

**Schedule 13**  
**Funding Request for the 2014-15 Budget Cycle**

Department: Education  
 Request Title: Increase State Spending for Total Program  
 Priority Number: R-1

Dept. Approval by: 988 B. J. 10/24/13 Date:  Decision Item FY 2014-15  
 Base Reduction Item FY 2014-15  
 Supplemental FY 2013-14  
 Budget Amendment FY 2014-15

OSPB Approval by: G. M. K. 10/24/13 Date:

Line Item Information		FY 2013-14		FY 2014-15		FY 2015-16
		1	2	3	4	6
	Fund	Appropriation FY 2013-14	Supplemental Request FY 2013-14	Base Request FY 2014-15	Funding Change Request FY 2014-15	Continuation Amount FY 2015-16
<b>Total of All Line Items</b>	<b>Total</b>	3,539,771,937	-	3,539,771,937	222,301,498	222,301,498
	FTE	-	-	-	-	-
	GF	2,463,831,706	-	2,463,831,706	73,600,000	73,600,000
	GFE	469,842,084	-	469,842,084	-	-
	CF	606,098,147	-	606,098,147	148,701,498	148,701,498
	RF	-	-	-	-	-
	FF	-	-	-	-	-
<b>(2) Assistance to Public Schools, (A) Public School Finance, State Share of Districts' Total Program Funding</b>	<b>Total</b>	3,532,662,765	-	3,532,662,765	222,059,448	222,059,448
	FTE	-	-	-	-	-
	GF	2,463,831,706	-	2,463,831,706	73,600,000	73,600,000
	GFE	469,842,084	-	469,842,084	-	-
	CF	598,988,975	-	598,988,975	148,459,448	148,459,448
	RF	-	-	-	-	-
	FF	-	-	-	-	-
<b>(2) Assistance to Public Schools, (A) Public School Finance, Hold-harmless Full-day Kindergarten Funding</b>	<b>Total</b>	7,109,172	-	7,109,172	242,050	242,050
	FTE	-	-	-	-	-
	GF	-	-	-	-	-
	GFE	-	-	-	-	-
	CF	7,109,172	-	7,109,172	242,050	242,050
	RF	-	-	-	-	-
	FF	-	-	-	-	-

Letternote Text Revision Required? Yes:  No:  If yes, describe the Letternote Text Revision:

Letternote Text for FY 2014-15: Cash Funds: (d) Of this amount, \$670,448,423 shall be from the State Education Fund created in Section 17 (4)(a) of Article IX of the State Constitution, and \$77,000,000 shall be from the State Public School Fund created in Section 22-54-114 (1), C.R.S. Pursuant to Section 17 (3) of Article IX of the Colorado Constitution, appropriations from the State Education Fund are not subject to the limitations on fiscal year spending set forth in Section 20 of Article X of the Colorado Constitution.

Cash or Federal Fund Name and COFRS Fund Number: State Education Fund (Fund 440)  
 State Public School (Fund 113)

Reappropriated Funds Source, by Department and Line Item Name: None

Approval by OIT? Yes:  No:  Not Required:

Schedule 13s from Affected Departments: None

Other Information: None

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### ***Cost and FTE***

- The Department requests an increase of \$222.3 million total funds in FY 2014-15 for adjustments to the state share portion of the K-12 school finance formula and the Hold Harmless Full-Day Kindergarten Program. The Department's request represents a 6.3 percent increase to the state share amount for K-12 funding from the FY 2013-14 appropriations.

### ***Current Program***

- Colorado's 178 school districts are funded for 828,045 pupils statewide. Most of the revenues used to support public schools in Colorado are provided by the Public School Finance Act. Based on the formulas and requirements contained in this Act, the Department estimates the state share for funding public schools will increase by \$222.3 million in FY 2014-15.

### ***Problem or Opportunity***

- In FY 2014-15, the Department projects that total student enrollment will increase by 1.3 percent (10,680 pupils). The Department also projects at-risk students will increase by 2.2 percent (6,838 pupils). The Department requests a 57 percent increase to the Accelerating Students through Concurrent Enrollment (ASCENT) enrollment slots (an increase of 258 students).
- The FY 2014-15 inflationary factor is 2.6 percent based on the Office of State Planning and Budgeting (OSPB's) September 2013 Economic Forecast.
- Based on the formulas and requirements contained in the School Finance Act and State Constitution, the growth in pupil enrollment and inflation results in an increase to the state share of funding for public schools of \$222.3 million in FY 2014-15.

### ***Consequences of Problem***

- In order to finance the \$222.3 million increase for public schools, the Department requests an increase of \$73.6 million General Fund, \$147.1 million from the State Education Fund, and \$1.6 million from the State Public School Fund.

### ***Proposed Solution***

- Public schools will receive funding to support pupil enrollment growth and inflation increases in FY 2014-15. The negative factor remains at \$1.0 billion but as an *actual* percentage of Total Program funding, it is reduced from 15.4 percent in FY 2013-14 to 14.9 percent in FY 2014-15. This provides an additional \$40.2 million to support public schools above formula requirements.
- The Department's request preserves a \$700 million fund balance in the State Education Fund.

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*State of Colorado*  
**Department of Education**  
*FY 2014-15 Funding Request*  
*November 1, 2013*

*John W. Hickenlooper*  
Governor

*Robert K. Hammond*  
Commissioner

**Department Priority: R-1**  
**Request Detail: Increase State Spending for Total Program**

Summary of Incremental Funding Change for FY 2014-15	Total Funds	General Fund	Cash Funds*
Assistance to Public Schools (multiple line items)	\$222,301,498	\$73,600,000	\$148,701,498

\*Of this amount, \$147,069,887 is from the State Education Fund and \$1,631,611 is from the State Public School Fund.

**Request Summary:**

The Department requests FY 2014-15 increases of \$222.1 million for the state share of the K-12 school finance formula and \$242,050 for the Hold Harmless Full-Day Kindergarten program. These increases are comprised of \$73.6 million from the General Fund, \$147.1 million from the State Education Fund and \$1.6 million from the State Public School Fund. The Department's request represents a 6.3 percent increase to the state share amount for K-12 funding when compared to FY 2013-14 appropriations.

**Problem or Opportunity:**

Colorado public schools receive funding from a variety of sources. However, most revenues to Colorado's 178 school districts and Charter School Institute schools (hereafter, both are referred to as districts) are provided through the Public School Finance Act of 1994 (as amended). The Public School Finance Act establishes a formula to determine the amount of state and local funding for each district. The term "Total Program" is used to describe the total amount of funding each district receives under the School Finance Act. Total Program for a district is calculated by the number of funded pupils in the district multiplied by a statewide base per-pupil amount. To account for different district characteristics, a district's base per-pupil amount of funding may be adjusted for various factors including: (a) cost of living, (b) personnel costs, and (c) enrollment size. The School Finance Act formula also adjusts a district's funding to compensate for the presence of at-risk pupils, online students, and pupils participating in the Accelerating Students Through Concurrent Enrollment (ASCENT) program.

Although the General Assembly sets the statewide base per-pupil amount annually, Article IX, Section 17, of the Colorado Constitution, commonly referred to as Amendment 23, requires that at a minimum, the General Assembly increases the base per-pupil amount each year by the rate of inflation. Beginning in FY 2010-11, the School Finance Act began reducing the Total Program amount proportionately across most districts by applying a new calculation called the negative factor (formerly the budget stabilization factor).

In FY 2013-14, the negative factor reduced Total Program by approximately \$1.0 billion (15.44 percent) statewide.

In FY 2014-15, the Department estimates Total Program will increase by \$258.4 million total funds. This increase is comprised of a \$222.1 million increase to the state share and a \$36.4 million increase to local share. The Department's estimates assume total funded pupil count will increase by 10,680 pupils (1.3 percent) and an inflationary factor of 2.6 percent based on the Office of State Planning and Budgeting (OSP) 2013 September Economic Forecast. The Department's request also reflects the Department's projection that at-risk students will grow by 6,838 students (2.2 percent) and the Department's request that ASCENT funded slots be increased from 450 students to 708 students. Lastly, the Department's Total Program request maintains the same negative factor dollar amount of approximately \$1.0 billion that was included in the FY 2013-14 School Finance Act (S.B. 13-260). This reduces the negative factor's calculated *statutory* percentage from 15.49 to 14.89 percent. However, as percent of Total Program, the negative factor is reduced from 15.44 percent in FY 2013-14 to 14.85 percent in FY 2014-15.<sup>i</sup>

In FY 2014-15, the Department also requests an increase of \$242,050 cash funds from the State Education Fund for the Hold-Harmless Full Day Kindergarten program based on increase in per pupil funding in the districts with this program.

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***Proposed Solution:***

In order to finance the \$222.1 million estimated increase in state share for Total Program, the Department requests an increase of \$73.6 million General Fund, \$146.8 million State Education Fund, and \$1.6 million Public School Fund. Specifically, the state share appropriations for Total Program from these fund sources will increase as follows:

- State Education Fund appropriations will increase from \$523.6 million in FY 2013-14 to \$670.4 million in FY 2014-15. The State Education Fund has sufficient revenues to accommodate this request. Based on the OSPB September 2013 Economic Revenue Forecast and the State Education Fund appropriations contained in the Department's FY 2014-15 budget request, the State Education Fund is forecasted to have a FY 2014-15 ending fund balance of approximately \$700.0 million.
- State Public School Fund appropriations will increase from \$75.4 million in FY 2013-14 to \$77.0 million in FY 2014-15. The request reflects the available revenues in the State Public School Fund for Total Program after all other appropriations contained in the Department's FY 2014-15 budget requests are deducted.
- General Fund appropriations will increase from \$2.93 billion in FY 2013-14 to \$3.0 billion in FY 2014-15. The increase in the General Fund appropriation is the amount necessary to ensure that the State Education Fund has a FY 2014-15 ending fund balance of \$700.0 million.

The \$242,050 increase to the Hold Harmless Full-Day Kindergarten program will be financed from the State Education Fund.

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***Anticipated Outcomes:***

The Department's request ensures districts will receive the funding necessary for increases in student growth and inflation in FY 2014-15. Furthermore, the request reduces the actual dollar amount of the

negative factor as a percent of Total Program from 15.44 to 14.85 percent. Reducing the negative factor percentage adds \$40.2 million above inflation and student growth to be distributed to districts to enhance educational opportunities for the children of Colorado. Overall, the state share of Total Program funding will increase by 6.3 percent. Lastly, the request preserves a \$700 million fund balance in State Education Fund at the end of FY 2014-15 and allows the General Fund to maintain a 6.5 percent reserve while funding other General Fund State priorities.

***Assumptions and Calculations:***

***School Finance Total Program***

In FY 2014-15, pupil enrollment growth, inflation, and maintaining the negative factor at the same dollar amount as in FY 2013-14, results in a \$258.4 million increase to Total Program funding. Of this amount, \$222.1 million is state share (appropriated) and \$36.3 million is local share (non-appropriated) as shown in Table 1.

<b>TABLE 1: School Finance Total Program Costs</b>			
	<b>FY 2013-14 Appropriation*</b>	<b>FY 2014-15 Request*</b>	<b>Change</b>
State Share ( <i>appropriated</i> )	\$3,532,662,765	\$3,754,722,213	\$222,059,448
<i>Local Property Tax</i>	1,844,328,022	1,876,738,196	32,410,174
<i>Specific Ownership Tax</i>	131,395,337	135,337,197	3,941,860
<b>TOTAL</b>	<b>\$5,508,386,124</b>	<b>\$5,766,797,606</b>	<b>\$258,411,482</b>

\*The table includes both state and local share but only the state share is appropriated by the General Assembly.

***Hold-Harmless Full-day Kindergarten***

Hold-Harmless Full-Day Kindergarten funding will be increased by \$242,050 (a 3.4 percent increase) in FY 2014-15. This increase reflects the increase in per pupil funding for the districts with Hold Harmless Full-day Kindergarten programs. The request assumes this increase is funded through the State Education Fund.

<b>TABLE 2: Hold Harmless Full-day Kindergarten</b>			
	<b>FY 2013-14 Appropriation</b>	<b>FY 2014-15 Request</b>	<b>Change</b>
Hold Harmless Full-Day	\$7,109,172	\$7,351,222	\$242,050

***At-Risk Supplemental Aid***

The Department requests continuation funding of \$3,839,627 in FY 2014-15 for the at-risk supplemental aid program that was established in H.B. 12-1345.

**Detailed Assumptions and Calculations for Total Program:**

The details for these calculations are summarized in Appendix A and B (attached). Appendix C show the Office of State Planning and Budgeting estimates for State Education Fund balance at the end of FY 2014-15 with these recommendations.

**Proposed Statutory Changes:**

The Department's request requires the following statutory changes.

***Total Program Funding and the Negative Factor:*** Section 22-54-104 (5) (g) (I) be modified to add a new paragraph (E):

(E) THAT, FOR THE 2014-15 BUDGET YEAR, THE SUM OF THE TOTAL PROGRAM FUNDING FOR ALL DISTRICTS, INCLUDING THE FUNDING FOR INSTITUTE CHARTER SCHOOLS, AFTER APPLICATION OF THE NEGATIVE FACTOR, IS NOT LESS THAN FIVE BILLION SEVEN HUNDRED SIXTY-SIX MILLION SEVEN HUNDRED NINETY-SEVEN THOUSAND SIX HUNDRED SIX DOLLARS (**\$5,766,797,606**); EXCEPT THAT THE DEPARTMENT OF EDUCATION AND THE STAFF OF THE LEGISLATIVE COUNCIL SHALL MAKE MID-YEAR REVISIONS TO REPLACE PROJECTIONS WITH ACTUAL FIGURES INCLUDING, BUT NOT LIMITED TO, ACTUAL PUPIL ENROLLMENT, ASSESSED VALUATIONS, AND SPECIFIC OWNERSHIP TAX REVENUE FROM THE PRIOR YEAR, TO DETERMINE ANY NECESSARY CHANGES IN THE AMOUNT OF THE REDUCTION TO MAINTAIN A TOTAL PROGRAM FUNDING AMOUNT FOR THE 2014-15 BUDGET YEAR THAT IS CONSISTENT WITH THIS SUB-SUBPARAGRAPH (D).



## Attachment A: K-12 Total Program FY 2014-15 Budget Request Summary

<b>Colorado Department of Education</b> <b>Public School Finance Act of 1994</b> <b>Projected Fiscal year 2014-2015 Funding Summary</b> <b>November 2013 Budget Request</b>			
<b>K-12 Total Program</b>	<b>FY 2013-14 Estimate</b>	<b>FY 2014-15 Request</b>	<b>Change</b>
At-risk Funded Count	306,370	313,208	6,838
ASCENT Pupil Count	450	708	258
Funded Pupil Count	828,045	838,725	10,680
Average Per-pupil Funding Before Negative Factor	\$7,867.01	\$8,074.94	\$207.93
Base Per-pupil Funding	\$5,954.28	\$6,109.09	\$154.81
<b>Total Program Funding Before Application of Negative Factor</b>	<b>\$6,514,240,501</b>	<b>\$6,772,651,983</b>	<b>\$258,411,482</b>
Negative Factor (minus)	<u>(1,005,854,377)</u>	<u>(1,005,854,377)</u>	<u>0</u>
<b>Total Revised Total Program Funding</b>	<b>\$5,508,386,124</b>	<b>\$5,766,797,606</b>	<b>\$258,411,482</b>
<b>Funding Sources of Local Share:</b>			
Property Taxes	1,844,328,022	1,876,738,196	32,410,174
Specific Ownership Taxes	<u>131,395,337</u>	<u>135,337,197</u>	<u>3,941,860</u>
<b>TOTAL LOCAL SHARE</b>	<b>\$1,975,723,359</b>	<b>\$2,012,075,393</b>	<b>\$36352,034</b>
<b>Funding Sources of State Share:</b>			
State Education Fund	523,620,586	670,448,423	146,827,837
State Public School Fund	75,368,389	77,000,000	1,631,611
General Fund Exempt (Ref C)	469,842,084	469,842,084	0
General Fund	<u>2,463,831,706</u>	<u>2,537,431,706</u>	<u>73,600,000</u>
<b>TOTAL STATE SHARE</b>	<b>\$3,532,662,765</b>	<b>\$3,754,722,213</b>	<b>\$222,059,448</b>
<b>Average Per Pupil Funding After Negative Factor</b>	<b>\$6,652.28</b>	<b>\$6,875.67</b>	<b>\$223.39</b>

### Increased Student Enrollment

- The Department estimates that funded pupils will increase from 828,045 pupils in FY 2013-14 to 838,725 pupils in FY 2014-15. This is an increase of 10,680 pupils or 1.3 percent.

### Increased ASCENT and At-Risk Pupil Counts

- The Department requests an increase in the enrollment for the ASCENT programs from 450 students currently funded in FY 2013-14 to 708 students in FY 2014-15.
- The Department estimates at-risk students will increase from 306,370 students in FY 2013-14 to 313,208 students in FY 2014-15. This is an increase of 6,838 students or 2.2 percent.

### Per Pupil Funding

- The request uses an inflation factor of 2.6 percent based on the Office of State Planning and Budgeting 2013 September Revenue Forecast.

- The inflation rate will increase *base* per pupil funding by \$154.81 from \$5,954.28 in FY 2013-14 to \$6,109.09 per pupil in FY 2014-15. This is an increase of 2.6 percent.
- After *all* school finance formula factors are calculated (including the negative factor), the statewide average per pupil spending will increase by \$223.39 from \$6,652.28 in FY 2013-14 to \$6,875.67 in FY 2014-15. This is an increase of 3.36 percent. This increase is higher than the inflation estimate partly because the negative factor dollar amount is held constant as explained below.

Negative Factor

- The total negative factor dollar amount in FY 2014-15 will remain at the FY 2013-14 estimate of \$1,005,854,377. However, the *actual* negative factor amount as a percent of Total Program funding will decrease from 15.44 percent in FY 2013-14 to 14.85 percent in FY 2014-15.

**Attachment B: Other School Finance Formula Line Items**

Colorado Department of Education Public School Finance Act of 1994 Projected Fiscal year 2014-2015 Funding Summary November 2013 Budget Request			
Other K-12 Total Program			
Line Items	FY 2013-14 Estimate	FY 2014-15 Request	Change
Hold-harmless Full-day Kindergarten	\$8,405,776	\$8,631,349	\$225,573
Less: Negative Factor	(1,296,604)	(1,280,172)	16,477
<b>Hold-Harmless Full-day Kindergarten</b>	<b>\$7,109,172</b>	<b>7,351,222</b>	<b>242,050</b>
<b>At-Risk Supplemental Aid</b>	<b>\$3,839,627</b>	<b>\$3,839,627</b>	<b>\$0</b>

## Attachment C: Projected State Education Fund Balance

Office of State Planning and Budgeting – Estimated State Education Fund Balance			
	FY 2013-14 Estimate	FY 2014-15 Request*	Change
Beginning Balance	\$183,400,000	\$1,065,913,986	\$882,513,986
<i>Estimated Revenues (OSPB Forecast)</i>			
Amendment 23 Revenues	470,700,000	500,900,000	30,200,000
Additional General Fund Revenue	<u>1,133,900,000</u>	<u>25,300,000</u>	<u>(1,108,600,000)</u>
Total General Fund Revenue transferred	1,604,600,000	526,200,000	(1,078,400,000)
Other revenue (interest earnings)	<u>16,000,000</u>	<u>6,321,000</u>	<u>(9,679,000)</u>
<b>TOTAL Forecasted SEF Revenue</b>	<b>\$1,804,000,000</b>	<b>\$1,598,434,986</b>	<b>(\$205,565,014)</b>
<i>Estimated Expenditures (Department Request)</i>			
Total Program SEF Expenditures	523,620,586	670,448,423	146,827,837
Categorical Program SEF Expenditures	127,093,954	134,084,298	6,990,344
Various Other Programs and Transfers	87,371,474	85,880,759	(1,490,715)
New Request Items	<u>0</u>	<u>6,589,056</u>	<u>6,589,056</u>
<b>TOTAL Forecasted SEF Revenue</b>	<b>\$738,086,014</b>	<b>\$897,002,536</b>	<b>\$158,916,522</b>
<b>Projected Ending Fund Balance</b>	<b>\$1,065,913,986</b>	<b>\$701,432,450</b>	<b>(\$364,481,536)</b>

<sup>i</sup> The negative factor is calculated against the district's total program funding. However, the reduction is only applied to the state share of total program funding. For some school districts their state share of funding is too low to apply the full statutory negative factor. Therefore, the actual negative factor is lower than the amount cited in statute. For FY 2014-15, the request holds the negative factor dollar amount constant at \$1,005,854,377. This lowers the calculated *statutory* negative factor from 15.49 percent to 14.89 percent. However, as percentage of Total Program funding, the negative factor amount is lowered from 15.44 percent to 14.85 percent.