

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

Department: Education  
 Request Title: Constitutionally Required Increase for Categorical Programs in FY 2014-15  
 Priority Number: R-2

Dept. Approval by: [Signature] 10/25/13  
 Date

OSPB Approval by: [Signature] 10/29/13  
 Date

- Decision Item FY 2014-15
- Base Reduction Item FY 2014-15
- Supplemental FY 2013-14
- Budget Amendment FY 2014-15

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>	426,286,476	-	426,594,847	6,990,344	6,990,344
	FTE	70.1	-	70.1	-	-
	GF	134,889,022	-	134,889,022	-	-
	GFE	-	-	-	-	-
	CF	124,962,071	-	124,970,141	6,990,344	6,990,344
	RF	101,812	-	104,043	-	-
	FF	166,333,571	-	166,631,641	-	-
<b>(2) Assistance to Public Schools, (B) Categorical Programs, (I) District Programs Required by Statute, Special Education Programs for Children with Disabilities</b>	<b>Total</b>	312,419,984	-	312,712,935	3,859,359	3,859,359
	FTE	63.0	-	63.0	-	-
	GF	71,572,347	-	71,572,347	-	-
	GFE	-	-	-	-	-
	CF	85,649,061	-	85,649,061	3,859,359	3,859,359
	RF	101,812	-	104,043	-	-
<b>(2) Assistance to Public Schools, (B) Categorical Programs, (I) District Programs Required by Statute, English Language Proficiency Program</b>	<b>Total</b>	26,476,847	-	26,484,197	1,297,875	1,297,875
	FTE	4.6	-	4.6	-	-
	GF	3,101,598	-	3,101,598	-	-
	GFE	-	-	-	-	-
	CF	12,138,442	-	12,138,442	1,297,875	1,297,875
	RF	-	-	-	-	-
<b>(2) Assistance to Public Schools, (B) Categorical Programs, (II) Other Categorical Programs, Public School Transportation</b>	<b>Total</b>	53,261,338	-	53,266,079	1,221,295	1,221,295
	FTE	2.0	-	2.0	-	-
	GF	36,922,227	-	36,922,227	-	-
	GFE	-	-	-	-	-
	CF	16,339,111	-	16,343,852	1,221,295	1,221,295
	RF	-	-	-	-	-
	FF	-	-	-	-	-

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<b>(2) Assistance to Public Schools, (B) Categorical Programs, (II) Other Categorical Programs, Transfer to the Department of Higher Education for Distribution of State Assistance for Career and Technical Education</b>	<b>Total</b>	24,528,307	-	24,528,307	419,708	419,708
	<b>FTE</b>	-	-	-	-	-
	<b>GF</b>	17,792,850	-	17,792,850	-	-
	<b>GFE</b>	-	-	-	-	-
	<b>CF</b>	6,735,457	-	6,735,457	419,708	419,708
	<b>RF</b>	-	-	-	-	-
	<b>FF</b>	-	-	-	-	-
<b>(2) Assistance to Public Schools, (B) Categorical Programs, (II) Other Categorical Programs, Special Education Programs for Gifted and Talented Children</b>	<b>Total</b>	9,600,000	-	9,603,329	192,107	192,107
	<b>FTE</b>	0.5	-	0.5	-	-
	<b>GF</b>	5,500,000	-	5,500,000	-	-
	<b>GFE</b>	-	-	-	-	-
	<b>CF</b>	4,100,000	-	4,103,329	192,107	192,107
	<b>RF</b>	-	-	-	-	-
	<b>FF</b>	-	-	-	-	-

**Letternote Text Revision Required?** Yes:  No:  **If yes, describe the Letternote Text Revision:**  
 Letternote (e): Of this amount, \$17,115,147 shall be from the State Education Fund created in Section 17 (4) (a) of Article IX of the State Constitution and \$450,000 shall be from the Public School Transportation Fund created in Section 22-51-103 (1), C.R.S. Pursuant to Section 17 (3) of Article IX of the State Constitution, appropriations from the State Education Fund are not subject to the limitation on fiscal year spending set forth in Section 20 of Article X of the State Constitution.

**Cash or Federal Fund Name and COFRS Fund Number:** State Education Fund (Fund 440)  
 Public School Transportation Fund (Fund 20E)  
 Various Federal Funds

**Reappropriated Funds Source, by Department and Line Item Name:** Federal funds transferred from the Department of Human Resources

**Approval by OIT?** Yes:  No:  **Not Required:**

**Schedule 13s from Affected Departments:** None

**Other Information:** None



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

- The Department requests an inflationary increase of \$7.0 million from the State Education Fund in FY 2014-15 and beyond for education programs commonly referred to as “categorical programs”.

### ***Current Program***

- In addition to funding provided to public schools from the School Finance Act formula, Colorado school districts may also receive funding to pay for specific categorical programs designed to serve particular groups of students or particular student needs. Total funding appropriated for these programs in FY 2013-14 is \$435.7 million. Of this amount, \$141.8 million is General Fund, \$127.5 million is from the State Education Fund, \$101,800 are funds transferred from other state agencies, and \$166.3 million is from federal funds.
- The programs that receive this funding include special education programs for children with disabilities, English language proficiency education, public school transportation, career and technical education programs, special education for gifted and talented children, expelled and at-risk student grants, small attendance centers, and comprehensive health education.

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

- Section 17 of Article IX of the State Constitution requires that the General Assembly provide inflationary increases for categorical programs each year. The Office of State Planning and Budgeting’s September 2013 Economic Forecast indicates a 2.6 percent inflationary rate adjustment for FY 2014-15.

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

- A 2.6 percent inflationary rate results in a \$7.0 million increase in the state funding for categorical programs. The State Education Fund has sufficient revenues to pay for this cost increase.

### ***Proposed Solution***

- The Department recommends the \$7.0 million funding increase be allocated to the categorical programs with the greatest needs. Specifically the Department requests an increase of \$3.9 million for special education for children with disabilities, \$1.3 million for English language proficiency programs, \$1.2 million for public school transportation, \$419,700 for career and technical education and \$192,100 for special education for gifted and talented students.

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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-2**  
**Request Detail: Constitutionally Required Increase for Categorical Programs in FY 2014-15**

<b>Summary of Incremental Funding Change for FY 2014-15</b>	<b>Total Funds</b>	<b>State Education Fund</b>
Categorical Programs (multiple line items)	\$6,990,344	\$6,990,344

**Request Summary:**

The Department requests approximately \$7.0 million from the State Education Fund in FY 2014-15 and subsequent fiscal years to fund a 2.6 percent inflationary increase for the education programs commonly referred to as “categorical programs”.

**Problem or Opportunity:**

In addition to funding provided to public schools from the School Finance of Act formula, Colorado school districts may also receive funding to pay for specific categorical programs designed to serve particular groups of students or particular student needs. The education programs that receive this funding include:

- special education programs for children with disabilities,
- English language proficiency education,
- public school transportation,
- career and technical education programs,
- special education programs for gifted and talented students,
- expelled and at-risk student grants,
- small attendance centers, and
- comprehensive health education.

Total appropriations for these programs in FY 2013-14 are \$435.7 million. Of this amount, \$141.8 million is General Fund, \$127.5 million is from the State Education Fund, \$101,800 is transferred from other state agencies, and \$166.3 million is federal funds.

Section 17 of Article IX of the State Constitution requires that the General Assembly provide inflationary increases for categorical programs each year. The Office of State Planning and Budgeting’s September 2013 Economic Forecast indicates a 2.6 percent inflationary rate adjustment for FY 2014-15. This results in an increase of approximately \$7.0 million over current State funding amounts.

***Proposed Solution:***

The Department requests that the \$7.0 million in increased funding be allocated among the programs based on the “gap” in funding between the actual reported revenue received by the programs versus the actual reported expenditures as reported to the Department by individual districts. If no gap exists, as is the case for three of the categorical programs, no funding increase is requested for those programs in FY 2014-15.

Appendix A (attached) shows the Department’s calculation of the funding gaps and the requested allocation of the \$7.0 million increase amongst the categorical programs.

***Anticipated Outcomes:***

If the request is approved, the State will meet the constitutional requirement to provide inflationary funding for categorical programs. In addition, those programs with the largest funding gaps will receive the majority of the funding increase.

***Assumptions and Calculations:***

The calculation for the requested increase is based on adjusting the FY 2013-14 appropriations subject to Section 17 of Article IX of the State Constitution by an inflation rate of 2.6 percent. The inflationary rate used the applicable rate for FY 2014-15 projected in the Office of Strategic Planning and Budgeting’s September 2013 Economic Forecast.

**Table 1: Requested Increase for Categorical Programs**

	<b>FY 2013-14 Total Fund Appropriation</b>	<b>Deduct Federal Funds</b>	<b>Deduct Reappropriated Funds</b>	<b>Deduct Public School Transportation Fund</b>	<b>Total</b>
All Categorical Programs	\$435,744,811	(\$166,333,571)	(\$101,812)	(\$450,000)	\$268,859,428
Applicable OSPB Inflation Factor (September 2013 Economic Forecast)					0.026
<b>Total amount of inflation for categorical programs</b>					<b>\$6,990,344</b>

The inflationary increase is not required to be distributed to every categorical program. The Department requests that the \$7.0 million inflationary adjustment be allocated to the specific categorical programs based on their proportional percentage of “gap funding” between the revenues the programs receive from state and federal sources and the funding the school districts actually spend to support those programs. As stated earlier, if no gap exists in a particular program, that program is not allocated any of the \$7.0 inflationary increase for categorical programs in FY 2014-15. Appendix A shows the Department’s requested allocation of the inflationary increase amongst the different categorical programs.

## Appendix A: Proposed Allocation of New Funding for Categorical Programs

Appendix A: Requested Increase for Categorical Programs							
	Special Education Program for Children with Disabilities /1	English Language Proficiency Programs	Public School Transportation	Career and Technical Education Programs	Gifted and Talented Programs	Total	
A. FY 11-12 Total District Expenditures	\$802,713,233	\$188,182,589	\$204,509,583	\$80,898,533	\$33,153,474	\$1,309,457,412	
B. FY 11-12 Total State / Federal Revenues	<u>(318,667,261)</u>	<u>(25,401,409)</u>	<u>(51,333,051)</u>	<u>(28,258,148)</u>	<u>(9,059,127)</u>	<u>(432,718,996)</u>	
C. FY 11-12 Funding Gap Between District Expenditures and State / Federal Revenues	\$484,045,972	\$162,781,180	\$153,176,532	\$52,640,385	\$24,094,347	\$876,738,416	
D. Proportional Percentage of Total Excess Expenditures	55.21%	18.57%	17.47%	6.00%	2.75%	100.0%	
E. FY 13-14 State Approps subject to inflation increase	\$157,221,408	\$15,240,040	\$52,811,338	\$24,528,307	\$9,600,000	\$259,401,093	
F. R-2 Allocation of the inflation adjustment (see notes)	3,859,359	1,297,875	1,221,295	419,708	192,107	6,990,344	
G. Base & Other Requests	0	429,345	4,741	0	3,329	437,415	
H. State funds transferred from other Departments/Programs	104,043	0	450,000	0	0	554,043	
I. FY 14-15 Est. Federal Funds	<u>155,387,484</u>	<u>11,244,157</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>166,631,641</u>	
<b>J. FY 14-15 Subtotal for the Categorical Programs adjusted by Inflation</b>	<b>\$316,572,294</b>	<b>\$28,211,417</b>	<b>\$54,487,374</b>	<b>\$24,948,015</b>	<b>\$9,795,436</b>	<b>\$434,014,536</b>	
<b>Requested Funding for Categorical Programs without Funding Gaps (i.e. revenues equal expenditures).</b>							
K. Expelled and At-risk Student Services Grant Program						\$7,496,506	
L. Small Attendance Center Aid						959,379	
M. Comprehensive Health Education						<u>1,007,771</u>	
<b>N. FY 14-15 Subtotal for Categorical Programs <u>not</u> adjusted by inflation</b>						<b>\$9,463,656</b>	
<b>FY 14-15 Total Request for Categorical Programs (All Funds and Request Items Included)</b>						<b>\$443,478,192</b>	
<b>General Fund</b>						<b>\$142,194,819</b>	
<b>CF - State Education Fund &amp; Public School Transportation Fund</b>						<b>134,547,689</b>	
<b>Reappropriated (Transferred) Funds</b>						<b>104,043</b>	
<b>Federal Funds</b>						<b>\$166,631,641</b>	

/1 State funding includes the Public School Finance Act Funding for preschool children with disabilities.

**Notes for Table 1:**

Row A: Total expenditures related to state and federal funding provided to school districts, the Charter School Institute, and Boards of Cooperative Educational Services by the Department. Source of information is School District Automated Data Exchange Financial Reporting. This includes \$3.4 million of expenditures received from the American Recovery and Reinvestment Act.

Row B: Total state and federal revenue reported by school districts, the Charter School Institute and Boards of Cooperative Educational Services by the Department. Source is Automated Data Exchange Financial Reporting.

Row C: Row A minus Row B equals the estimated gap in unfunded expenditures covered by the school districts, the Charter School Institutes, and the Boards of Cooperative Educational Services.

Row D: The proportional percentage of each categorical programs unfunded expenditures in relation to the total categorical programs unfunded expenditures.

Row E: The FY 2013-14 state funds appropriation excluding federal funds and state funds appropriated from other programs.

Row F: Shows the Department's recommended distribution of the inflationary increase. This amount equals the total inflationary increase of \$6,990,344 for all categorical programs multiplied by Row D to allocate the increase to specific categorical programs. Only those categorical programs with "gap funding" are requested to receive a FY 2014-15 funding increase. See table 1 on page 6 for how the \$6,990,344 was calculated.

Row G: Shows the FY 2014-15 base adjustments and other request items that impact a categorical program.

Row H: Represents state fund appropriations that are not subject to the inflationary increase, including funds reappropriated from the Department of Human Services and appropriations from the Public School Transportation Fund.

Row I: Shows the anticipated federal funds available in FY 2014-15 for each categorical program.

Row J: Represents the total FY 2014-15 appropriation request for each categorical programs (matches the Department's Schedule 3).

Rows K through M: The FY 2014-15 request for categorical programs that are not requested to receive an inflationary adjustment. These amounts are the FY 2013-14 appropriation increased for any base adjustments (these amounts match the Department's Schedule 3s).

Row L: Subtotal of the state funding requested for all categorical programs not receiving an increase in FY 2014-15.

Totals: The FY 2014-15 total request for all categorical programs. This amount matches the total fund request shown on the Schedule 3s.