

SCHOOL FINANCE IN COLORADO



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FOREWORD

The purpose of this booklet is to help readers understand how Colorado finances its public elementary and secondary schools. The major focus of this booklet is an explanation of the funding formula included in the Public School Finance Act of 1994, including amendments made to the act in 2005. Several illustrations are provided to help readers calculate funding under the formula. The booklet also describes several other important provisions of law that relate to school district funding. These provisions include a description of revenue that is earmarked for specific functions, other local sources of revenue, and selected specific-purpose programs that provide money to schools and school districts. Please note that this booklet is intended to provide a generic overview of programs that affect funding for schools; state law provides more specific details on the operation of the programs.

This booklet was prepared by the Colorado Legislative Council Staff, the non-partisan research agency of the Colorado General Assembly. It is also available via the Internet at http://www.state.co.us/gov_dir/leg_dir/lcsstaff/schfin/01-05-bkt.htm

TABLE OF CONTENTS

	Page
COLORADO'S SCHOOL FINANCE ACT	1
THE FUNDING FORMULA	1
What Is Total Program?	1
How Are Pupils Counted?	2
How Is Per Pupil Funding Calculated?	3
What Is At-Risk Funding?	7
What Is On-line Funding	9
LOCAL SHARE AND STATE AID	10
How Is the Local Share Calculated?	10
How Is State Aid Calculated?	12
MODIFICATIONS TO THE FUNDING FORMULA	14
Modifications to Total Program	15
Modifications to the State and Local Shares	16
EARMARKED REVENUE	17
UNEQUALIZED LOCAL REVENUE	19
CASH FLOW LOAN PROGRAM	22
STATE CONTINGENCY RESERVE	23
CAPITAL CONSTRUCTION	24
CALCULATION EXAMPLES	28
A HISTORY OF SCHOOL FINANCE ACT FUNDING ...	32
SPECIFIC-PURPOSE PROGRAMS	33
CATEGORICAL PROGRAMS	33
Special Education	34
Public School Transportation	35
Vocational Education	35
English Language Proficiency	36
Small Attendance Centers	37
Expelled, At-risk, and Suspended Student Programs ..	37
Comprehensive Health Education	38

GRANT PROGRAMS AND OTHER DISTRIBUTIONS	39
Read to Achieve	39
State Match for National School Lunch Act	40
Civics Education	40
National Credentials for Teachers	40
National History Day	40
Charter School Capital Construction	41
COLORADO PRESCHOOL PROGRAM	41

GLOSSARY	43
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COLORADO'S SCHOOL FINANCE ACT

Colorado's school finance act distributes over \$4.5 billion annually in state and local dollars to the state's 178 school districts for K-12 public education. Currently, this money is allocated under a law called the "Public School Finance Act of 1994." The school finance act contains a formula that calculates a per pupil funding amount for each school district based on the individual characteristics of the district, such as the cost to live in the district and the number of students enrolled. The act is explained in detail on the following pages, including amendments made under the most recent school finance bill, Senate Bill 05-200. Many of the terms used in this booklet relate specifically to school finance, so a glossary is provided beginning on page 43.

THE FUNDING FORMULA

The formula for determining how much funding each school district receives under the school finance act includes several components. This section first describes the formula in general terms and then each component in greater detail.

What Is Total Program?

"Total program" refers to the total amount of funding received by a district under the school finance act, from both state and local sources. A district's total program is simply the number of pupils in the district multiplied by the district's per pupil funding level, plus an amount of funding provided to the district to compensate for the presence of at-risk pupils, plus funding for on-line students.

$$\text{Total Program} = (\text{Pupils} \times \text{Per Pupil Funding}) + \text{At-Risk Funding} + \text{On-Line Funding}$$

The specific components of this formula are described in the following paragraphs along with the steps involved in calculating a district's total program.

How Are Pupils Counted?

Funding under the school finance act is based on the number of pupils enrolled in the school district on October 1. Thus, the number of pupils counted on October 1, 2005, determines funding for the budget year beginning July 1, 2005. Because the fiscal year begins in July, state aid is distributed based on estimated pupil counts. After October 1, when all pupils have been counted, state aid is adjusted to reflect the actual count. The pupil count is expressed in full-time equivalent (FTE) pupils to reflect the amount of time a student spends in an instructional setting.

The act provides an alternative to the October 1 count date in certain instances, such as when students in a year-round educational program will be on vacation on October 1. This alternative count date must be within 45 days of the first school day after October 1.

The formula also makes enrollment allowances for districts that lose pupils from one year to the next, recognizing that such districts may have difficulty budgeting for fewer pupils. The pupil count for **declining enrollment districts** is the greater of a two-year, three-year, or four-year average of the October counts. Preschool and on-line students are pulled out of the averaging formula and are instead funded based on the enrollment for the current year. The number of pupils for

which a district receives funding is called the funded pupil count. The funded pupil count formula is illustrated below.

$$\text{Funded Pupil Count} = \text{Preschool Count} + \text{On-Line Count} + \text{the Greater of the Current Year's Count or a Two-Year, Three-Year, or Four-Year Average of the October Counts}$$

How Is Per Pupil Funding Calculated?

Per Pupil Funding Is the Statewide Base Adjusted by a District's Factors

A district's per pupil funding is the result of adjusting the statewide base by the district's cost-of-living factor, personnel costs factor, nonpersonnel costs factor, and size factor. The formula for computing per pupil funding is illustrated below and on page 28.

$$\text{Per Pupil Funding} = \frac{[(\text{Base} \times \text{Personnel Costs Factor} + \text{Cost-of-Living Factor}) + (\text{Base} \times \text{Nonpersonnel Costs Factor})]}{\text{District Size Factor}}$$

"Statewide Base" Is Starting Point

The calculation of each district's per pupil funding starts with a statewide base per pupil funding amount, which is set annually by the General Assembly. The statewide base for FY 2005-06 is \$4,717.62, an increase of 1.1 percent (\$51.33) over the prior year. Base funding accounts for roughly

\$3.5 billion of the \$4.5 billion allocated under the formula in FY 2005-06, or approximately 76 percent of total program.

Although the General Assembly sets the base annually, Article IX, Section 17 of the Colorado Constitution, commonly referred to as Amendment 23, contains minimum increases for the base. At a minimum, the General Assembly must increase the base each year by the rate of inflation. Each year through FY 2010-11, the General Assembly must also increase the base by one percentage point over the rate of inflation.

A portion of the base is adjusted upward to account for differences in the cost of living in each district. An adjustment is also included for district size as measured by enrollment. A description of each of the components follows.

The Statewide Base Is Adjusted for Cost of Living

Each school district is assigned a factor to indicate the cost of living in the district relative to the cost of living in other districts in the state. The factors for FY 2005-06 range from 1.009 to 1.641. That is, the increase in district funding from the cost-of-living factor ranges from about 0.9 percent to 64 percent. Statewide, \$665 million in FY 2005-06 school finance funding can be attributed to the cost-of-living factor, or almost 15 percent of total program.

State law contains the method for calculating cost-of-living factors, but not the actual factors themselves. Cost-of-living factors are certified to the Department of Education by the Legislative Council Staff every two years following a study that measures the cost in each district of an identical set of items, such as housing, goods and services, transportation, and taxes. The 2003 cost-of-living study modified the factors for the 2004-05 and 2005-06 budget years. A new study is underway in 2005. Beginning with budget year 2004-05, a district's factor

is increased when the cost of living in the district increases by a greater percentage than the increase in the statewide average teacher salary used in the study. For instance, the 2003 study was based on an average teacher salary of \$40,000. The 2005 study is based on an average teacher salary of \$43,000, an increase of 7.5 percent. As a result, any district where the cost of living increases by more than 7.5 percent will see an increase in its cost-of-living factor for FY 2006-07. The increase in the factor is equal to the percentage change in the district's cost of living divided by the percentage change in the salary level divided by 1,000. The increase in the factor is rounded to three decimal places.

District "Personnel Costs Factor" Defines the Portion of the Statewide Base Adjusted for Cost of Living

The formula recognizes that differences in cost of living primarily affect the salaries that must be paid to hire and retain qualified personnel. Therefore, the cost-of-living factor is applied only to the portion of the base that relates to personnel, as defined by the personnel costs factor.

Personnel costs factors range from 80.0 percent to 90.5 percent and differ by district according to enrollment; smaller districts have smaller factors. The formula for determining district personnel costs factors is illustrated on page 29.

Each district's "*nonpersonnel costs factor*" is the difference between 100 percent and the district's personnel costs factor. It is the portion of the base which is *not* adjusted for cost of living and ranges from 20.0 percent to 9.5 percent.

District Size Factor Compensates for Economies of Scale

The act includes a size factor that provides additional money to all school districts, but particularly small school districts unable to take advantage of economies of scale. In FY 2005-06, approximately \$209 million is allocated through the size factor, or about 5 percent of total program.

Similar to the personnel costs factor, a size factor is calculated under a formula using district enrollment. The smallest districts — districts with enrollments of less than 4,023 — receive the largest size factor (up to a maximum possible factor of about 2.6000) and, therefore, more funding per pupil. All other districts receive a size factor of 1.0297, which provides an increase in per pupil funding of just under 3 percent. The formula for calculating a school district's size factor appears on page 29.

Since the formula for determining the size factor is based on a district's enrollment, the act acknowledges that the formula inherently provides incentives and disincentives for districts to reorganize and take advantage of the formula. For example, when a reorganization results in a lower size factor, and less funding per pupil, the lower size factor is phased in over six years. When a reorganization results in a higher size factor, and more funding per pupil, the district or districts involved in the reorganization receive the lower size factor of the original district. Thus, the act lessens the negative fiscal impact of reorganization while prohibiting a district from taking advantage of a higher size factor following a reorganization.

The act attempts to minimize the effect that charter schools may have on the size factor of small school districts. The size factor for districts with less than 500 pupils is calculated using the district's enrollment minus 65 percent of the pupils enrolled in charter schools.

What Is At-Risk Funding?

Colorado's school finance act provides additional funding for school districts that serve students who are at risk of failing or dropping out of school. The additional funding is based on the district's per pupil funding and the number of at-risk students, in addition to the proportion of at-risk students in the district. The proportion of at-risk students in each district is measured against the statewide average proportion to come up with an "at-risk factor." At-risk funding is determined according to the following formula.

$$\text{At-Risk Funding} = \text{At-Risk Pupils} \times \text{At-Risk Factor} \times \text{Per Pupil Funding}$$

In FY 2005-06, the act provides an estimated \$189 million in at-risk funding statewide, or just over 4 percent of total program.

Definition of At-Risk Pupils Follows Federal Free Lunch Program and Includes Some Students with Limited English Skills

Under the act, at-risk pupils are defined as students from low-income families, as measured by eligibility for free lunches under the National School Lunch Act. The definition of at-risk pupils also includes a limited number of non-English-speaking students.

Students qualify for free meals at school based on their family's income. The act defines at-risk pupils as those who are *eligible* for free lunches so districts can receive funding for students that do not actually participate in the federal program. As an alternative, the act allows districts to use the proportion of free-lunch students in grades one through eight multiplied by the district's enrollment if it produces a larger number than the

actual count. This alternative count is provided because some high schools do not offer free lunches, and some students choose not to participate in the free lunch program, especially at the high school level.

A student with limited English skills, as defined by the English Language Proficiency Act, can be included in the at-risk count if the student meets one of two criteria. First, a student can be counted if he or she took the Colorado Student Assessment Program (CSAP) test in a language other than English in the preceding year. Second, a student can be counted if the student took the regular, English CSAP, but the student has been in a Colorado public school for less than three years (two years for third graders). In either case, a student can be counted as at risk only once; therefore, a student who is counted under the income guidelines of the free lunch program cannot be counted because of limited proficiency in English.

Preschool students are not included in a district's at-risk count. The official date for counting at-risk pupils is October 1.

At-Risk Factor Determines Additional Funding for At-Risk Pupils

The proportion of at-risk students in a district is used to calculate an "at-risk factor." This factor determines the amount of funding a district receives for its at-risk pupils. Beginning in budget year 2005-06, every district receives an at-risk factor of at least 12 percent, which entitles the district to an additional 12 percent of its per pupil funding for each at-risk pupil.

Districts with High Concentrations of At-Risk Pupils Receive More Funding

Districts with higher-than-average proportions of at-risk students receive a higher at-risk factor. The increase in the at-risk factor for these districts depends upon the enrollment of

the district. For districts with enrollments between 459 and 50,000, the higher factor is equal to 12 percent plus 0.30 of a percentage point for each percentage point that the district's at-risk concentration exceeds the statewide average. Thus, if the statewide average incidence is 25 percent, and a particular district has 36 percent of its students defined as at risk, the district's at-risk factor would be 15.3 percent ($12.0 + (0.3 \times 11) = 15.3$). For districts with enrollments greater than 50,000, the higher factor is equal to 12 percent plus 0.36 of a percentage point for each percentage point that the district's at-risk concentration exceeds the statewide average.

The higher factor is provided only for pupils over the statewide average incidence of at-risk pupils. So, the district described above with 36 percent at-risk students would receive 12 percent more in per pupil funding for 25 percent of its students and 15.3 percent more in per pupil funding for the other 11 percent of its students who are at risk. In addition, only districts with more than 459 pupils qualify for the higher at-risk factor. The higher factor is capped at 30 percent.

What Is On-line Funding?

Students who meet the eligibility requirements in state law are funded when they participate in on-line programs offered by public schools. These on-line students are funded at the minimum per pupil funding level. For FY 2005-06, this amount is \$5,689 per on-line student. (Further discussion of minimum per pupil funding can be found on page 15.) Students who were enrolled in an on-line program for the 2001-02 school year are counted as "regular" students and are not included in the on-line count. Consequently, these students are funded in the same manner as all other pupils in the district.

$$\text{On-line Funding} = \text{On-line Pupil Count} \times \text{Minimum Per Pupil Funding}$$

LOCAL SHARE AND STATE AID

The money to fund total program comes from a combination of local and state sources. In FY 2005-06, local taxpayers are expected to contribute an average of 37.6 percent of total program, while state sources account for the remaining 62.4 percent. These percentages vary widely among individual school districts, however, because districts have different amounts of property wealth. Under the act, each district's local portion is calculated first, and state aid makes up the difference between the local portion and total program. This principle of using state aid to make up for differences in local property wealth is called "equalization."

How Is the Local Share Calculated?

A district's local share comes from two sources—property taxes and specific ownership taxes. Property taxes are paid on real estate; specific ownership taxes are paid on motor vehicles. Of the two local taxes, property taxes produce roughly nine times as much revenue as specific ownership taxes. Both of these taxes are described in greater detail below.

$$\text{Local Share} = \text{Current Year Property Taxes} + \text{Prior Year Specific Ownership Taxes}$$

Property Taxes Provide Most Local Revenues

Statewide, property taxes are expected to contribute \$1.54 billion in funding for school finance in FY 2005-06, or 34 percent of total program. A school district's property taxes are the result of multiplying a district's taxable property (assessed value) by its property tax rate (mill levy). The assessed value of a district is determined each year, and it includes all taxable property in the district. Mill levies are calculated according to a formula in state law which is designed to comply with constitutional limits.

The formula in law requires each district to impose the mill levy from the prior budget year unless that levy will increase property taxes by a greater percentage than allowed. The maximum allowable percentage increase in property taxes for each district is the sum of the state inflation rate and the percentage change in a district's enrollment. If a district's property taxes will exceed that amount with the prior year's levy, the district must reduce its mill levy so that property tax revenue does not grow more than the maximum allowed.

The law also includes a ceiling on mill levies. A district's levy cannot be higher than the levy needed to fund the district's total program less specific ownership tax revenue and minimum state aid. This levy calculation, designed for districts with very high property wealth, is not a factor in calculating school district property taxes in the current budget year.

Specific Ownership Taxes Supplement Property Taxes

Specific ownership taxes are expected to contribute about \$174 million for school finance in FY 2005-06, bringing the local share to 37.6 percent of total program. Specific ownership taxes are paid annually on motor vehicles instead of property taxes. Counties collect specific ownership taxes and distribute them to all governments in the county that collect property taxes, such as school districts, cities, special districts, and the county itself. By law, counties distribute specific ownership tax revenues to these governments in proportion to the amount of property taxes collected by each. Thus, a school district that receives 50 percent of all the property taxes collected in a county would receive 50 percent of the specific ownership taxes collected in the county.

The funding formula does not count all specific ownership tax revenue against the district's local share, however. Some districts collect more specific ownership taxes than others simply because the voters in those districts have approved additional property taxes. The formula specifically does not count any specific ownership taxes attributable to a bond redemption (debt) or override (operating) mill levy, if the mill levy was approved by the district's voters.

The formula uses specific ownership taxes collected in the previous fiscal year because they are the most recent actual figures. Thus, the local share in FY 2005-06 includes FY 2004-05 specific ownership tax revenue.

How Is State Aid Calculated?

State aid provides the difference between a district's total program and the district's local share. In school finance, this concept of state assistance supplementing local resources is called "equalization." An equalized school finance system

allows similar districts to spend similar amounts regardless of property wealth. For FY 2005-06, state aid is expected to provide \$2.84 billion, or 62.4 percent, of total program.

$$\text{State Aid} = \text{Total Program} - \text{Local Share}$$

Districts that produce less from property taxes receive a greater proportion of state aid, but the state guarantees that even the wealthiest districts get a minimum amount of aid per pupil. This per pupil amount, established annually in the long appropriations bill, is based on the amount of school lands and mineral lease moneys received by the state. For FY 2005-06, minimum state aid is \$107.01 per pupil, although all districts currently receive more than this minimum amount.

The state distributes aid to school districts in 12 approximately equal monthly payments. In the first half of the fiscal year, the payments are based upon pupil count and assessed value estimates, because the state does not know exact pupil counts and district assessed values during that time period. The payments are later adjusted to reflect actual pupil counts and assessed values. These approximately equal monthly payments may cause some districts to experience cash flow problems at certain times of the year, so the state offers a loan program to qualifying school districts. This loan program is discussed in further detail on page 22.

State Aid Comes Primarily from Three Sources

Three sources of revenue provide money for the state aid appropriation for school finance. The state General Fund provides the vast majority of money: in FY 2005-06, 89 percent, or over \$2.5 billion, of the appropriation is provided

by the General Fund. The state constitution requires that the General Fund appropriation increase by at least 5 percent each year through FY 2010-11, unless Colorado personal income grows by less than 4.5 percent in the preceding calendar year.

The State Education Fund also contributes to the state aid appropriation. The State Education Fund, created by Article IX, Section 17, of the Colorado Constitution, (Amendment 23) receives revenue equal to a tax of one-third of one percent on federal taxable income. Its contribution to the state aid appropriation is about \$238 million in FY 2005-06, or 8 percent of the state aid package. Finally, rent from state school lands, interest on the Public School Fund, federal mineral lease moneys, and other miscellaneous sources of money provide the remaining 3 percent (about \$79 million) of state aid.

MODIFICATIONS TO THE FUNDING FORMULA

The state's basic funding formula applies to nearly all districts. However, the act makes modifications to the formula to account for unusual situations in some districts. These modifications may cause a district's total program to be computed differently than the formula described in the preceding pages. In addition, the act contains modifications that may alter the share of a district's funding that comes from state or local sources. A description of these modifications follows.

Modifications to Total Program

There are three modifications that cause a district's total program to be computed differently than the formula described in the preceding pages. These modifications provide for a minimum per pupil funding level, a cap on increases in total program, and a cap on annual increases in per pupil funding.

The Law Contains a Minimum Per Pupil Funding Level

A school district can receive a higher per pupil funding level than the formula provides. The law guarantees that all districts receive at least \$5,689 per pupil in FY 2005-06. This funding level applies to any school district that would have a lesser per pupil funding amount under the formula. Two districts are expected to benefit by about \$29,000 from this minimum per pupil funding provision. The minimum per pupil funding level increases each year by the same percentage as the statewide base amount.

Increases in Total Program Are Capped

Under the act, annual increases in district total program are limited to the respective district's constitutional spending limit percentage (inflation plus the percentage change in district enrollment). The limit in the statute, however, is applied only to school finance funding (property taxes, specific ownership taxes, and state aid), while districts often receive additional funding from other sources. In addition, voters can agree to let a district collect more than the limit, and some money received by districts is exempt from the limit. Thus, the law allows districts to receive the total amount of formula funding if they can certify that the moneys will not cause the district to exceed its constitutional spending limit, when that limit is applied to all of the district's spending from the prior year.

Increases in Per Pupil Funding Are Capped

The act sets a cap on increases in total per pupil funding of 25 percent per year.

Modifications to the State and Local Shares

Just as there are exceptions to the calculation of total program, some districts' local share or state aid may be modified depending on a district's particular situation. For example, some districts could be required to pay for categorical programs, and state aid may be reduced in certain circumstances.

Some Districts May Have to Pay for Categorical Programs

The categorical buyout provisions of the school finance act require certain districts to offset or "buy out" state aid for categorical programs with local property tax revenue. Although no districts are expected to be affected by these provisions in the current budget year, the requirement generally would apply to districts with very high property wealth. These districts can fund their total program, less minimum state aid and specific ownership taxes, with a levy less than the prior year's levy or a property tax change less than the sum of inflation plus the percentage change in enrollment. These districts must levy additional mills to pay for the categorical programs in their district. The categorical programs that are covered by these provisions include special education, the English Language Proficiency Act, transportation, vocational education, and small attendance centers. The additional levy for the categorical buyout cannot result in a levy that is greater than the prior year's or in property taxes that exceed the property tax revenue limit.

State Aid May Be Reduced in Certain Circumstances

State aid to school districts may be reduced if the General Assembly's original appropriation is insufficient or if a bill is passed to reduce the appropriation. In these instances, state aid would be reduced by a percentage of total program. Total program would be reduced by the same percentage in all districts, but no district would lose more state aid than it actually receives.

EARMARKED REVENUE

There are four provisions in the school finance act that require districts to earmark revenue for specific purposes. All other moneys under the school finance act are spent at districts' discretion.

Districts Must Earmark Money for Instructional Supplies, Materials, and Capital Outlay

For FY 2005-06, each district must budget \$166 per pupil for items such as supplies, textbooks, library books, and periodicals. Districts can also use the money to acquire fixed assets for instruction, to transport pupils to school-sponsored instructional activities, and to repair or maintain instructional equipment. On-line students are not included in the count when calculating the amount to be budgeted. Each year, the per pupil allocation is increased by the same percentage as the statewide base per pupil amount.

Districts Must Earmark Money for Capital Reserve and Risk Management

Districts must allocate at least \$271 per pupil in FY 2005-06 to a capital reserve fund or a risk management fund. Once again, on-line students are not included in the count when determining the amount to be allocated. Districts may allocate the \$271 to the two funds as they wish, and transfers between the funds are permitted. The law caps the total amount that may be transferred in any year at \$800 per pupil. Capital reserve moneys may be used to acquire land or improvements, construct buildings or additions, renovate buildings when the cost exceeds \$2,500, purchase school buses or other equipment when the per unit cost is greater than \$1,000, or pay for software licensing that costs more than \$1,000. Risk management moneys are used to pay for insurance or to repair or replace school district property that has been damaged.

Just as with the allocation for instructional supplies, the per pupil allocation for capital reserve and risk management is increased each year by the same percentage as the statewide base per pupil amount. The mandatory per pupil allocation for capital reserve/risk management does not apply to any district that has a balance in its capital reserve fund of at least five times the required minimum transfer.

Districts Must Earmark a Portion of At-Risk Moneys

Districts are required to allocate a portion of the at-risk moneys they receive for specific purposes. Seventy-five percent of at-risk moneys must be allocated for instructional programs or staff development efforts that relate directly to at-risk pupils.

Districts Must Earmark All Preschool Moneys

Money received by a district for the Colorado Preschool Program must be allocated to the district's preschool program fund. The amount that must be allocated is determined by multiplying the preschool count by the district's per pupil operating revenues. Money in the fund can be spent on teacher and paraprofessional salaries and benefits, contracting for preschool services, supplies and materials, home visits, professional development, and a reasonable portion of district overhead costs.

UNEQUALIZED LOCAL REVENUE

The bulk of school district revenues are equalized, meaning that the state provides funding to equalize property wealth or "level the playing field." However, the school finance act also allows local school districts some discretion to raise additional local revenue, for which the state provides no equalization. These unequalized local revenue sources are described below.

School Districts May Raise Additional Property Taxes for Operating Purposes

The act allows districts to raise and spend additional property taxes, with voter approval, in excess of the amount authorized by the state's funding formula. These additional property taxes are called overrides. The act limits overrides to 20 percent of a district's total program or \$200,000, whichever is greater, plus the 2001-02 supplemental cost-of-living adjustment amount. The total dollar amount approved by voters remains the same unless additional funding is approved at a subsequent election.

The school finance act counts other revenue sources against a district's override limit. These other sources of revenue may limit a district's ability to request voter approval for a property tax increase equal to the full amount of the limit. For example, specific ownership taxes that a district collects because of its override mill levy are counted against the limit, as are specific ownership taxes from a bond levy when the proceeds of the bond levy are not used to pay off the debt. In addition, the override for 34 districts includes approximately \$20.9 million in property taxes relating to the act's former hold harmless provisions. This funding was designed to hold districts harmless from any decrease in per pupil funding resulting from the passage of the 1994 act. In one district, the funding was derived from a higher-than-average mill levy.

In FY 2004-05, 66 school districts collected \$407 million in voter-approved property taxes. Since some districts are phasing in their overrides, the amount of taxes collected was somewhat less than the amount authorized by voters.

Unequalized District Property Taxes Also Pay for Debt

Independent of the school finance act, state law permits school districts to request voter approval to incur debt by issuing bonds. This is known as bonded debt. Districts repay the debt with a dedicated mill levy. Bonded debt is generally used by school districts for major capital construction projects. Revenue collected from a bonded debt mill levy must be credited to the district's bond redemption fund and used to repay the bondholders.

State law imposes a limit on the amount of bonded debt a school district may incur. Districts are prohibited from issuing bonded debt in excess of 20 percent of the district's assessed valuation or 6 percent of actual value, whichever is greater. For districts that meet specified increasing enrollment criteria the

limit is the greater of 25 percent of assessed value or 6 percent of actual value.

"Growth" Districts May Raise Additional Property Taxes for Capital Improvements

Growth districts can request voter approval to levy additional property taxes for capital projects. The money must be deposited into the district's capital reserve fund and can be used to pay for capital projects outright or to repay loans from the Public School Fund or the Colorado Educational and Cultural Facilities Authority. Growth districts are districts whose February enrollment count grows by at least 1 percent or 50 students, whichever is less, over the October count.

The maximum additional mill levy for growth districts is based on a district's property wealth relative to the statewide average. A district with an assessed value per pupil that exceeds the statewide average may impose an additional levy up to 1 mill. The maximum levy increases as district property wealth decreases below the state average, up to the maximum of 5 mills. For instance, a district with an assessed value per pupil of \$266,666 could impose a maximum of 1 mill when the statewide average assessed value per pupil is \$83,000. A district with an assessed value of \$16,600 could impose 5 mills, while a district with an assessed value per pupil of \$33,200 could impose 2.5 mills.

Growth District Mill Levy (5 Mill Maximum)	=	Average Statewide Assessed Value Per Pupil ÷ Growth District Assessed Value Per Pupil
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Transportation Levies Require Voter Approval

Although not part of the school finance act, state law permits school districts to request voter approval to impose a levy to pay for transportation costs not reimbursed by the state. The proceeds from this levy must be deposited in the district's transportation fund.

Voters Can Also Approve Special Building or Technology Levies

School districts can also request voter approval of up to ten mills for up to three years to maintain and construct schools or to purchase and install instructional technology. The proceeds from such a levy must be deposited in the special building and technology fund.

CASH FLOW LOAN PROGRAM

School districts may participate in an interest-free cash flow loan program sponsored by the state. Under this program, the state borrows money on behalf of school districts and pays the interest costs of the loan. In some circumstances, the state may lend money directly to school districts, charging the district interest. Participating school districts are required to pledge their property taxes toward the loan's repayment. The loan program was created to help districts deal with the fact that property tax collections occur late in the budget year. A school district applies to the state treasurer for a loan. The loan is provided if the district meets the eligibility criteria in law. A district is eligible for a loan from the state in any month in which the district can demonstrate that a cash deficit will exist in its general fund and that it has the capacity to repay the loan by June 25 of the state fiscal year in which the loan was made.

A loan may not be made to provide assistance for matters eligible for payment from the contingency reserve or to cover a foreseeable level of uncollectible property taxes, nor may a loan be used by a district for arbitrage.

STATE CONTINGENCY RESERVE

State law requires the General Assembly to annually determine the amount to appropriate to a contingency reserve fund to provide supplemental assistance to school districts. Money in the fund can be allocated by the State Board of Education to school districts for certain types of financial emergencies, primarily those caused by acts of God or problems with property tax collections. Money may also be available if a district's abatement levy is insufficient; if children placed in the district by a court create an unusual financial burden; to offset the impact of a decline in enrollment resulting from a detachment and annexation; or to offset the cost of pupils moving to a district after the count date. This last option is only available for districts under 2,000 pupils and only for the cost of the additional pupils.

In cases of extreme emergency, the state board may consider factors that are not specifically delineated in law and may provide financial aid from the contingency reserve to districts that could not maintain their schools without such additional assistance. In determining which districts receive payments from the contingency reserve and the amount of the payment, the state board must consider the amount of assistance requested as a percentage of each district's total program.

In limited types of situations, such as when disputed property taxes are eventually paid to a district, money provided to a district is repaid to the contingency reserve, providing a source of revenue for the fund. In FY 2005-06, the General

Assembly appropriated almost \$3.8 million to the fund from this source.

CAPITAL CONSTRUCTION

In addition to issuing bonds, school districts can request state assistance for some capital construction projects. Depending on the type of project and the school district's circumstances, the state may provide assistance as a grant, a matching grant, or a loan.

The School Capital Construction Expenditures Reserve Provides Grants to School Districts

The State Board of Education may distribute money from the School Capital Construction Expenditures Reserve only for capital expenditures that address immediate safety hazards or health concerns within existing school facilities, that relieve excessive operating costs created by insufficient maintenance or construction spending, or that relieve building construction conditions that detract from an effective learning environment. Any money in the reserve that is not spent by March 15 of each fiscal year is transferred to the School Construction and Renovation Fund.

The legislation that created the School Capital Construction Expenditures Reserve envisioned that, over the 11-year period from FY 2000-01 through FY 2010-11, \$105 million would be appropriated from the General Fund: \$5 million the first year and \$10 million per year thereafter. These General Fund appropriations were made for the first two fiscal years (FY 2000-01 and FY 2001-02). However, the law also specified that no money may be appropriated unless General Fund revenues exceed certain General Fund obligations by

more than \$80 million. This level of excess General Fund revenues has not been available since FY 2000-01. The General Assembly has appropriated money from sources other than the General Fund and at levels different from what was originally specified in the law. Appropriations were made from the State Education Fund totaling \$5 million in FY 2003-04 and \$2.5 million in FY 2004-05.

Beginning in FY 2001-02, the reserve was also to receive the same amount of money that is appropriated for charter school capital construction. For FY 2001-02, \$6.5 million was appropriated to the School Capital Construction Expenditures Reserve as the charter school capital construction match. The requirement that the reserve receive this match was suspended for FY 2002-03 through FY 2004-05, but a final \$5 million match is provided for FY 2005-06. The match is repealed after FY 2005-06.

The School Construction and Renovation Fund Provides Matching Grants to School Districts

The School Construction and Renovation Fund provides matching grant money to school districts for instructional facilities, such as classrooms, libraries, physical plants, and associated administrative areas. The state board determines the proportion of state and local funds to finance each project and prioritizes projects based on criteria in law. The state board submits a prioritized list to the Capital Development Committee, who determines the number of projects to be funded from moneys available in the School Construction and Renovation Fund.

State law requires the General Assembly to appropriate \$85 million from the General Fund to the School Construction and Renovation Fund if state revenues exceed a specified amount. Should revenues exceed this amount, the schedule for

the \$85 million is \$5 million in FY 2002-03 and \$10 million per year thereafter through FY 2010-11. To date, the revenues have not materialized. Instead, the General Assembly appropriated money from other sources. The first appropriation for FY 2002-03 was made from lottery proceeds. For FY 2003-04 and FY 2004-05, appropriations were made from the State Education Fund — \$5 million and \$2.5 million, respectively. Since FY 2000-01, the law has required that any unspent money in the School Capital Construction Expenditures Reserve as of March 15 be transferred to the fund.

The Public School Fund Provides Loans for School Districts

The State Treasurer can loan money to school districts from the Public School Fund for construction involving instructional facilities. As with the matching grants from the School Construction and Renovation Fund, any project for which a loan is sought must be on the prioritized list prepared by the state board. The state board also determines the amount of the loan. To obtain a loan, the voters of a school district are required to approve the debt and, if the loan is to be repaid from property taxes, the additional mill levy. The State Treasurer determines the amount of the fund that may be loaned out and the interest rate on any loans, which cannot be less than the rate of inflation.

The Contingency Reserve Could Provide Money for Safety Hazards or Health Concerns

State law has earmarked some lottery money for school district capital expenditures since FY 2001-02. The state board

may award this money to address immediate safety hazards or health concerns within existing school facilities. To date, no appropriation of these moneys has been made for FY 2005-06.

CALCULATION EXAMPLES

The following tables are provided for two purposes: first, to help illustrate the calculations included in the formula; and second, to provide data on how to determine the factors used in the formula.

ILLUSTRATION 1: CALCULATING TOTAL PROGRAM

Total Program = (Per Pupil Funding x Pupils) + At-Risk Funding + On-Line Funding

	District A	District B
Per Pupil Funding x Number of Pupils	\$5,750.16 x 30,000 = \$172,504,800	\$6,943.24 x 450 = \$3,124,458
At-Risk Funding	+ \$8,078,400	+ \$83,319
On-Line Funding	<u>+ \$426,675</u>	<u>+ \$113,780</u>
Total Program	\$181,009,875	\$3,321,557

ILLUSTRATION 2: CALCULATING PER PUPIL FUNDING

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

	District A	District B
Base	\$4,717.62	\$4,717.62
x Cost-of-Living Factor	x 1.203	x 1.211
x Personnel Costs Factor	<u>x 0.9050</u>	<u>x 0.8248</u>
	\$5,136.14	\$4,712.11
Base	\$4,717.62	\$4,717.62
x Nonpersonnel Costs Factor	<u>x .095</u>	<u>x .1752</u>
	\$448.17	\$826.53
Total Cost-of-Living Adjustment	\$5,136.14	\$4,712.11
	<u>+ \$448.17</u>	<u>+ \$826.53</u>
	\$5,584.31	\$5,538.64
Cost-of-Living Adjustment	\$5,584.31	\$5,538.64
x Size Factor =	<u>x 1.0297</u>	<u>x 1.2536</u>
Per Pupil Funding	\$5,750.16	\$6,943.24

**ILLUSTRATION 3:
DETERMINING THE PERSONNEL COSTS FACTOR**

For a pupil count of:	The district's personnel cost factor is:
Less than 454	$0.8250 - (0.0000639 \times \text{the difference between the pupil count and } 454)$
454 or more but less than 1,568	$0.8595 - (0.0000310 \times \text{the difference between the pupil count and } 1,568)$
1,568 or more but less than 6,682	$0.8850 - (0.0000050 \times \text{the difference between the pupil count and } 6,682)$
6,682 or more but less than 30,000	$0.905 - (0.0000009 \times \text{the difference between the pupil count and } 30,000)$
30,000 or more	0.905

**ILLUSTRATION 4:
DETERMINING THE SIZE FACTOR**

For a pupil count of:	The district's size factor is:
Less than 276	$1.5457 + (0.00376159 \times \text{the difference between the district's pupil count and } 276)$
276 or more but less than 459	$1.2385 + (0.00167869 \times \text{the difference between the district's pupil count and } 459)$
459 or more but less than 1,027	$1.1215 + (0.00020599 \times \text{the difference between the district's pupil count and } 1,027)$
1,027 or more but less than 2,293	$1.0533 + (0.00005387 \times \text{the difference between the district's pupil count and } 2,293)$
2,293 or more but less than 4,023	$1.0297 + (0.00001364 \times \text{the difference between the district's pupil count and } 4,023)$
4,023 or more	1.0297

Note: The size factor for districts with less than 500 pupils is calculated using the district's enrollment minus 65 percent of the district's pupils in charter schools.

**ILLUSTRATION 5:
DETERMINING THE AT-RISK FACTOR**

At-Risk Factor = 12.0% for pupils below the statewide average; 12.0% plus 0.3 (0.36 for districts with pupil counts greater than 50,000) for each percentage point over the statewide average.

	District A	District B
At-Risk Pupils Divided by Total Pupils	$10,800 / 30,000 = 36.0\%$	$100 / 450 = 22.2\%$
State Average At-Risk Percent	25.0%	25.0%
Does District Percentage Exceed Statewide Average?	Yes: $36.0\% - 25.0\% = 11.0\% \text{ over}$	No: $22.2\% - 25.0\% = (2.8\% \text{ under})$
District Receives 0.3 Percentage Points for Each Percentage Point Over Statewide Average	$11.0\% \times 0.3 = 3.30$	$0.0\% \times 0.3 = 0.00$
At-Risk Factor	$12.0\% + 3.30\% = 15.30\%$	$12.0\% + 0.00\% = 12.0\%$

**ILLUSTRATION 6:
CALCULATING AT-RISK FUNDING**

	District A	District B
At-Risk Pupils Divided by Total Pupils	$10,800 / 30,000 = 36.0\%$	$100 / 450 = 22.2\%$
State Average At-Risk Percent	25% (7,500 pupils)	25% (113 pupils)
Funding for Students Below State Average (12.0 % x Per Pupil Funding x Pupils Below Average)	$12.0\% \times \$5,750.16 \times 7,500 = \$5,175,144$	$12.0\% \times \$6,943.24 \times 100 = \$83,319$
Funding for Students Above State Average (At-Risk Factor x Per Pupil Funding x Pupils Above Average)	$15.30\% \times \$5,750.16 \times 3,300 = \$2,903,256$	$12.0\% \times \$6,943.24 \times 0 = \0
Below Average	\$5,175,144	\$83,319
+ Above Average	+\$2,903,256	+ 0
= Total At-Risk Funding	\$8,078,400	\$83,319

**ILLUSTRATION 7:
DETERMINING ON-LINE FUNDING**

	District A	District B
Minimum Per Pupil Funding x	\$5,689	\$5,689
On-Line Pupils	x 75	x 20
	<u>\$426,675</u>	<u>\$113,780</u>

A HISTORY OF SCHOOL FINANCE ACT FUNDING

(\$ in thousands, except for per pupil funding)

Year	Pupil Count	Pct Chg	Local Share ¹	Pct Chg	State Share ²	Pct Chg	Total Program	Pct Chg	Per Pupil Funding	Pct Chg
1993-94	598,723	N/A	1,173,360	N/A	1,333,473	N/A	2,506,833	N/A	4,187	N/A
1994-95	612,503	2.3%	1,212,975	3.4%	1,442,538	8.2%	2,655,513	5.9%	4,336	3.5%
1995-96	627,934	2.5%	1,257,025	3.6%	1,524,452	5.7%	2,781,477	4.7%	4,430	2.2%
1996-97	644,226	2.6%	1,301,484	3.5%	1,644,771	7.9%	2,946,255	5.9%	4,573	3.2%
1997-98	657,531	2.1%	1,372,814	5.5%	1,724,017	4.8%	3,096,831	5.1%	4,710	3.0%
1998-99	670,913	2.0%	1,417,205	3.2%	1,848,346	7.2%	3,265,110	5.4%	4,867	3.3%
1999-00	681,749	1.6%	1,476,033	4.2%	1,929,349	4.4%	3,405,202	4.3%	4,995	2.6%
2000-01	693,551	1.7%	1,538,638	4.2%	2,046,137	6.1%	3,584,775	5.3%	5,168	3.5%
2001-02	707,130	2.0%	1,628,159	5.8%	2,228,375	8.9%	3,856,534	7.6%	5,454	5.5%
2002-03	717,749	1.5%	1,676,090	2.9%	2,483,614	11.5%	4,159,705	7.9%	5,796	6.3%
2003-04	723,230	0.8%	1,673,577	-0.2%	2,624,575	5.7%	4,298,152	3.3%	5,943	2.5%
2004-05	729,417	0.9%	1,688,628	0.9%	2,741,712	4.5%	4,430,340	3.1%	6,074	2.2%
2005-06 ³	737,359	1.1%	1,710,295	1.3%	2,834,797	3.4%	4,545,092	2.6%	6,164	1.5%

- Local share includes general fund property taxes and specific ownership tax revenue. Categorical buyout property taxes are subtracted from the local share; carryforward taxes are added. Other local revenue, such as override or bonded debt property taxes, is excluded.
- The state share includes state equalization. For FY 1993-94, state share includes funding for state equalization, increasing enrollment, and the provisions of House Bill 93-1320.
- Figures are estimates based on SB 05-200.

SPECIFIC-PURPOSE PROGRAMS

School districts in Colorado receive state revenue through a variety of programs designed to serve special groups of students or student needs. The Colorado Preschool Program is one such program; it is unique in that it receives its funding from the school finance act. Other programs can be grouped into two categories: categorical programs and grant programs and other distributions. This section briefly describes the funding formulas of selected state programs that serve discrete groups of students or student needs.

CATEGORICAL PROGRAMS

Article IX, Section 17 of the Colorado Constitution, commonly referred to as Amendment 23, defines categorical programs as transportation programs, English language proficiency programs, expelled and at-risk programs, special education programs including gifted and talented programs, suspended student programs, vocational education programs, small attendance centers, comprehensive health education programs, and any other accountable program specifically identified in law as a categorical program. The General Assembly is required to annually increase the sum of funding for all of these programs by the rate of inflation, plus an additional percentage point each year through FY 2010-11. The General Assembly may use money in the State Education Fund to provide the increased funding. The state appropriation figures in the descriptive paragraphs below are primarily General Fund and State Education Fund appropriations.

Special Education

The state provides special education funding for disabled students as well as for gifted and talented students. The Exceptional Children's Educational Act (ECEA) dictates how funding is distributed.

The State Provides \$90.2 Million in Funding for Disabled Students

State funding for the education of disabled students totals \$90.2 million in FY 2005-06. These funds are used to provide special services to 82,898 Colorado public school students with disabilities, or roughly 10.5 percent of total pupil membership.

Most funding to educate students with disabilities is distributed to administrative units. An administrative unit could be a school district, a board of cooperative services, or a combination of school districts. Under the law, roughly \$49.8 million is distributed to administrative units in proportion to the amount distributed in FY 1994-95. Another \$39.9 million is distributed directly to school districts based on the number of special education students in the district relative to the total number of such students statewide. The remaining \$500,000 is earmarked for administrative units that pay tuition to facilities to provide special education services to students whose parents cannot be located or are incarcerated or whose parental rights have been relinquished or terminated.

The State Provides Funding for Programs to Serve Gifted and Talented Students

For FY 2005-06, the General Assembly appropriated about \$6.3 million for district gifted and talented programs. This money is used to provide staff, activities, and educational materials and equipment to serve gifted students.

Public School Transportation

School districts are reimbursed for some of the cost of transporting pupils between their home and school. The reimbursement formula is two-pronged: it takes into account mileage and excess costs. The formula provides 37.87 cents for each mile traveled, plus 33.87 percent of the difference between the district's current operating expenditures and the mileage allowance. "Current operating expenditures" includes items such as motor fuel and oil, vehicle maintenance costs, equipment, facilities, driver employment costs, and insurance. Districts are not eligible for reimbursement for the cost of purchasing buses or for field trips.

The law sets a minimum entitlement equal to the amount a district was entitled to receive in the prior year. However, the law also applies a cap of 90 percent of district current operating expenditures. For FY 2005-06, the General Assembly appropriated about \$41.6 million for the transportation program. Each district's funding is prorated if the appropriation is less than the required amount.

Vocational Education

Unlike the school finance act and the other specific-purpose programs discussed in this booklet, which are administered by the Colorado Department of Education, the vocational education program is administered by the State Board for Community Colleges and Occupational Education. Vocational education courses are designed to provide students with entry-level occupational skills and knowledge required by business and industry. Any school district conducting approved vocational education courses is entitled to funding from moneys appropriated by the General Assembly.

Vocational education aid is disbursed to districts according to the full-time equivalent (FTE) cost of a program. The state provides funding for instructional personnel, contracted educational services, books and supplies, and equipment. Each district is required to pay its program costs per FTE at 70 percent of its per pupil operating revenue (school finance act revenue per pupil minus \$271). For costs exceeding 70 percent, the state pays 80 percent of the first \$1,250 per FTE and 50 percent of any additional costs above the initial \$1,250 level. If the state appropriation is less than the amount required by the funding formula, district allocations are prorated. The FY 2005-06 appropriation for this program is just under \$20 million.

English Language Proficiency

The English Language Proficiency Act (ELPA) provides financial assistance to districts with students whose dominant language is not English. Districts are required to identify, assess, and provide programs for students in the following classifications:

- (a) students who do not comprehend or speak any English;
- (b) students who comprehend or speak some English but whose predominant language is not English; and
- (c) students who comprehend and speak English and at least one other language, whose dominant language is difficult to determine, and who score at or below average on state or national tests or below an acceptable level on a state-developed test.

ELPA funding is disbursed to districts for up to two years for each participating student. The state appropriation for this program for FY 2005-06 is \$4.0 million. About \$3.4 million of this appropriation is distributed to districts with students in categories (a) and (b). The remainder is distributed to districts with students in category (c). The amount of money each district receives is calculated by dividing students in categories (a) and (b) and students in category (c) by the respective portions of the appropriation.

Small Attendance Centers

The state provides additional funding for school districts that operate small attendance centers, which are defined as schools with less than 200 pupils that are at least 20 miles from a similar school in the same district. Eligible districts receive 35 percent of the difference between the district's per pupil funding and the per pupil funding the school would have received if it was a separate school district. A smoothing factor phases out funding for schools with more than 200 pupils. The General Assembly appropriated \$843,781 for this program in FY 2005-06 based on 13 schools in 11 districts across the state in the preceding year.

Expelled, At-risk, and Suspended Student Programs

For FY 2005-06, the General Assembly appropriated about \$6.3 million to the Department of Education to distribute as grants for programs to serve expelled and at-risk students and for in-school and in-home suspension programs. Beginning in FY 2002-03, the expelled/at-risk funding was consolidated with the in-school and in-home suspension grant programs. Funding was combined to allow the school districts to serve both currently suspended/expelled students and those at-risk for suspension.

Expelled and At-risk Student Programs

The department may distribute money to school districts, charter schools, public alternative schools, non-parochial private schools whose programs have been approved by the state board, boards of cooperative services, and pilot schools under contract with the state board to serve expelled and at-risk students.

In awarding grants, the state board must consider, among other issues, the quality and cost-effectiveness of the services to be provided, the demonstrated effectiveness of services funded by previous grants to an applicant, and the number of students receiving services. Forty-five percent of the appropriation must be awarded to applicants who provide services to students from more than one school district.

In-school and In-home Suspension Grants

Public schools, or any public or private agency operating in conjunction with a public school, are eligible to receive grants to provide programs to students who are suspended from participation in regular school activities but who continue to receive instruction either at home or at school. Any single grant cannot exceed \$25,000 per year, and grants are provided for a two-year period. By law, the total amount of grants in any one year is limited to \$500,000.

Comprehensive Health Education

School districts and boards of cooperative services can receive grants to provide a local comprehensive health education program, a component of which must be a law-related education program to reduce the incidence of gang involvement and substance abuse. The grant program receives 50 percent of moneys appropriated but not spent for school finance, although the money must be appropriated by

the General Assembly. For FY 2005-06, the General Assembly appropriated \$600,000.

GRANT PROGRAMS AND OTHER DISTRIBUTIONS

In addition to the categorical programs delineated in the state constitution, the state distributes aid to school districts for a variety of other programs. Some of these programs are grant programs whereby school districts or schools who meet eligibility criteria apply for the available money. For other programs, money is distributed by formula, either to all districts or to qualifying districts. The following paragraphs briefly describe these programs.

Read to Achieve

Schools may apply for grants to fund intensive reading programs for second and third grade pupils and pupils between the third and fourth grades whose literacy and reading skills are below grade level. Grants may be awarded for programs such as reading academies, after school literacy programs, summer school clinics, one-on-one or group tutoring services, and extended-day reading programs. The number of second and third grade pupils reading below grade level, the proven success of a proposed reading program, and the per pupil cost of a program are among the factors taken into account in selecting grant recipients. For FY 2005-06, the General Assembly appropriated \$4.4 million for read-to-achieve grants from the Tobacco Litigation Settlement Cash Fund.

State Match for National School Lunch Act

For FY 2005-06, the General Assembly appropriated \$2.5 million to provide the match that the federal government requires to receive funding under the National School Lunch Act. The money provided by the state can be used only for the school lunch program and cannot supplant any money currently provided by a school district from its general fund.

Civics Education

The General Assembly appropriated \$200,000 in FY 2005-06 from the State Education Fund to the Department of Education to assist school districts in developing and promoting programs that address the state model content standards for civics and to promote best practices in civic education.

National Credentials for Teachers

For FY 2005-06, the General Assembly appropriated \$83,000 from the State Education Fund to provide assistance to teachers seeking national credentials from an approved professional organization, such as the National Board for Professional Teaching Standards.

National History Day

For FY 2005-06, the General Assembly appropriated \$10,000 from the State Education Fund to help teach Colorado and United States history in public schools. The Department of Education is to assist the school districts in developing and promoting programs that engage students in the discovery and interpretation of historical topics.

Charter School Capital Construction

The General Assembly appropriated \$5 million from the State Education Fund for charter school capital construction in FY 2005-06. A charter school qualifies for money if it has costs associated with constructing, demolishing, remodeling, financing, purchasing or leasing land, buildings, or facilities. The amount that each charter school receives is equal to the total funding from the State Education Fund multiplied by each charter school's percentage of total pupils statewide enrolled in eligible charter schools. Funding from the State Education Fund for charter school capital construction is required by statute to be \$5 million annually.

COLORADO PRESCHOOL PROGRAM

The Colorado Preschool Program, which has been in operation since 1989, serves children aged three to five years who lack overall learning readiness, who are in need of language development, or who participate in state programs for neglected or dependent children. A school district may provide the program itself, or contract with a Head Start or local child care agency to provide all or a portion of the program. School districts must meet specific state requirements regarding class size, parental involvement, and teacher training and planning to participate in the program.

The Colorado Preschool Program is funded through the school finance act. Children participating in the program are counted as half-day pupils. For FY 2003-04 and FY 2004-05, the General Assembly reduced the number of children that

may participate in the program from 11,050 to 9,050. For FY 2005-06, the participation level is increased to 12,360, including the historical level of 11,050 plus 1,310 new slots. In FY 2005-06, about \$36 million of school finance total program is attributable to this particular program. Of the 12,360 slots, 1,500 are reserved for full-day kindergarten. School districts must deposit revenue received for these children in the district preschool program fund.

GLOSSARY

Amendment 23: A constitutional amendment adopted in 2000 that sets minimum levels of increase in the statewide base per pupil funding amount and in categorical program funding and sets a minimum increase in the state General Fund appropriation for school finance. It also creates the State Education Fund and earmarks a portion of income tax revenue for the fund. Amendment 23 is codified as Article IX, Section 17, Colorado Constitution.

Assessed Value: The taxable value of property as determined by a tax assessor or government agency. Property taxes are paid on the basis of a property's assessed valuation, which represents only a fraction of a property's market value. (See p. 11)

At-Risk Pupils: Students who are eligible for the federal free lunch program because they come from families with incomes below a certain level or who lack proficiency in English. The act provides additional funding based on the number of at-risk pupils enrolled in each district. (See pp. 7, 30)

At-Risk Factor: A factor used to compute the additional amount of funding a district receives for its at-risk pupils. Each district starts with an at-risk factor of 12.0 percent. Districts with more than the statewide average proportion of at-risk pupils receive an at-risk factor of 12.0 percent plus three-tenths of one percentage point—0.36 percentage point for a district with a pupil count greater than 50,000—for every percentage point that the district's proportion exceeds the statewide average, up to 30 percent. (See pp. 8, 30)

Base Funding Amount: See Statewide Base Per Pupil Funding Amount. (See p. 3)

Bonded Indebtedness: Obligations of a school district to make payments on a loan, generally for major capital construction projects. With voter approval, districts can issue bonded debt and impose a mill levy to repay the debt over time. (See p. 20)

Budget Year: Same as a fiscal year, the period beginning on July 1 of each year and ending on the following June 30.

Capital Outlay: Money spent to acquire fixed assets which can be expected to last for more than one year. Fixed assets include land, buildings, machinery, and furniture.

Capital Reserve Fund: A fund used by school districts for long-term capital outlay expenditures. Districts can only use the capital reserve fund to acquire land and buildings, construct new buildings or additions to buildings, purchase equipment and furnishings, alter or improve existing buildings when the cost exceeds \$2,500, acquire school buses or other equipment with a per unit cost of at least \$1,000, enter into long-term lease agreements, or purchase software licenses that cost at least \$1,000. Districts must allocate a minimum of \$271 per pupil between the capital reserve fund or a risk management fund in FY 2005-06, unless they have at least five-years' worth of transfers already in the fund. (See p. 18)

Categorical Programs: Specific-purpose programs that are funded separately from a district's total program funding under the school finance act and are identified in the state constitution. Examples include vocational education, special education, and transportation. (See pp. 16, 33)

Charter School: A public school which operates under contract with a public school district.

Constitutional Spending Limit: The maximum allowable change in a school district's spending from one year to the next. The limit for school districts is equal to the percentage change in a district's enrollment plus the Denver-Boulder inflation rate in the prior calendar year. (See pp. 11, 15)

Cost-of-Living Factor: One of the three main factors used in calculating a district's per pupil funding. The cost-of-living factor reflects the relative differences among the state's 178 districts in the costs of housing, goods, and services for the regions in which districts are located. (See pp. 4, 28)

District Per Pupil Funding: The amount that results from combining the statewide base with the components of the formula. A district's per pupil funding is multiplied by its pupil count to determine funding, before accounting for on-line and at-risk students. (See pp. 3, 28)

Enrollment: The number of pupils enrolled on October 1 within the budget year. (See p. 2)

Equalization Aid: State funding provided to equalize the property wealth of districts. (See p. 12)

Growth Districts: School districts whose February enrollment count grows by at least 1 percent or 50 students, whichever is less, over the October count. Growth districts can request voter approval to levy additional property taxes for capital projects. (See p. 21)

Hold Harmless District: A district whose formula per pupil funding in the first year of the 1994 school finance act would have declined from the prior year's level. (See p. 20)

Local Share: The portion of a district's total program contributed directly by local taxpayers of the district. A

district's local share includes revenue from property taxes and specific ownership taxes. (See p. 10)

Maximum Increase in Per Pupil Funding: The statutory cap which limits annual increases in per pupil funding to 25 percent. (See p. 16)

Mill Levy: A property tax rate based on dollars per thousand of assessed valuation. One mill is the same as one tenth of one percent (.001). Thus, one mill will generate \$1 when levied on \$1,000 of a property's assessed value. (See p. 11)

Minimum Per Pupil Funding: A minimum funding level guaranteed to each district. In FY 2005-06, the law guarantees \$5,689 per pupil. (See p. 15)

Minimum State Aid District: A district that can pay for its entire total program from local property and specific ownership taxes and, thus, only receives the minimum amount of state aid per pupil. For FY 2005-06, each district in the state receives at least \$107.01 per pupil. (See p. 13)

Nonpersonnel Costs Factor: A percentage representing the difference between 100 percent and a district's personnel costs factor. (See pp. 5, 28)

On-line students: Students enrolled in an on-line education program that provides a sequential program of instruction through the world wide web to educate a child who resides in Colorado. (See pp. 9, 31)

Override: Local voter-approved property tax revenue in excess of total program as defined under the act. (See p. 19)

Personnel Costs Factor: One of the three main factors used in calculating a district's per pupil funding. The personnel costs factor is a percentage which represents the estimated

portion of a district's budget which is attributed to personnel costs. It is formula driven and differs by district based on enrollment. (See pp. 5, 29)

Per Pupil Funding: The amount that results from combining the statewide base with the components of the formula. A district's per pupil funding is multiplied by its pupil count to determine funding, before accounting for on-line and at-risk students. (See pp. 3, 28)

Per Pupil Operating Revenues/PPOR: A district's total program divided by its funded pupil count, minus the minimum amount per pupil required to be transferred for the capital reserve fund or a risk management fund. In FY 2005-06, a district's PPOR is its total per pupil funding minus \$271.

Per Pupil Revenues/PPR: A district's total program divided by its funded pupil count.

Property Tax: A local tax that is calculated by applying a mill levy to assessed value. Revenue from the property tax represents the primary source of local funding for K-12 public education. (See p. 10)

Pupil Count/Funded Pupil Count: The number of pupils for which a school district receives funding under the school finance act. For funding purposes, pupils are counted on October 1 within the applicable budget year. (See p. 2)

Size Factor: One of the three main factors used in calculating a district's per pupil funding. The size factor is designed to compensate districts for the cost pressures of economies of scale. It is formula-driven and based on enrollment. (See pp. 6, 29)

Specific Ownership Tax: A tax paid annually on motor vehicles instead of property taxes. Specific ownership taxes are part of a district's local contribution to school funding. (See p. 12)

Small Attendance Center: A school of less than 200 students that is located more than 20 miles from a similar school in the same district. Small attendance centers are eligible for categorical program funding. (See p. 37)

State Aid: Funding provided by the state under the school finance act. State aid is the difference between a total program and local school finance revenue sources. (See p. 12)

Statewide Base Per Pupil Funding Amount: The dollar amount to which the factors are applied in determining each district's per pupil funding level. Each district receives the same base per pupil funding amount. For FY 2005-06, the base is \$4,717.62. (See p. 3)

Total Per Pupil Funding: Per pupil funding multiplied by the number of pupils plus on-line and at-risk funding, divided by the number of pupils.

Total Program: Per pupil funding multiplied by the number of pupils, plus on-line and at-risk funding. (See pp. 1, 28)

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