

MINUTES
FINANCIAL POLICIES AND PROCEDURES ADVISORY COMMITTEE MEETING
April 28, 2023 at 9:30 a.m.

Tia Mills facilitated today's meeting. At 9:30 Tia called the meeting to order and asked for approval of the agenda. Jana Schleusner and Angie Skalla moved to approve the agenda and February minutes. There were no objections.

State Treasurer Dave Young provided a presentation on the Interest Free State Loan Program. This program is designed to help districts with cash flow issues given that property taxes don't come in until the spring. The program has been around for a couple of decades. There is an application to indicate a participation in the program for next year. If you have not participated before, you will need a resolution from your school board.

He explained the Education Tax Revenue Anticipation Notes (ETRANS). The legislature designed ETRANS to be an interest-free loan to meet those school district operational needs. Fundraising for ETRANS are issued at the start and midway through each fiscal year, funding the State's Interest Free Education Loan program. Districts are eligible to draw from ETRANS anytime the cash flow needs impact their District. Because property taxes are not collected until the spring, it isn't unusual for school districts to have cash flow shortages in the fall and winter. ETRANS are short-term notes, fully payable no later than June, at the end of the current fiscal year.

Four school districts (Platte Valley School District, Weld Re-7, Englewood Schools, Denver Public Schools, and Mapleton Public Schools) provided testimonials on how beneficial this program is for them.

Questions can be directed to: Dave Young, Colorado State Treasurer (treasurer.young@state.co.us or 303-866-2441) or Jim Eke, Debt Manager (james.eke@state.co.us and 303-866-3948).

A question was asked about how many participate in the program and the types of . Approximately 20-30 districts participate annually. Many of these are those that have a large portion of their funding from local sources. There is no set percentage of local property taxes in order to participate. If you are a district that has a good portion of funding from state share, the district will have regular funding coming in monthly. Therefore, the district will not have cash flow issues and thus, would generally not need to participate in the program. The Treasurer will follow-up with the Financial Advisors for the Program on

Tim made a comment CDE has an agreement with the Treasurer that participants are paid the state share payments on the 17th of the month vs. on the 25th of the month.

Not all districts will qualify for the program as there are statutory limits on participation in the program

Can a district apply for the funds and not use them? Absolutely. Districts that qualify for hte program and then decide that they do not need the funds.

Is there a cap on how much districts can borrow? Yes, there is a cap on borrowing. Typically, districts cannot borrow more than 70% of the anticipated revenues. It is a district by district determination based upon the financial conditions of the district.

Taxpayers of the State of Colorado pay the interest for the ETRANS.

Is it still true that you have to draw down your unrestricted fund balance and capital reserves before actually borrowing? Need to follow-up on this question.

What is the application timing? I recall we could apply in June and later in the fall. Yes, the June timeframe is when we start the process. We do two issuances of debt: one in July and one in January. If you

What are the parameters to qualify? It is a cash flow issue. If it does not appear that you would not be in a cash flow issue,

Justin Petrone explained that the application and qualification process is primarily a mathematical determination about cash flows. The percentage of local share and state share is one factor, but the district reserves is also a

Districts when they do their cash flow forecast, must show that they will have a cash deficit during the year. Many who rely on local share, they may not have cash on hand and therefore, will go into deficit.

Yes, you do have to exhaust those in order to qualify. To protect state - unfair for district to draw cash on funds and get interest free loans.

1. Legislative Session and Funding Updates

Tim provided the historical summary of school finance acts including the most current amendments in SB23-287. For FY23-24: the Budget Stabilization Factor is slated to be \$141.2M, a decrease of \$180M; the Average Per Pupil Funding is projected to be \$10,613, an increase of \$1,018; Total Program is estimated to be \$9.10B, an increase of \$665M.

He also provide an overview of provisions in the School Finance Act:

- Total program no longer includes preschool students for CPP or PK SPED
- Prior year counts for purposes of averaging will not be restated to remove prior year PK SPED which may result in more districts being averaged for funded pupil count. This will give some districts a temporary boost in funding.
- The bill does provide \$10M to only be distributed in the event UPK funding does not provide equal or greater preschool SPED funding as FY22-23 to ensure AUs can meet IDEA MOE requirements. CDE will be working closely with CDEC to determine the funding that districts will receive to ensure that no districts will receive less funding than would not allow them to meet MOE requirements.
- Normal annual legislative council staff projections on student counts, at-risk counts, SOT and assessed valuations
- Amended bill keeps the formula in place with none of the proposed changes initially being considered
- The bill provides a similar averaging provision as districts for the institute charter schools on a per-school basis.
- For the 2023-24 budget year, the bill distributes \$30 million to large rural districts and small rural districts, including district charter schools and each CSI school whose accounting district is a large or small rural district. Large rural districts receive 55% of the appropriation, and small rural districts receive 45% of the appropriation. The bill uses the districts' funded pupil count for the 2022-23 budget year. If you want an estimate of what this will be before it is published, it will

- look very similar to the prior year distributions
- The bill amends eligibility criteria for the mill levy override match program to exclude an eligible school district from receiving a state-funded override mill match if the sum of the district's override mills is equal to or greater than the district's override mill capacity, as defined by statute
- Requires the general assembly to appropriate \$300,000 from the state education fund to the department of education (department) for the purpose of reimbursing schools for expenses related to replacing an American Indian mascot. Details on how this will be done need to be worked out and will be provided later.
- Requires the general assembly to appropriate from the state education fund the amount necessary to provide universal screening to identify gifted children through second grade by the 2027-28 budget year.
- Extends the implementation of the new at-risk factor requirement to the 2024-25 budget year, and requires the department to conduct pre-implementation modeling and testing of total program funding using the new at-risk factor, and report findings to the education committees and joint budget committee.
- Creates an at-risk funding hold-harmless for FY 2023-24 to be implemented during mid-year true-up.
- The bill creates a public school finance task force for the purpose of examining and making recommendations concerning school finance. The task force is required to submit a report to the education committees of the senate and house of representatives and the JBC by December 15, 2023. The task force is required to set parameters to examine the adequacy of school finance in Colorado, and the department is required to contract with two independent entities to report their findings by January 1, 2025.
- Statutorily repeals the budget stabilization factor as of July 1, 2024

A question was asked if SB23-287 passed out of the senate education committee. It did pass out of the senate, with a record number of 22 amendments. It passed out of the house education committee and passed out of house appropriations this morning.

A question was asked to address the new \$40M SPED funding, specifically if the Tier B funding is being increased to \$6,000. Yes, SB23-99 has passed which increases funding to Tier B to \$6,000. The Special Education Draft Funding Change from FY 22-23 to FY 23-24 is available at:
<https://docs.google.com/spreadsheets/d/1QGYCgSRaB0tvmY7ReeQhZjBnnjWk4ocGzEBVAcHdNxO/edit?usp=sharing>

Just a comment on the Special Ed Draft Funding, the FY22-23 allocation doesn't match what we've received, based on what is posted on the Grant Fiscal Allocation page? - I was going to reach out to Evan, but just wanted to put that out there incase maybe ChildFind was included? We will reach out to Evan to clarify the difference.

We initially withheld the Child Find at the beginning of the year as we didn't know if we would fund that or not. Since we aren't we will be sending out additional ECEA funding soon and I will repost the updated ECEA allocation next week.

2. New At-Risk Measure/Free and Reduced-Priced Lunch Implications

Amy provided an update on the new at-risk measure. Currently this is scheduled to be delayed for implementation until FY 24-25. As outlined in the School Finance summary above, CDE is required to conduct pre-implementation modeling and testing of total program funding using the new at-risk factor,

and report findings to the education committees and joint budget committee. In order to accomplish this, we have included a new Free Lunch Eligibility Identification Field in Student October for 2023. This will allow us to identify the students to be included in the Identified Student Percentage, which is a part of the new at-risk measure. This Free Lunch Eligibility Identification Field will indicate:

- 0 Not Identified as Free Lunch Eligible
- 1 Direct Certification (Medicaid, SNAP, TANF)
- 2 Other Source Categorical (Migrant, Homeless Runaway, Foster, Head Start)
- 3 Application (Application for Free and Reduced-Price Meals, Family Economic Data Survey Form, Combination Form)

Additionally, we will be working on the process to collect the Neighborhood Socio-Economic Status that minimizes the data collection impact at districts. During the summer/fall 2023, we will be asking for volunteer districts to pilot the SES data collection. This will be used in combination with updated modeled data to provide projections for FY 24-25 financial impact of the new at-risk measure.

Amy provides an update on UPK. As Tim outlined above, Section 22-20-114(8) was added as an amendment to School Finance. This provides \$10M to ensure that Administrative Units can meet the federal maintenance of effort requirements pursuant to IDEA. In FY 23-24 UPK funding, including “hold harmless” funding under Section 26.5-4.208, will be compared to FY 22-23 Preschool funding from School Finance (CPP & SPED PK) to determine distribution amounts. The funding will be calculated at and provided to school districts/CSI. The process has not been finalized yet. We anticipate quarterly projections posted to School Finance website with payments in June 2024.

3. Potential School Finance Rule Changes from Blended Learning Initiative

Amy provided the context to BLI which historically it was all in brick and mortar or all remote but districts are wanting flexibility to do either/or. As part of the BLI, variance waivers allowed participants to expand the amount of blended learning and/or supplemental online courses in SY21-22, SY22-23, and SY23-24. Blended Learning Listening Tour involved key stakeholder conversations with families, students, educators, system leaders and other involved stakeholders. Feedback from the Listening Tour was that CDE should provide greater flexibility to expand use of and fundability of Blended Learning. Existing funding systems and structures (count-days and seat-time requirements) are barriers to expand the use of blended learning. Ensure appropriate guardrails, oversight and protections to ensure quality outcomes with concern that some could take advantage of the independence or that some students could “fall through the cracks” without proper oversight. Amy went over what we want to define (instruction, require course catalogs for alternate instruction, etc) and what the current vs proposed rules looks like. Amy asked districts for input as we continue to present this information. Amy mentioned that potential notice of rulemaking at the August State Board Meeting.

Crystal Dorsey from the Office of the State Auditor provided an update on the School District Fiscal Health report. The first step in the process is for the State Auditor’s Office to populate districts’ financial data into their system. They appreciate districts reviewing this data to ensure that it is accurate. This will be sent out next few weeks. If the OSA determines that a district has triggered two or more benchmarks, they will reach out to the district individuals and coordinate on responses. The OSA will finalize the report in September. Due to the schedule of the Legislative Audit Committee, the report will

be presented a little later than typical. It is currently scheduled for October 16th. The Link to the prior year reports are available on CDEs website: <http://www.cde.state.co.us/cdefinance/fiscalhealthreports>.

Jennifer Okes provided a quick reminder on ESSER funds.

A question was asked about where to turn in the the ESSER I closeout documentation. The link to submit closeout docs is at: <https://app.smartsheet.com/b/form/702de089fc6b45ac97c31f343c8f745f>. Please ensure you include a General ledger for all years of activity, for all ESSER I funds. If you are missing the closeout cert form, email austin_j@cde.state.co.us.

A question was asked if districts need to do anything to continue expending funds for ESSER III through September 2024. Nothing specifically has to be done to continue spending ESSER III. Districts may want to evaluate if a PAR is needed if there are any changes to activity or amounts.

a. COA Subcommittee - Status Update

Recommendations going forward:

<https://docs.google.com/presentation/d/1ITc3z9ZSU-r3GJH21LiGdJNRLZXmjky0GeEchbuB6kk/edit?usp=sharing>

Topics of Interest feedback:

<https://docs.google.com/forms/d/e/1FAIpQLSdwmSb8pg04FEhxdC3JueYcL9p4ThpMtuikSmM8IKcrrQzROQ/viewform>

Instruction and Related Technology Program Codes:

<https://docs.google.com/forms/d/e/1FAIpQLSeX1Q0CjhYVFXWhKXfStrZRovEhjsgenFX-WW7SUFRZJxfmdw/viewform>

Several votes were taken:

- Change to 340 and 3041: Several FPP members approved the change, with no objections. This was passed.
- Revise description for Fund 19: Several FPP members approved the change, with no objections. This was passed.
- A question was asked if districts can still use fund 10 instead; is fund 19 optional? Yes.
- Fund 24 elimination: Several FPP members approved the change, with no objections. This was passed.
- Removal of program 9325: Several FPP members approved the change, with no objections. This was passed.
- Bolding 2213: Several FPP members approved the change, with no objections. This was passed.
- Un-bolding 2810-2814: Several FPP members approved the change, with no objections. This was passed.
- Update Descriptions CFDA to ALN: Several FPP members approved the change, with no objections. This was passed.

There was a discussion of the proposal to add a new CTE code.

A question was asked if districts would still use 201 for traditional teachers teaching CTE courses? Yes, job class 300 cannot have an instructional program - rule EFD112 They want a code that is used for CTE specific code as opposed to the 201/208 code.

That is a conflict. Not a CDE cert teacher 3xx.

A question was asked if the purpose was to create a new salary schedule.

there seems to also be a focus on salary schedule, but all districts create a salary schedule specific to their district

Yes, to be competitive in the market place to get these specialists in the schools. as well as to provide ease in reporting. There indicated

but 200 looks to be relevant

Could you not use a 4xx

They are an instructor, but not a licensed teacher.

Confused for a need for something beyond 201.

Does the 201 mean that this is a licensed teacher or.

Special education teachers must have a grant code as well which requires the certification.

What else is needed to determine if this code is approved or not?

Just want to make sure that it is a 200 code. Must tie to an instruction program code.

Concern about comparability.

Is there an option to send this back for more discussion/research and have it presented later? As opposed to "yay or nay" - do an "undecided"?

Several FPP members voted against the change, with no support. This failed..

For fund 19 - are districts allowed to charge indirect cost (overhead) rate to UPK activity? Or is this a question for CDEC (rather than CDE)?

4. Other Topics of Interest

- a. CASB
- b. CASBO - Thank everyone who came out of the conference last week. Lots of great Mark calendars for September 27 to 29 in Vail.
- c. CASE-DBO

- d. CGFOA - Audit 101 Webinar - June 7th This is a class that eavery year, Audit requirements every year, what you auditor may expect from you, best bractices on internal control. Really reasonable rate.
 - e. COCPA
5. Upcoming Meetings
 - a. Thursday, June 22, 2023
 6. Adjourn