

UNDERSTANDING COLORADO SCHOOL FINANCE AND CATEGORICAL PROGRAM FUNDING



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DETERMINING TOTAL PROGRAM (C.R.S. 22-54-104)

A) Counting Pupils

Funding is based on an annual October pupil count. Each school district counts pupils in membership as of the school day nearest October 1 (the official count day). Districts are given an eleven-day window in which to establish membership of students, thus providing an opportunity to include students who may be absent on the official count day.

Generally, pupils in grades 1 through 12 are counted either as full-time or part-time depending upon the number of scheduled hours of coursework. Kindergarten, preschool special education, and a limited number of at-risk preschool (see Colorado Preschool Program discussion below) pupils are counted as part-time.

For most school districts, funding is based on the number of pupils counted in the current school year. However, for a district with an enrollment fluctuating from year to year, funding is based on an average of up to three prior years' October pupil counts and the current year's October pupil count. As such, the impact of annual enrollment variances on funding is softened.

Beginning in FY 2003-04, the funded pupil count is now defined as the district's "On-line Pupil Count" plus the district's Colorado Preschool Program Pupil Count plus the higher of current year enrollment or the average of 2, 3, or 4 years enrollment (less the Colorado Preschool Program Pupil Counts). Pupil enrollment shall include any pupil enrolled during FY 2001-02 in an on-line program.

School district funded enrollments in budget year 2005-06 are projected to range from 56.2 full-time equivalent (FTE) pupils to 82,204.1 full-time equivalent (FTE) pupils.

- **Colorado Preschool Program (C.R.S. 22-28-101)**

The Colorado Preschool Program's main objective is to provide high quality early education support to children whose existing risk factors increase their chances of early school failure. Districts provide these services in partnership with families and other community resources serving families. In budget year 2005-06, funding is provided for the participation of up to 12,360 children (including up to 1,500 full-day kindergarten pupils) who are eligible to be included in districts' funded pupil counts.

B) Total Program Funding to school districts is based on a per-pupil formula that calculates Total Program. For each pupil funded (see definition of "funded pupil count" above) in the October 1 pupil count, the formula provides a base per-pupil amount of money plus additional money to recognize district-by-district variances in: (a) cost of living, (b) personnel costs, and (c) size. The Total Program amount also includes additional funding for at-risk pupils. As these components vary among school districts, so do the expenses of the districts and, as such, the amount of Total Program funding provided.

To calculate Total Program, use the following formula:

Funded Pupil Count (October 1) Times Total Per-pupil Funding plus At-risk Funding plus On-line Funding

- **Total Per-pupil Funding**

Base Funding -- the base amount of funding for each pupil is \$4,717.62 in budget year 2005-06. **To this amount is added funding based on the specific factors as outlined below to arrive at a Total Per-pupil Funding amount.**

Cost of Living Factor -- the cost of living factor reflects the differences in the costs of housing, goods, and services among each of the 178 school districts in the state. Cost differences are reviewed every two years to allow for timely recognition of economic changes. This factor is index-based, with a range from 1.009 to 1.641 in budget year 2005-06.

The cost of living calculation changed in FY 2004-05, replacing inflation with the increase in household income level. A district's cost of living factor is increased based on its cost of living increase above the household income increase, rather than its increase above inflation.

Personnel Costs Factor -- the personnel costs factor varies by school district based on enrollment. For all districts, employee salaries and benefits represent the largest single expense. As such, the formula directs funding based on these costs, using historical information and incorporating the above cost of living factor. This factor is projected to range from 79.96% to 90.50% in budget year 2005-06.

Size Factor -- like the above personnel costs factor, the size factor is determined using an enrollment-based calculation and is unique to each school district. This factor is included to recognize purchasing power differences among districts and to reflect the expression of funding on a per-pupil basis.

"Smaller" districts (fewer than 4,023 pupils) receive greater size factors and, thus, increased funding than do "medium-sized or large" districts (greater than 4,023), which receive more moderate size factor adjustments.

A district with fewer than 500 pupils and in which a charter school operates receives an additional, compensating adjustment via an increased size factor designed to help mitigate the impacts of such an arrangement in a small district.

Size factors are projected to range from 1.0297 to 2.3725 in budget year 2005-06. Each size factor was reduced by .0045 in FY 2003-04.

- ***At-Risk Funding***

Eligibility for participation in the federal free lunch program is used as a proxy of each school district's at-risk pupil population. Increased funding is provided to recognize that expenses among districts vary, as pupil populations vary, especially at-risk populations. For each at-risk pupil, a district receives funding equal to at least 12% (increased from 11.2% in FY 2005-06), but no more than 30%, of its Total Per-pupil Funding (see prior discussion). As a district's percentage of at-risk population increases above the statewide average (roughly 30.52%), an increased amount of at-risk funding is provided.

A district receives funding for the greater of: (1) each *actual* pupil eligible for the federal free lunch program; or (2) a *calculated* number of pupils based on the number of grades 1-8 pupils eligible for the federal free lunch program as a percent of the district's entire population.

Beginning in FY 2005-06 the definition of at-risk students is expanded to include students whose CSAP scores are not included in calculating a school's performance grade because the student's dominant language is not English and who are also not eligible for free lunch.

- ***On-Line Funding***

Pupils enrolled in a district's on-line program are funded at the minimum per pupil amount of \$5,689, unless the student was enrolled in the districts on-line program in FY 2001-02; then a pupil is funded at the districts current per pupil funding amount as calculated below.

C) *Minimum Total Program*

For budget year 2005-06, each school district is guaranteed Total Program funding of at least \$5,689 per pupil. In budget year 2005-06, two districts are projected to receive funding based on the Minimum Total Program provision.

D) *Maximum Total Program*

Each school district's annual Total Program per pupil funding cannot exceed 125% of its prior budget year Total Program per pupil funding. For budget year 2005-06, no district is projected to reach this maximum limit.

E) *Limitation on Increases in Total Program*

Each school district's annual revenue and spending growth is limited by its percentage of growth in pupil enrollment plus the rate (percentage) of inflation, in accordance with the Taxpayer's Bill of Rights (TABOR) state constitutional amendment. This limit initially may restrict a district's ability to accept the full amount of funding as determined by the Total Program formula calculation.

In such a case, to subsequently receive the full formula amount of funding, a district must certify to the Colorado Department of Education that receiving the full amount of Total Program funding would not violate its TABOR limit. A district may need to seek voter authorization for an increase to its TABOR limit before being able to make such a certification.

In budget year 2005-06, 5 districts will be required to comply with the certification process or risk not receiving over \$1.1 million of funding. The remaining 173 districts have received prior voter authorization and, thus, will receive the full formula amount of total program funding.

F) Illustration of Total Program Calculation

In budget year 2005-06, Total Program funding for all 178 school districts is projected to range from \$5,689 per pupil to \$13,393 per pupil, with an average across all districts of \$6,164 per pupil.

	Minimum	High	On-Line
Funded Pupil Count	2,291.5	57.5	472.0
Base Funding (BF)	\$4,717.62	\$4,717.62	\$4,717.62
Cost of Living (CL)	1.130	1.169	1.067
Personnel Costs (PL)	86.30%	79.97%	82.55%
Size (SZ)	1.0534	2.3676	1.2358
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Total Per-Pupil Funding SZ*[(BF*CL*PL)+(BF*(1-PL))]	\$5,527	\$12,679	\$6,152
At-Risk Pupil Count	527.1	27.0	114.0
"Base" At-Risk Funding	\$663	\$1,521	\$738
12% * Total Per-pupil Funding			
"Population" At-Risk Funding district % > state %	N/A	N/A	N/A
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Total At-Risk Funding (included in Total Per-Pupil Funding above)	\$349,598	\$41,080	\$84,166
On-Line Pupil Count.....	1.0	N/A	345.5
Per-Pupil Funding	5,689	N/A	5,689
Total On-Line Funding	\$5,689	N/A	\$1,965,550
Total Program Formula.....	\$13,015,050	\$770,121	\$3,828,005
Per-Pupil	\$5,633	\$13,393	\$5,992
Total Program Funding Guarantee	\$13,036,344	\$327,118	\$2,685,208
Minimum Total Program Guarantee	\$5,689	\$5,689	\$5,689
Total Program per Pupil.....	\$5,689	\$13,393	\$5,992

G) Earmarked Revenue (C.R.S. 22-54-105)

Each school district individually has the discretion, within the limits of existing law, to determine how its Total Program moneys are spent, with three exceptions required by the state in budget year 2005-06.

1. *Instructional Supplies and Materials* -- Each school district must budget a minimum of \$167 per pupil for instructional supplies and materials.
2. *Capital and/or Insurance Reserves* -- Most school districts must budget a minimum of \$271 per pupil, not to exceed \$800 per pupil, for capital reserves or for insurance reserves/other risk management activities. However, this revenue allocation is optional for any district with existing capital reserves in excess of \$1,355 per pupil (five years of the minimum allocation requirement).
3. *Programs for At-Risk Pupils* -- Each school district must allocate at least 75% of its at-risk funding to school or district-wide instructional programs for at-risk pupils or to staff development associated with teaching at-risk pupils in the district.

DETERMINING LOCAL SHARE (C.R.S. 22-54-106)

Two local sources of revenues are incorporated into the Public School Finance Act of 1994 (as amended): property taxes and specific ownership (vehicle registration) taxes. Funding for a school district's Total Program is provided first by these sources of revenues (the Local Share); if these local sources are insufficient to fully fund Total Program, state moneys fund any shortfall.

A) Property Taxes

Each school district is required to impose a property tax levy to finance its Local Share of Total Program. The ability to raise money from property taxes varies widely among districts. Differences in tax bases (assessed property values) result in differences in revenues collected, using a given mill levy. Nonetheless, no district's property tax revenues are transferred to any other district; instead, moneys raised remain in the district which imposes the tax.

The county assessor determines the valuation of all property located within a district's boundaries (e.g. residential, commercial, agricultural, oil, and gas). The state is responsible for determining the valuation of public utilities within district boundaries. Regardless of property type, *assessed* valuation is based on a percentage of the property's *actual* value. For example, in budget year 2005-06, residential property is expected to have an assessed valuation equal to 7.96% of its actual value.

One mill of tax is the same as one-tenth of one percent (.001). Therefore, on residential property with an actual value of \$100,000 and, thus, an assessed valuation of \$7,960, each mill of tax raises \$7.96.

Annually, a school district must levy the least/smallest mill resulting from the following three options: (1) the mill that it levied in the prior year; (2) the mill necessary to entirely pay for its Total Program and categorical programs, less any specific ownership tax revenues and minimum State Share funding received (see subsequent discussion); or (3) the maximum mill allowed by the TABOR constitutional amendment.

Statewide across all school districts, property taxes are projected to provide \$2,084 per pupil, or about 33.8% of Total Program funding.

B) Specific Ownership Taxes

Vehicle registration taxes are collected by counties and are 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.

Statewide across all school districts, specific ownership taxes are projected to provide \$235 per pupil, or about 3.8% of Total Program funding.

DETERMINING STATE SHARE

Funding from the state (State Share) is provided to each school district whose Local Share is insufficient to fully fund its Total Program. Payments of State Share moneys are made monthly to districts and are funded primarily from state income (personal and corporate) and sales and use tax revenues collected.

In budget year 2005-06, State Share financing to districts is projected to range from \$520 per pupil to \$10,115 per pupil. (Each district is guaranteed at least \$107.01 per pupil.)

Statewide across all school districts, State Share is projected to provide \$3,845 per pupil, or about 62.4% of Total Program funding.

OTHER FUNDING

Override Revenues (C.R.S. 22-54-108)

A school district may desire to spend more property tax revenues than authorized/required to fund its Total Program. In this event, a district must seek approval from its voters to raise and expend "override" property tax revenues via an additional mill levy. Override revenues also are permitted for a district whose budget year 1994-95 actual Total Program exceeded its budget year 1994-95 formula calculation (a "hold harmless" district).

A district's override revenues cannot exceed 20% of its Total Program or \$200,000, whichever is greater, plus an amount equal to the maximum dollar amount of property tax revenue that the district could have generated for FY 2001-02 in a Cost of Living Adjustment election. All override revenues come from increased property taxes; no additional state funding occurs. 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.

Capital/Building Needs

Five distinct avenues through which a school district may meet its capital/building needs are discussed below.

1. ***Capital Reserve Fund*** (C.R.S. 22-45-103(c))-- Most districts are required to budget at least \$271 (but no more than \$800) per pupil to meet capital and/or insurance needs (see previous *Earmarked Revenue* discussion). Capital-related expenditures are allowed for: (1) acquisition of land, improvements, buildings, equipment, and furnishings and construction of new facilities and additions to existing facilities; (2) alterations and improvements to existing structures; (3) acquisition of school buses and certain other equipment; (4) installment purchase or lease agreements; and (5) software licensing agreements. In order for any expenditure to qualify as a "capital expenditure," an individual item must cost at least \$1,000 and any given project must cost at least \$2,500.

2. **Bonded Indebtedness** (C.R.S. 22-42-102) -- A district may hold an election to authorize it to issue bonds to meet its capital needs. Principal and interest payments on bonds are paid from increased property tax revenues generated by a separate, additional mill that the district must be authorized to levy. A district may not have outstanding bond debt in excess of 20% (25% for rapidly growing districts) of its assessed property valuation or 6% of its actual property value, whichever is greater.

School districts considering submitting a ballot question for bonded indebtedness to the electors of the district shall invite each charter school to participate in discussions regarding the possible submission of a ballot question. (See Charter School Section Below)

3. **Special Building and Technology Fund** (C.R.S. 22-45-103(1)(d)) -- A district may hold an election to authorize it to levy up to ten mills for not longer than three years. Moneys generated by this levy are available to fund the purchase of land, the construction, purchase, and maintenance of facilities, and the purchase and installation of building security, instructional, and informational technologies.
4. **Capital Construction Expenditures Reserve (C.R.S. 22-54-117) and School Renovation and Construction Fund** (C.R.S. 22-43.7-103) -- Through a competitive grant process, a district may apply for funding for capital construction, renovation, or technology. School Districts are required to provide matching funds. The funds cannot be used for athletic facilities.
5. **Loan Program for Capital Improvements in "Growth Districts"** (C.R.S. 22-2-125) -- A district which is identified as a "growth district" as defined above, is eligible to apply for a loan from the State Treasurer. This debt must be voter approved and if a property tax mill levy is the method of repayment, such levy must also be approved at the same time. At the time of the loan application, the district must specify the method of repayment and the terms of repayment may not exceed 10 years. The district must also have voter approval for a repayment period of longer than one year.

If a property tax mill levy will be used to repay the loan, the mill must be no more than 5 mills or a number of mills determined by dividing the latest statewide average per pupil assessed valuation (PPAV) by the latest PPAV of the growth district, whichever is less. If the district's PPAV is greater than the statewide average PPAV, the growth district may impose an additional property tax levy of no more than 1 mill.

Contingency Reserve (C.R.S. 22-54-117)

The Colorado State Board of Education is authorized to approve emergency supplemental payments to assist school districts. Such payments are made at the discretion of the Board and following applicable statutory guidelines.

Charter School Funding (C.R.S. 22-30.5-112)

Charter schools are funded based on the October 1 pupil count as reported to their school district. Charter schools receive 100% of the per pupil revenue for each pupil enrolled in the charter school. The district may charge the charter school for central administrative overhead costs for services actually provided to the charter school.

For charter schools in districts with more than 500 pupils, these central administrative overhead costs may not exceed 5% of district per pupil revenue (see illustration above) for each pupil enrolled in the charter school including on-line pupils.

For charter schools in districts with 500 or fewer pupils, these central administrative overhead costs may not exceed 15% of district per pupil revenue for each pupil enrolled in the charter school including on-line pupils.

A charter school who is an eligible small attendance center will receive 100% of the funding provided to the district for a small attendance center. (C.R.S. 22-54-122(4))

Charter schools that serve students who may be eligible to receive services provided through federal aid programs shall comply with federal reporting requirements to receive the federal aid.

Charter School At-Risk Funding – new in FY 2004-05

The alternate at-risk funding calculation applies only to charter schools that are newly created in FY 2004-05 or after; are in a district that has retained exclusive chartering authority; and the district has an at-risk percentage greater than 40%. The intent of the alternate at-risk funding calculation is to provide at-risk money based on the at-risk population served by the charter school.

The alternate at-risk funding formula is: (The accounting district's at-risk funding divided by the accounting district's funded pupil count) x (the district charter school's percentage of pupils eligible for free lunch divided by the accounting district's percentage of pupils eligible for free lunch)

NOTE: THIS CALCULATION WORKSHEET IS POSTED ON THE SCHOOL FINANCE WEB PAGE.

Charter School Capital Facilities Funding

School districts considering submitting any question of contracting bonded indebtedness to the electors of the district shall invite each charter school to participate in discussions regarding the possible submission of a question. Each district is encouraged to voluntarily include funding for the capital needs of the charter schools in the district's question. A charter school that has capital construction needs may seek funding by requesting the district Board of Education to:

1) Include the charter school's capital construction needs in the district's ballot question for approval of bonded indebtedness; or 2) submit a special mill levy ballot question to the voters of the district, upon request of the charter school.

The special mill levy for Charter Schools shall not exceed 1 mill in any year or exceed 10 years in duration for a single ballot question, but multiple ballot questions may be submitted. Costs of the election shall be borne by each charter school to receive revenue from the mill levy in proportion to the pro-rata share, unless other cost-sharing arrangements are agreed upon, or if the district decides to bear some or all of the costs.

Charter School Capital Construction Funding

In FY 2005-06 State Education Fund moneys to be distributed to charter schools for capital construction is \$5 million. The funds will be distributed based on a per pupil share for all pupils enrolled in a "qualified charter school," except those pupils enrolled in a qualified charter school operating in a school district facility that does not have ongoing financial obligations will be counted as a .5 FTE.

Colorado School Finance - Categorical Program Funding

Introduction

In addition to the Total Program funding provided by the Public School Finance Act of 1994 (as amended), Colorado school districts may receive state funding to pay for specific programs designed to serve particular groups of students or particular student needs. Such programs often are referred to as "categorical" programs.

While there are many different programs which are funded, this brochure addresses the six primary categorical program areas which regularly receive state funding: English language proficiency education, gifted and talented education, small attendance centers, special education, transportation, and vocational education.

In budget year 2005-06, the state of Colorado will make available approximately \$161 million in support of these main categorical programs.

English Language Proficiency Education (Article 24 of Title 22, CRS)

Currently, it is estimated that 90,000 Colorado public school students (12% of total statewide enrollment) have dominant languages other than English and are functioning below grade level. These students enroll in public school districts speaking 159 different native languages. Spanish speaking students constitute 80% of ELPA-eligible students.

The English Language Proficiency Act (ELPA) recognizes that each of these students educational potential is severely restricted because a language other than English is his/her primary means of communication. Further, it recognizes that transitional programs will improve not only these students' English language skills but also their educational and career opportunities. As such, the Act provides funding to support school district programs for students who are limited-English proficient.

A school district may receive funding based on three classifications of eligible students: A, B, and C. Category A students speak languages other than English and do not comprehend or speak English. Category B students comprehend or speak some English, but their predominant comprehension or speech is in a language other than English. Category C students have dominant languages which are difficult to determine as they comprehend and speak English and at least one other language.

In budget year 2005-06, state funding for this program is projected to total \$4 million. Over 75% of this total is provided to districts to help fund programs for Category A and Category B students. The remainder is distributed to districts in support of programs for Category C students. For each eligible student in each district, the Act provides funding for a maximum of two years.

In budget year 2005-06, it is estimated that the state ELPA funding amount will be provided on behalf of approximately one-half of the 90,000 identified students and will support roughly 20% to 25% of the total educational expenditures incurred by districts to address the English language proficiency needs of their students.

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Gifted and Talented Education (Article 20 of Title 22, CRS) & (Article 26 of Title 22, CRS)

Colorado administrative units serve over 51,000 gifted and talented students in Colorado public schools, representing about 7% of the student population. The state Exceptional Children's Educational Act (ECEA) defines gifted students as those *"whose abilities, talents, and potential for accomplishments are so outstanding that they require special provisions to meet their educational needs... Gifted students are capable of high performance in any or a combination of these areas: General intellectual ability, Specific academic aptitude, Creative, productive thinking, Leadership and human relations skills, Visual and performing arts, and Psychomotor."*

This Act allows administrative units the opportunity to develop and implement plans unique to the needs of the gifted population within the administrative unit. To that end, administrative units use a variety of methods to deliver a continuum of services for gifted and talented student education. Accountability for the achievement of gifted students is embedded in district and classroom assessment practices. Achievement data is disaggregated for instructional decisions and informational purposes to parents, students, teachers, and the state.

In budget year 2005-06, state categorical funding of district gifted and talented programs is projected to equal \$6.2 million.

State funding may be used for salaries of licensed, certified, or endorsed teachers who work with gifted and talented students; staff development and training needed by personnel to address the educational needs of these students; and activities, materials, and equipment associated with the education of gifted and talented students.

To access state funding, an administrative unit must submit an annual plan which at a minimum outlines its: (1) definition of "gifted and talented" students; (2) procedures for identifying such students; (3) program services, options, and strategies; (4) evaluation and accountability plan; (5) personnel involved in the gifted and talented educational programs; and (6) gifted and talented program budget.

Each administrative unit's budgetary commitment to gifted and talented student education must equal or exceed the amount of state funding it receives. It is estimated that in budget year 2005-06, administrative units will combine state funding with an additional \$34 million from other, local sources to provide educational programs for their gifted and talented students.

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Small Attendance Centers (Article 54 of Title 22, CRS)

In budget year 2005-06, it is estimated that roughly 770 pupils in Colorado will attend local schools each with less than a total of 200 pupils enrolled and each located 20 or more miles from any similar school (e.g., elementary) within the same school district.

Districts operating these "small attendance centers" face unique costs attributable to these remote locations. Accordingly, separate state funding is available to school districts facing these challenges. In budget year 2005-06, a total of \$843,781 is projected to be available to 11 school districts operating a total of 13 remote schools.

Allocation of these funds is determined via a formula which incorporates the respective district's total pupil population and the relative burden added by the presence of small attendance center pupils. The total estimated impact of these schools is roughly \$2.4 million. The available state funding will cover about 35% of this amount, while districts provide the remaining 65% from other available funds.

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Special Education (Article 20 of Title 22, CRS)

The State Exceptional Children's Act (ECEA) outlines administrative unit (school districts and boards of cooperative educational services) responsibilities for providing special education programs for children with disabilities. The Act recognizes the need to provide educational opportunities to **all** children, and the benefits of providing a continuum of services in the least restrictive environment.

In budget year 2005-06, Colorado administrative units will serve approximately 83,500 students with disabilities, or about 10.8% of the total pupil enrollment. Administrative units will provide services to those children with long-term physical impairments or illness, significant limited intellectual capacity, significant identifiable emotional disorders, identifiable perceptual or communicative disorders, and speech disorders.

State ECEA funding of special education programs for children with disabilities is \$87.9 million for budget year 2005-06. Of this amount, \$49.8 million is paid to administrative units which are responsible for providing the special education services. These "base" funds are allocated in proportion to historical budget year 1994-95 funding levels. School districts will receive \$37.6 million, based on the number of special education students in the districts on December 1, 2004.

The remaining \$.5 million is available to administrative units specifically for costs incurred for children with disabilities that live in eligible facilities within their boundaries, and for whom (a) parental rights have been relinquished by the parents, (b) parental rights have been terminated by the court; (c) parents are incarcerated; (d) parents cannot be located; or (e) parents reside out of state, but the Department of Human Services has placed the children within the boundaries of the administrative unit, or (f) the children are legally emancipated.

State ECEA moneys can be used to pay for the salaries of special education instructional and support personnel, purchased services (including tuition payments to other administrative units and eligible facilities), supplies and equipment.

In budget year 2005-06, it appears likely that total special education costs will equal roughly \$785 million, or about 7% of total educational expenditures. State funding covers roughly 11% of special education costs; federal funding covers an additional 18% of these costs; other sources of funds cover about 1%; and local sources of funding cover the remaining 70% of the costs.

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Transportation (Article 51 of Title 22, CRS)

In budget year 2005-06, school districts will provide transportation for an estimated 305,000 students from home to school, from school to home, and from school to school. Daily, about 42% of the total Colorado public school student enrollment uses district-provided transportation.

School districts employ a fleet of over 6,300 buses and small vehicles traveling approximately 60 million miles each year. Districts also may opt to contract with private entities to provide student transportation services or may pay parents to transport their children to and from school. Only one Colorado school district elects not to provide some level of transportation services for its students.

The Public School Transportation Fund provides state moneys annually to school districts to help defray student transportation expenses incurred. Moneys are provided to cover operating expenses such as driver salaries, fuel, and repairs. However, state funding generally is not available to cover capital costs such as school bus purchases. Payment to districts from the Public School Transportation Fund is provided on a reimbursement basis for the twelve-month period ending each June 30.

Each district is eligible to receive a \$0.3787 (37.87 cents) per-mile-traveled reimbursement. Further, each district may receive funding equal to 33.87% of its total costs remaining after the per-mile-traveled reimbursement (the "excess costs" reimbursement).

It is likely that school district total transportation expenses in budget year 2004-05 (for reimbursement in budget year 2005-06) will equal roughly \$155 million. Of this amount, approximately \$64.8 million will be eligible for state reimbursement using the per-mile-traveled and excess cost reimbursement formula above. In budget year 2005-06, state funding to reimburse school districts' prior-year transportation expenses equals \$41.4 million. State funding will cover only about 62% of districts' total reimbursement claims.

To make up such a shortfall, a school district generally relies upon other, local sources of revenues already available to it. However, a district may opt to generate additional local revenues to support its transportation program via an additional mill levy to generate increased property tax revenues or via a separate transportation user fee. The additional mill levy requires school board support and voter approval. Beginning in FY 2005-06, a district may impose a transportation user fee without prior voter approval. A district is required to have a school board resolution to establish the user fee schedule. Prior to adopting a resolution, the district must hold a public meeting and provide notice of the meeting at least 30 days prior to the meeting date. Currently, only six districts have received voter approval to levy separate mills to generate increased property tax revenues to help fund total transportation costs; no district has imposed a separate user fee.

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Vocational Education (Article 8 of Title 23, CRS)

Roughly 89.3% of Colorado school districts provide vocational educational opportunities to their students. Programs are designed to provide students with entry-level occupational skills and related knowledge to meet identified needs of business and industry. While these offerings are provided through local school districts, administration of state funding for these programs as well as program approvals and monitoring, research, and professional development are provided through the State Board for Community Colleges and Occupational Education.

In budget year 2005-06, state funding in support of school district-offered vocational education programs is projected to total roughly \$19.9 million. Funding is provided on a per-pupil basis to districts to cover the cost of instructional personnel, supplies, equipment, and instructional services provided by cooperating agencies or institutions.

For State Board-approved programs, this funding is available to a school district if its vocational educational program costs exceed 70% of the per-pupil funding otherwise available to it via the Public School Finance Act of 1994. Specifically, the state covers 80% of the first \$1,250 of these "excess" costs, and 50% of any excess costs over \$1,250.

In budget year 2005-06, district vocational education program expenses will equal roughly \$77 million, of which approximately \$22.2 million will be eligible for state reimbursement. Available state funding will cover about 89.6% of the \$22.2 million, while districts provide the remaining 10.4% from other, local sources.

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"Buyout" of Categorical Program Funding

In limited instances, an individual school district may **not** receive state funding for these above categorical programs. Instead, it may be required to use **local** property tax revenues to fund these programs.

Specifically, a district may be capable of funding its entire Total Program using only specific ownership taxes, property taxes, and the minimum amount of State Share. In this case, such a district must fund the above categorical programs where possible by increasing its property tax mill. The district thus "buys out" state funding of these programs using the additional property tax revenues generated by the increased mill levy.

In budget year 2005-06, current projections indicate that no district will be required to buy out a portion of their state categorical program funding.

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