



COLORADO DEPARTMENT OF EDUCATION

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June 18, 2012

TO: Superintendents, Chief Financial Officers

FROM: Leanne Emm, Assistant Commissioner, Public School Finance

SUBJECT: Sequestration: Preparing for a Possible Reduction in Federal Funds

The purpose of this letter is to inform Colorado local education agencies (LEAs) of the possibility that federal grants administered by the Colorado Department of Education (CDE) may be reduced due to the sequestration, or automatic budget cuts passed into law under the Budget Control Act in August 2011 for the 2012–2013 school and grant year. If Congress does not act by January 2, 2013 to avoid sequestration, estimates provided by Washington policy experts indicate that federal education spending may be cut by approximately \$4.1 billion nationally for 2012-2013, assuming that the Federal FY2013 funding levels are the same as FY2012.

It may be unlikely that any legislative action will occur until after the November elections since there is little incentive to pass legislation that may be overturned in the event of a different congressional makeup. But politicians on both sides of the aisle agree that cuts would be devastating politically. There is also pressure from advocates and industry –both public and private – that the level of cuts would have a very negative impact on the economy. However, the White House has instructed federal agencies to focus their efforts on repealing sequestration rather than on planning for its implementation. Therefore, federal agencies are providing little guidance at this point in time as to how these budget reductions would occur.

2012-13 NCLB and IDEA Allocations

Preliminary 2012-13 allocations for NCLB and IDEA grants have been posted on the website at: <http://www.cde.state.co.us/cdefisgrant/Allocations.htm> (bottom of the page). These amounts should be used to submit your 2012-13 budget applications.

Please keep in mind that these allocations do not factor in the possibility of funds being reduced through sequestration. Therefore, we urge districts to be cautious in their planning.

To assist LEAs in planning for the possibility of funding reductions, CDE has determined POSSIBLE sequestration amounts. These numbers are projections only and are meant to assist districts in planning and preparing for worst case scenario. Links to the potential amounts are below:

[NCLB Potential Sequestration Amounts](#)

NCLB projected sequestration amounts are based upon a 9% reduction to the allocations taking into account set asides and other assumptions.

[IDEA Potential Sequestration Amounts](#)

IDEA projected sequestration amounts are based upon a 9% reduction of the federal fiscal year 2013 advance funded appropriations.

Recommendations for 2012-13 Planning

As districts are planning budgets for 2012-13, districts should be conservative with their planning processes and develop different scenarios – one with no cuts and one that factors in potential reductions for all NCLB Title programs and IDEA based on the potential amounts listed in the links above. Districts may also want to consider any carry forward dollars from 2011-12 that may be used to offset any potential legislative actions that would pull money back mid-way through the next school year. Additionally, it is possible that sequestration will not apply to funds that are obligated as of the date sequestration takes effect, though there is no agency guidance to confirm this. Therefore, LEAs may want to consider obligating and contracting for funds received in the fall of 2012 prior to January 2, 2013 wherever possible; however, again, there is no guidance on this provision.

Next Steps

The Department will continue to monitor communication and any guidance that becomes available through the Office of Management and Budget (OMB) and the US Department of Education as to the effect sequestration may have on state allocations.

We remain hopeful that Congress will take legislative action prior to January 2, 2013 in order to alleviate any impacts that this legislation may have on states, districts and schools.

Contact Information

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