fund.

TABLE 1 History of Appropriations from the State Education Fund							
Description	**FY 01-02**	**FY 02-03**	**FY 03-04**	**FY 04-05**	**FY 05-06**	**FY 06-07**	**FY 07-08**
Public School Finance, State Share of Districts' Total Program Funding:							
Partial funding for required inflationary increases and funding associated with statutory changes (e.g., expansion of preschool or kindergarten programs, changing the at-risk factor, increasing minimum per pupil funding, etc.)	$70,507,812	$174,204,086	$305,711,812	$308,438,356	$237,849,107	$308,628,360	$325,331,078
Mid-year appropriation adjustments	31,086,493	122,727,527	10,742,837	5,000,000	59,181,158	0	n/a
Subtotal: School Finance	**101,594,305**	**296,931,613**	**316,454,649**	**313,438,356**	**297,030,265**	**308,628,360**	**325,331,078**
Percent of Total Appropriations	*65.8%*	*89.8%*	*90.0%*	*90.3%*	*89.2%*	*89.3%*	*90.4%*
Annual Required Increases for Categorical Programs (and continued funding of prior year increases)	**7,207,141**	**15,715,680**	**20,291,334**	**23,700,826**	**25,524,255**	**26,315,507**	**27,539,820**
Percent of Total Appropriations	*4.7%*	*4.8%*	*5.8%*	*6.8%*	*7.7%*	*7.6%*	*7.7%*
School Capital Construction:							
Charter school capital construction	6,471,052	7,813,943	5,000,000	5,000,000	5,000,000	7,800,000	5,000,000
School Capital Construction Expenditures Reserve	6,471,052	6,500,060	5,000,000	2,500,000	5,000,000	0	0
School Construction and Renovation Fund	0	0	5,000,000	2,500,000	0	0	0
Charter School Debt Reserve Fund	n/a	1,000,000	0	0	0	0	0
Subtotal: Capital Construction	**12,942,104**	**15,314,003**	**15,000,000**	**10,000,000**	**10,000,000**	**7,800,000**	**5,000,000**
Percent of Total Appropriations	*8.4%*	*4.6%*	*4.3%*	*2.9%*	*3.0%*	*2.3%*	*1.4%*
Various Grant Programs:							
Summer School Grant Program	945,800	0	0	0	0	1,000,000	1,000,000
Facility Summer School Grant Program	0	0	0	0	0	500,000	500,000
Family Literacy Education Grant Program	n/a	0	0	0	0	200,000	200,000
National Credential Fee Assistance	n/a	60,000	0	0	83,000	100,000	125,000
Colorado History Day	n/a	n/a	n/a	10,000	10,000	10,000	10,000
Teacher Pay Incentive Program	12,630,000	0	0	0	0	0	0
School Improvement Grant Program	2,675,000	2,675,000	0	0	0	0	0
Science and Technology Education Center Grant Program	1,400,000	0	0	0	0	0	0
Subtotal: Various Grant Programs	**17,650,800**	**2,735,000**	**0**	**10,000**	**93,000**	**1,810,000**	**1,835,000**
Percent of Total Appropriations	*11.4%*	*0.8%*	*0.0%*	*0.0%*	*0.0%*	*0.5%*	*0.5%*

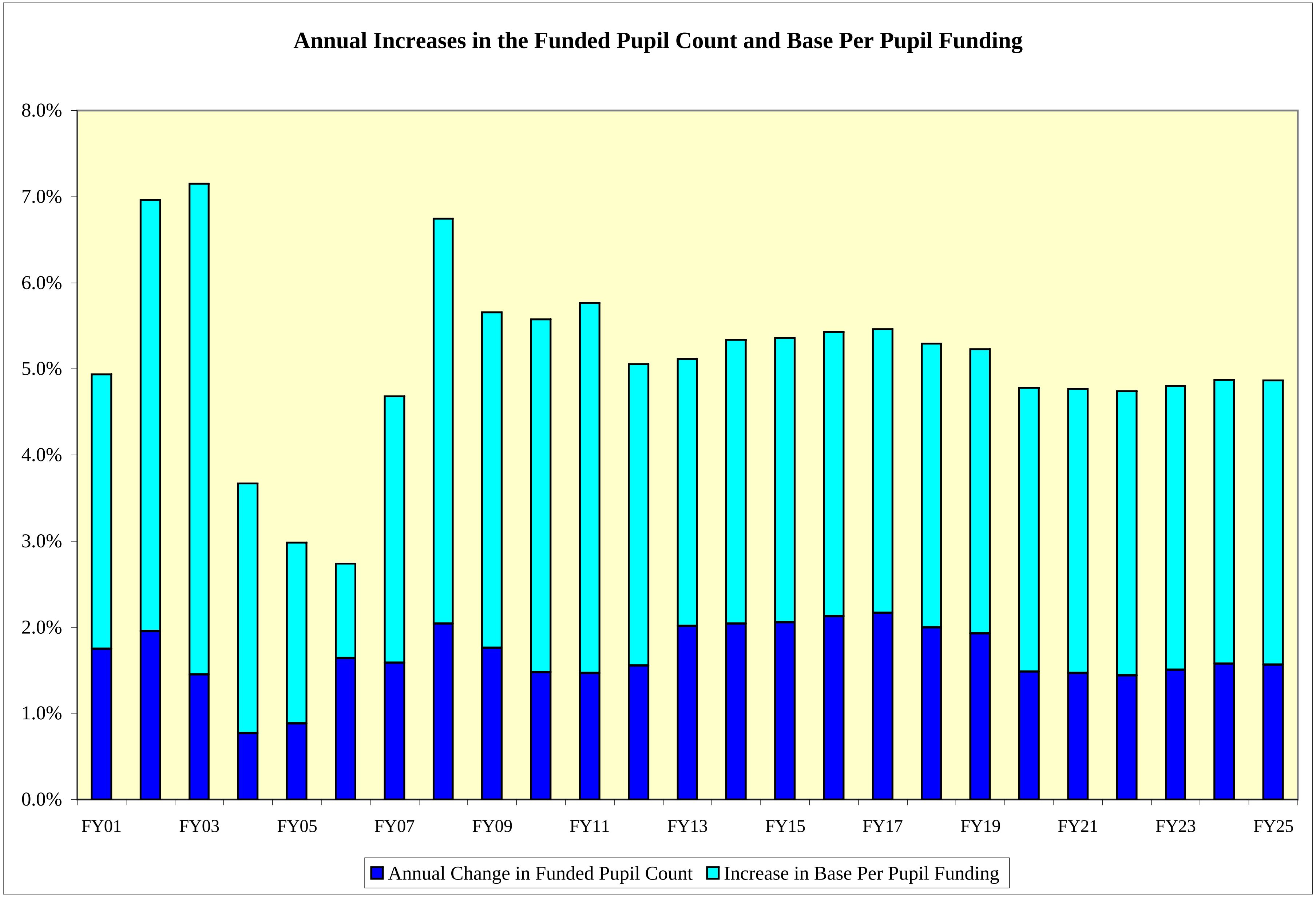
TABLE 1 History of Appropriations from the State Education Fund							
Description	**FY 01-02**	**FY 02-03**	**FY 03-04**	**FY 04-05**	**FY 05-06**	**FY 06-07**	**FY 07-08**
Funding for New Textbooks	**14,144,066**	**0**	**0**	**0**	**0**	**0**	**0**
Percent of Total Appropriations	*9.2%*	*0.0%*	*0.0%*	*0.0%*	*0.0%*	*0.0%*	*0.0%*
State Model Content Standards/ Student Assessments / State Accountability Reports:							
Annual review and update of non-English assessments	411,953	0	0	0	0	0	0
Longitudinal assessment data analyses	388,000	0	0	0	0	0	0
Modifications to accountability reports	75,000	0	0	0	0	0	0
Study non-English assessments	50,000	0	0	0	0	0	0
Study administration of ACT	50,000	0	0	0	0	0	0
Subtotal: Standards/ CSAPs / SARs	**974,953**	**0**	**0**	**0**	**0**	**0**	**0**
Percent of Total Appropriations	*0.6%*	*0.0%*	*0.0%*	*0.0%*	*0.0%*	*0.0%*	*0.0%*
Other:							
Aid for declining enrollment districts with new charter schools	n/a	n/a	n/a	n/a	n/a	1,000,000	0
Civic education	n/a	n/a	n/a	n/a	200,000	200,000	200,000
Financial literacy	n/a	n/a	n/a	39,114	39,114	40,000	40,000
Subtotal: Other	**0**	**0**	**0**	**39,114**	**239,114**	**1,240,000**	**240,000**
Percent of Total Appropriations	*0.0%*	*0.0%*	*0.0%*	*0.0%*	*0.1%*	*0.4%*	*0.1%*
TOTAL	**$154,513,369**	**$330,696,296**	**$351,745,983**	**$347,188,296**	**$332,886,634**	**$345,793,867**	**$359,945,898**
Percent Annual Change		114.0%	6.4%	-1.3%	-4.1%	3.9%	4.1%

TABLE 2 Comparison of State Education Fund Revenues and Expenditures/Appropriations ($ millions)								
Description	**FY 00-01**	**FY 01-02**	**FY 02-03**	**FY 03-04**	**FY 04-05**	**FY 05-06**	**FY 06-07**	**FY 07-08**
Beginning Fund Balance	$0.0	$166.2	$298.5	$202.5	$142.6	$118.4	$152.9	$225.1
Actual/Proj. Revenues/1	166.2	286.4	235.9	293.4	323.1	370.2	409.0	421.4
Actual Withdrawals/ Approp./2	0.0	(154.1)	(331.9)	(353.3)	(347.3)	(335.6)	(336.9)	(359.9)
Ending Fund Balance	166.2	298.5	202.5	142.6	118.4	152.9	225.1	286.5

/1 Projected State Education Fund revenues for FY 2007-08 are based on the amount of General Fund revenues anticipated to be directed to the Fund in the September 2007 Legislative Council Staff forecast, as well as projections of interest earnings based on the State Education Fund model utilized by Legislative Council and Joint Budget Committee staff.
/2 Actual expenditures are reflected for FY 2000-01 through FY 2006-07; appropriations are reflected for FY 2007-08.

Projected Education Funding Requirements for
School Finance and Categorical Programs ($ Millions)

Fiscal Year	Total State and Local Funding for School Finance and Categorical Programs	*Annual % Change*	Local Share of Funding for School Finance	*Annual % Change*	State Share of Funding for School Finance and Categorical Programs	*Annual % Change*	*Percent State Share*
2000-01	$3,728.8		$1,534.9		$2,193.9		*58.8%*
2001-02	$4,006.0	*7.4%*	$1,622.9	*5.7%*	$2,383.0	*8.6%*	*59.5%*
2002-03	$4,317.7	*7.8%*	$1,672.2	*3.0%*	$2,645.6	*11.0%*	*61.3%*
2003-04	$4,461.4	*3.3%*	$1,668.8	*-0.2%*	$2,792.6	*5.6%*	*62.6%*
2004-05	$4,598.1	*3.1%*	$1,684.2	*0.9%*	$2,913.9	*4.3%*	*63.4%*
2005-06	$4,764.8	*3.6%*	$1,700.3	*1.0%*	$3,064.5	*5.2%*	*64.3%*
2006-07	$4,991.0	*4.7%*	$1,728.5	*1.7%*	$3,262.6	*6.5%*	*65.4%*
2007-08	$5,326.9	*6.7%*	$1,916.0	*10.8%*	$3,410.9	*4.5%*	*64.0%*
2008-09	$5,629.3	*5.7%*	$1,951.4	*1.8%*	$3,677.9	*7.8%*	*65.3%*
2009-10	$5,943.1	*5.6%*	$2,054.5	*5.3%*	$3,888.6	*5.7%*	*65.4%*
2010-11	$6,286.0	*5.8%*	$2,092.6	*1.9%*	$4,193.4	*7.8%*	*66.7%*
2011-12	$6,602.1	*5.0%*	$2,228.0	*6.5%*	$4,374.1	*4.3%*	*66.3%*
2012-13	$6,938.8	*5.1%*	$2,294.9	*3.0%*	$4,643.9	*6.2%*	*66.9%*
2013-14	$7,308.5	*5.3%*	$2,478.4	*8.0%*	$4,830.1	*4.0%*	*66.1%*
2014-15	$7,699.5	*5.3%*	$2,552.8	*3.0%*	$5,146.7	*6.6%*	*66.8%*
2015-16	$8,116.8	*5.4%*	$2,757.0	*8.0%*	$5,359.8	*4.1%*	*66.0%*
2016-17	$8,559.8	*5.5%*	$2,839.7	*3.0%*	$5,720.0	*6.7%*	*66.8%*
2017-18	$9,012.7	*5.3%*	$3,066.9	*8.0%*	$5,945.8	*3.9%*	*66.0%*
2018-19	$9,483.8	*5.2%*	$3,158.9	*3.0%*	$6,324.9	*6.4%*	*66.7%*
2019-20	$9,937.2	*4.8%*	$3,411.6	*8.0%*	$6,525.6	*3.2%*	*65.7%*
2020-21	$10,410.9	*4.8%*	$3,514.0	*3.0%*	$6,896.9	*5.7%*	*66.2%*
2021-22	$10,904.6	*4.7%*	$3,795.1	*8.0%*	$7,109.6	*3.1%*	*65.2%*
2022-23	$11,428.5	*4.8%*	$3,908.9	*3.0%*	$7,519.6	*5.8%*	*65.8%*
2023-24	$11,985.8	*4.9%*	$4,221.7	*8.0%*	$7,764.1	*3.3%*	*64.8%*
2024-25	$12,569.2	*4.9%*	$4,348.3	*3.0%*	$8,220.9	*5.9%*	*65.4%*
2025-26	$13,182.9	*4.9%*	$4,696.2	*8.0%*	$8,486.8	*3.2%*	*64.4%*


Annual Increases in the Funded Pupil Count and Base Per Pupil Funding
8.0%
7.0%
6.0%
5.0%
4.0%
3.0%
2.0%
1.0%
0.0%
FY01
FY03
FY05
FY07
FY09
FY11
FY13
FY15
FY17
FY19
FY21
FY23
FY25
Annual Change in Funded Pupil Count
Increase in Base Per Pupil Funding

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July 24, 2007

Ms. Pamela Jo Suckla
Chairman, State Board of Education
201 East Colfax Avenue
Denver, Colorado 80203

Dear Ms. Suckla:

Our staff has informed us that the State Board of Education ("State Board"), at a meeting held May 10, 2007, voted to adopt emergency rules repealing Rule 2254-R-5.18, which prohibits fifth-year programs, and enacting Rule 2254-R-5.19, concerning pupils enrolled in "fast college fast jobs" education programs. It is further our understanding that these rule changes were prompted by passage of S.B. 07-148, concerning expanding simultaneous enrollment in secondary and postsecondary institutions. Staff indicated that these rule changes appear to extend beyond the changes required by the enactment of S.B. 07-148 and may have a significant fiscal impact on public education funding. Therefore, we are writing to express our concern and to ask for clarification from the State Board concerning the intended impact of these rule changes.

Potential programmatic effects of rule changes

Senate Bill 07-148 created the fast college fast jobs program. While the bill authorizes certain school districts to operate fifth-year programs, it limits which school districts may operate the programs and which high schools may participate. In addition, the bill limits the programs to one additional year beyond traditional high school and limits the state funding for a student who is enrolled in a certain number of higher education course credits.

In defining an "eligible school district", S.B. 07-148 specifically includes any school district that contracted with a community college to implement a dual degree program within the two years preceding the effective date of the bill. Any school district so included must change its fifth-year program as necessary to comply with the requirements specified in S.B. 07-148, including the five-year limit, and is subject to the funding limitations specified in the bill.

We agree that adoption of S.B. 07-148 appears to require a change to Rule 2254-R-5.18 since the statute now authorizes certain school districts to operate fifth-year programs. However, repealing Rule 2254-R-5.18 may be interpreted as allowing any school district, regardless of whether it meets the definition of an eligible school district in S.B. 07-148, to operate a fifth-year program under the "Postsecondary Enrollment Options Act" (Article 35 of Title 22, C.R.S.), in which case, the program would not be subject to either the time limits or the funding limits placed on such programs in S.B. 07-148.

The new Rule 2254-R-5.19 (3) adopted by the State Board also raises questions. Under this rule it appears that a school district that was operating a fifth-year program prior to passage of S.B. 07-148 may continue operating the program, regardless of whether it meets the requirements for a fast college fast jobs program. Further, it appears that, under this rule, the school district may receive state funding for the students enrolled in its pre-existing fifth-year program, regardless of the grade in which the students are enrolled. While the rule may be intended only to grandfather in the existing fifth-year programs, the statute already accomplishes this goal by including these school districts in the definition of "eligible school district", now found in Section 22-35.5-103 (2), C.R.S. Since subsections (1) and (2) of the new Rule 2254-R-5.19 specifically refer to "eligible school district, as defined in Section 22-35.5-103 (2)", subsection (3) of this rule appears to be unnecessary.

This raises concerns about the intended meaning of Rule 2254-R-5.19 (3). We are concerned that this new rule, when combined with the repeal of Rule 2254-R-5.18, may be interpreted as allowing any existing fifth-year program to continue to operate under the "Postsecondary Enrollment Options Act", which, as stated previously, does not include the time or funding limitations specified for the fast college fast jobs program.

Potential fiscal impact of rule changes

We are concerned that the rule changes adopted by the State Board could significantly increase the state funding required under the School Finance Act beyond what is anticipated as a result of S.B. 07-148.

The General Assembly has previously considered legislation that would have authorized fifth year programs. For example, the General Assembly considered repealing the existing rule prohibiting fifth year programs through the 2006 Rule Review Bill (S.B. 06-106). Legislative Council Staff estimated that the annual state General Fund costs of repealing this rule could range from \$2.7 million (if one percent of students participate) to \$274.2 million (if 100 percent of students participate). Due to the fiscal impact of this rule change, the General Assembly chose <u>not</u> to repeal this rule.

In conclusion, we are concerned that the rule changes recently adopted by the State Board appear to extend beyond the changes required by the enactment of S.B. 07-148 and may have a significant fiscal impact. We request that the State Board clarify the intended impact of these rule changes. We appreciate your attention to this matter and look forward to your response.

Sincerely,

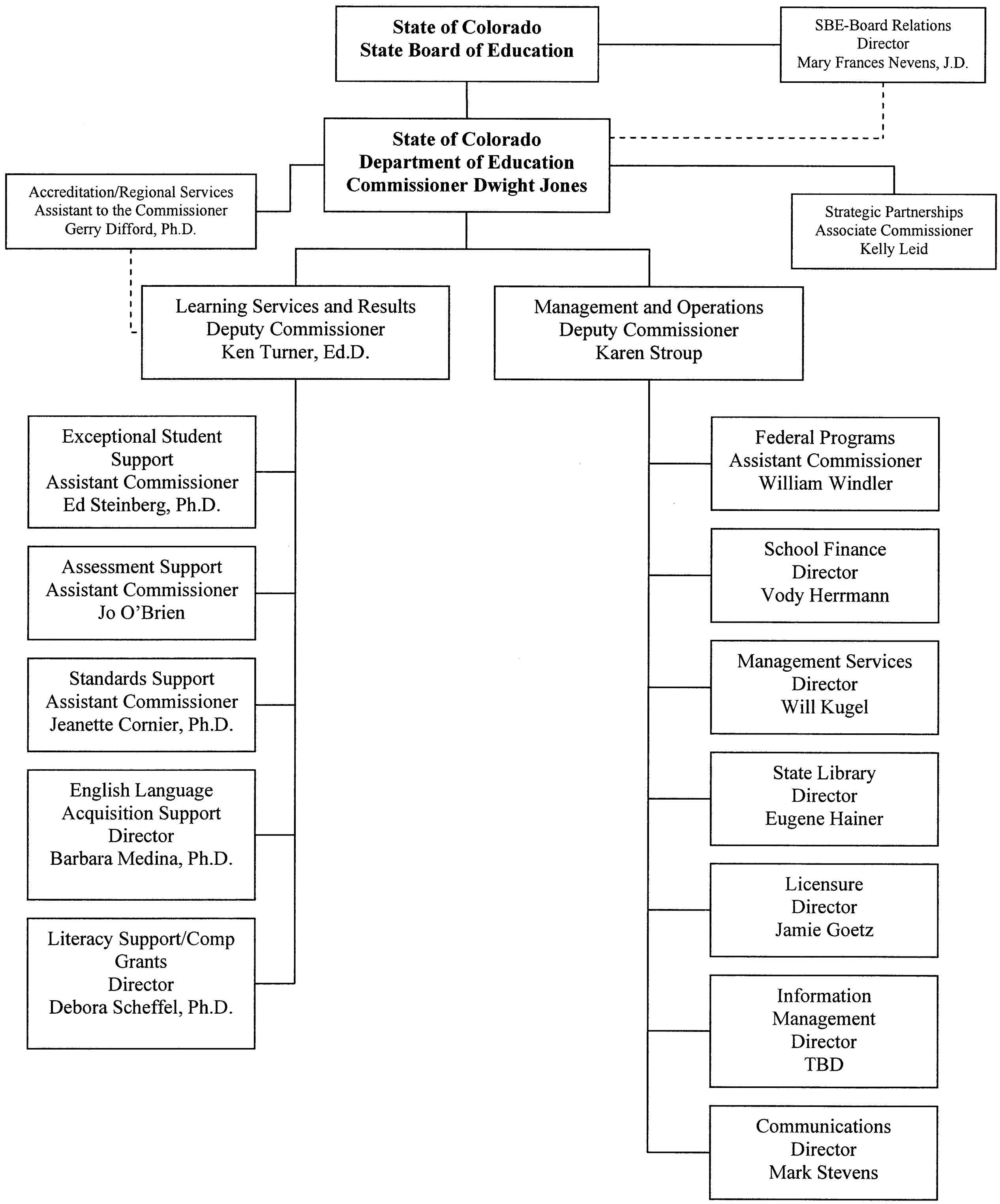
SO

Senator Abel Tapia

Senator Abel Tapia
Chairman

cc: Ms. Elaine Gantz Berman, Member, State Board of Education
Mr. Randy DeHoff, Member, State Board of Education
Ms. Evie Hudak, Member, State Board of Education
Ms. Peggy Littleton, Member, State Board of Education
Ms. Karen Middleton, Member, State Board of Education
Mr. Bob Schaffer, Member, State Board of Education

Mr. Dwight D. Jones, Commissioner of Education, Department of Education
Ms. Vivienne Belmont, State Board Relations, Department of Education
Mr. John Ziegler, Staff Director, Joint Budget Committee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State of Colorado
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Commissioner Dwight Jones
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