Colorado Department of Education

cde

Report of Findings & Recommendations

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An Examination of State and Federal Resources Allocated to the Colorado Department of Education

Review and Analysis Requested by the CDE, in Support of

FORWARD THINKING:
THE VOICE (AND FUTURE) OF THE COLORADO DEPARTMENT OF EDUCATION

April 2008

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About the authors

This Report of Findings & Recommendations, focused on the amounts of and flexibility attributable to State and Federal Resources allocated to the Colorado Department of Education (CDE), results from a collaborative undertaking by School Services of California, Inc. under contract to the Southwest Comprehensive Center at WestEd, and at the request of the Colorado Department of Education.

The approach used for this study reflects the background and experience of School Services of California, Inc. and the Southwest Comprehensive Center at WestEd who provided advice and feedback in the development of the report. Along with the research conducted specifically for this document, School Services of California has drawn from the organization's extensive expertise supporting the education community in California. Over the past 30 years, School Services of California has served as a respected fiscal advisor to California's education community. While School Services of California is a California-based company many of the staff have worked with state departments of education throughout the country providing assistance on school finance, organizational, and management issues. School Services of California has approached the work involved with this report by applying an objective research lens, but findings and recommendations are strongly informed by direct knowledge and experience in the education field.

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EXECUTIVE SUMMARY

Forward Thinking: The Voice (and Future) of the Colorado Department of Education establishes a comprehensive improvement initiative for increasing and strengthening the state system of support for schools and districts. *Forward Thinking* evolved from a concept statement developed by the Colorado Department of Education (CDE) Leadership Team that suggested practices "to create a purpose-driven and dynamic system of educational leadership, service, and support that relentlessly focuses on learning by **all** students." The concept statement was pivotal to the selection and expansion of the seven goals articulated in *Forward Thinking* and reflects the changing role and responsibilities of state education agencies (SEAs) nationally.

Spurred in part by the No Child Left Behind Act of 2001, current education policy identifies the state as leading improvement efforts aimed at increasing academic achievement. As such, SEAs are transforming their role as compliance monitors of federal programs to providers of support and assistance to districts and schools most in need. This change in role necessitates re-examination of CDE's organizational operations and resources.

How an agency uses its resources influences—and may determine—how effective its operations are. *Forward Thinking* Goal 5 "Make efficient, effective use of federal, state and private funds" was the basis for CDE's request of the Southwest Comprehensive Center at WestEd to examine resource alignment. Goal 5 puts front and center the overarching question: "How can CDE better utilize and leverage its state and federal resources to accomplish [state] goals taking into account those federal funds appropriated through the No Child Left Behind Act (NCLB) and the Individuals with Disabilities Act (IDEA) while at the same time maintaining sufficient federal resources to carry out federal mandates?"

Effective and efficient *use* of resources presumes that sufficient resources exist to achieve specific outcomes and accomplish an organization's high-priority work. While *Forward Thinking* elaborates on desired outcomes for the CDE, funding that can be directed in support of requisite endeavors is a critical building block. This report is intended to assist the CDE in better understanding its position relative to Goal 5. Based on (1) an analysis of fiscal, programmatic, planning, and staffing data provided by CDE; (2) feedback given by key CDE staff during interviews; and (3) collection of data from other states and independent research, the following essential findings emerge:

> ⸎ **CDE relies heavily on federal funding to support operations—far above the level of other states.** For example, the state of Maryland provides 1.6 times the amount of state funding to K–12 education than is provided by the state of Colorado. Yet, when the level of funding allocated for state education agency (SEA) operations is considered, Maryland provides $264.0 million compared to Colorado's $64.5 million. In other words, the

Maryland Department of Education receives 4.3 times the state funding that Colorado receives, which far exceeds differences in overall funding.

⊹ **Federal mandates—not departmental priorities—define the CDE due to its overreliance on federal funding to support operations.** Federal mandates largely determine how the CDE uses its grant funds and in effect defines the operational focus of CDE. Resources are fractured across units and projects, in the seeming absence of a deliberate plan. Furthermore, the CDE's ability to recover funding for overhead has been declining, in recent years, reaching the current low level of a 5.8% indirect cost rate. The drop in the rate has occurred, in part, because CDE lacks a cohesive plan for supporting its operations. When considering that certain states are permitted indirect cost rates as high as 15%, CDE's rate represents a critical constraint on the amounts assessed grants for operations. Reversing this decline is challenging because the lower CDE's permissible indirect rate becomes, the more CDE must restrict its overhead costs.

⊹ **CDE's budget is treated as a cash flow device—much like a checkbook—rather than as a statement of policy.** The existing budget structure and departmental reports cause budgetary line items to appear as moving targets, mirroring cash-flow accounting across multiple years. In other words, examining CDE's budget documents is similar to reviewing a checkbook register. It is easy to identify deposits and expenditures, but it is more difficult to gain a comprehensive fiscal outlook—and, consequently, the bottom line for the year in progress. Good budgetary information is critical in making efficient and effective use of resources. Without highly accurate, readily available information, reliance upon less sophisticated accounting systems and other forms of intelligent guessing may prevail, which rarely yield an optimal result.

These findings reflect CDE's current status and desired vision under *Forward Thinking*. However, a major challenge faced by CDE that needs to be considered above all else is the lack of available resources. Absent an increase in flexible funding for state operations—ideally in the form of General Fund support—changes could be made, yet their impact will be felt only at the margins of the CDE's ongoing responsibilities. While increasing funding requires external action, it is within the Department's control to take actions that transform its budget from an operating tool to a policy and decision-making statement. Below are specific recommendations, as next steps, to accomplish this aim:

⊹ **Use *Forward Thinking* as a budget alignment tool.** As a first step, CDE should ensure that key stakeholders are aware of and actively involved in planning to address findings and recommendations included in this report. In addition, as *Forward Thinking* objectives and actions are refined, consideration should be given to how all CDE resources support identified needs. Finally, CDE should also develop criteria and a process by which the Commissioner, SBE and CDE managers will evaluate future budget decisions. This could

include consideration of (1) what funding opportunities to pursue, (2) process for evaluating budget changes/requests, and (3) consideration of return on investment.

- **Increase budget transparency by improving reporting formats and content.** It would be helpful if CDE's budget were constructed in such a way that it clearly showed carryover funds proposed to be expended in the current year, but distinguishable from current-year grant awards. This would make transparent the reality that certain funds are available for one-time uses, while others are available for ongoing expenses. Planning for *Forward Thinking* Goal 5 should take into consideration information that unit and program managers need to make decisions and determine whether such reports are possible. One strategy used by some SEAs is to introduce a coding into the budget that identifies the goal served by the expense. The introduction of this type of coding may be difficult under the current budget systems, but it allows for consolidated reports that show how goals are served by actions. Such a system can be used to support progress monitoring.

- **Review and consolidate funding of positions.** Almost all CDE positions are funded with multiple resources. This reflects the broad spectrum of staff responsibilities and the need to piece together resources to fully fund a particular position. The high number of blend-funded positions necessitates departmental review to (1) ensure position funding is appropriate relative to responsibilities, (2) simplify and consolidate funding, and (3) create criteria for future decisions, based on policy. As CDE considers adjustments, it needs to be aware that federal funding generally cannot be used to replace state funding, which includes the funding of positions.

- **Build shared sense of responsibility among managers for the CDE budget.** The CDE budget is highly centralized under the current structure. Individual unit managers possess limited discretion over how resources are allocated and expressed varying degrees of ability to support effective resource management. CDE should develop a process that involves unit managers in budget development and budget management. It also should work to clarify the role and responsibilities of managers with respect to the budget. Finally, it is critical that position control and position management procedures be improved if managers are expected to understand how staffing decisions affect their units and the overall CDE budget. Making such improvements will eliminate or reduce the current disincentive to identify efficiencies. Under the present structure when efficiencies are discovered, savings are generally subsumed into the overall budget, rather than retained within the affected program unit for priority reallocation. The span of control for CDE executive management and unit managers needs to be clarified. Direction and decisions aligned with *Forward Thinking* are needed regarding roles and responsibilities of units and managers to monitor and support priorities.

🔹 **Invest and improve CDE management systems.** The CDE's technology infrastructure has not undergone major upgrades in many years. A separate study of CDE's data systems identified both system and hardware needs to improve financial and human resource planning, budgeting, and management systems. For instance, the current position control system has several weaknesses. Several staff noted that one reason the budget is difficult to manage is that there are a number of cumbersome steps required to fill positions and that learning the final disposition of a request and in filling a vacant position can span a lengthy period of time. Additionally, managers received requests to fund positions outside their units without a full understanding of whether the position meets the criteria of the funding sources. Investing in technologies that support efficient position control and budget management can improve this situation. Changes in policy and process are also needed to increase transparency, timeliness, and effectiveness of position control.

As the title implies, *Forward Thinking* addresses changes in the present to improve the future. As stated earlier, the overarching question tackled by this report was "How can CDE improve the effectiveness and efficiency of how resources are used?" The fact remains that while efficiencies and improvements can be made, ultimately additional resources likely are needed to support CDE operations if it is to fulfill its expanded role under state and federal accountability systems.

The options currently available to the CDE in terms of using funding flexibly or aligning resources to departmental priorities are limited. CDE is among the *lowest funded* of state education agencies when comparing total spending per student, proportion of state funding directed toward operations, and an increasing reliance on federal allotments. While federal funding may increase, such funding will continue to lack the flexibility that CDE needs to make the type of adjustments required to support the changes called for in *Forward Thinking*.

This is not to suggest that, absent more funding, some improvements cannot be made. As this report indicates, there are a number of steps the CDE can and should take to ensure that the budget is used as a decision-making tool. The budget is critical to each CDE team working together to implement *Forward Thinking*. While the recommendations offered in this report address *Forward Thinking* Goal 5, the changes needed to increase effectiveness and efficiency require attentiveness to available resources across all aspects of the strategic planning process.

INTRODUCTION

NCLB AND THE NEW SEA

The recent emphasis on standards-based accountability systems in K–12 Education has significantly changed the role and responsibility of the state education agencies (SEAs). Currently, SEAs are expected not only to set standards and design and implement systems of assessment and accountability, but also to provide support and assistance to districts and schools to meet academic expectations. Current federal law places SEAs in a role to lead school improvement efforts. As a result, *state agencies that oversee elementary and secondary education are undergoing an unprecedented transformation in their approach to implementing federal programs, spurred in part by the No Child Left Behind Act (NCLB). In many cases, state education agencies (SEAs) are shifting from a traditional focus on monitoring districts' compliance with federal mandates to a new focus on designing a comprehensive education system that will bring all students to academic proficiency by 2013–14."* [1]

States, and specifically, SEAs have historically played a very distinct and focused role as principle compliance monitor over public schools. They have been tasked with interpreting and enforcing policies established by Congress and state legislatures. In addition, they have focused attention on facilitating data collection in partnership with district policymakers and school-level practitioners (Hannaway & Woodroffe, 2003; Lusi, 1997). Yet, under high-stakes accountability systems, the SEA's role is evolving. SEAs are increasingly required to provide direct support and technical assistance to districts and individual schools to help them build capacity for meaningful change that will improve academic outcomes. The emerging and expanding role of SEAs is especially apparent in the lowest performing schools (Sunderman & Orfield, 2006). [2]

Barring a major reshaping of the architecture of NCLB/Elementary Secondary Education Act in its next re-authorization, state education agencies will continue to fulfill an expanded, and mostly underfunded, role of providing support to under-performing districts and schools. As a result, state education agencies face a policy implementation challenge leading to the question: How can states provide viable and meaningful support to under-performing districts and schools within current policy and resource constraints? Answering this question becomes increasingly difficult when considering that state education agencies (and the people who make decisions

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[1] Angela Minnici and Deanna D. Hill, *Educational Architects: Do State Education Agencies Have the Tools Necessary to Implement NCLB?* ed. Nancy Kober (Center on Education Policy, May 2007), p. 1.

[2] Lauren Morando Rhim, Bryan Hassel, and Sam Redding, "State Role in Supporting School Improvement," Sam Redding and Herbert J. Walberg, ed., *Handbook on Statewide Systems of Support* (Center on Innovation & Improvement, 2008), p. 22.

within those agencies) function within a state of heightened urgency and increased pressure to intervene on the behalf of students.[3]

As the Colorado Department of Education (CDE) works to adapt to the changing role and responsibilities of SEAs, there are a number of areas that Commissioner Dwight Jones has identified as needing focused attention. He has specifically identified a need to better leverage federal, state, and other funding to support key priorities, strengthen CDE's role in leading improvement efforts, and ensure efficient and effective operations. CDE, like most state departments of education, relies primarily on a combination of federal and state funding to support its operational needs. Given that there are approximately two dozen funding streams supporting CDE operations—most of which have restrictive requirements—it is challenging to evaluate (1) whether the way resources are being spent is optimal and aligned to CDE goals and (2) what, if any, flexibility exists within the budget to support new initiatives or modify current practices. A noted concern with CDE's budget is that it may lack sufficient transparency to inform strategic decisions. It is, after all, difficult to make decisions about what to improve if the status quo is unclear.

For these reasons, the CDE requested that the Southwest Comprehensive Center at WestEd complete an examination of the State and Federal Resources currently allocated to the CDE to help the department assess and identify opportunities to increase alignment between available resources and the CDE's highest-priority goals.

Forward Thinking

Shortly after taking office, Commissioner Jones shared a vision for public education captured in *Forward Thinking: The Voice (and Future) of the Colorado Department of Education.* The seven goals identified within *Forward Thinking* are intended ultimately to increase and strengthen the state system of support for schools and districts. One goal specifically addresses the efficient and effective use of resources:

> Goal 5: Make efficient and effective use of federal, state and private funds to answer the overarching question—"How can CDE better utilize and leverage its state and federal resources to accomplish [state] goals taking into account those federal funds appropriated through the No Child Left Behind Act and the Individuals with Disabilities Act while at the same time maintaining sufficient federal resources to carry out federal mandates?"

The purpose of this study is to contribute to the CDE's ability to analyze and take action to implement changes that address this goal.

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[3] Bret Lane, "Commentary: Policy to Reinforce Changing State Role," Sam Redding and Herbert J. Walberg, ed., *Handbook on Statewide Systems of Support* (Center on Innovation & Improvement, 2008), p.10.

Study Scope and Objectives

Commissioner Jones asked the Southwest Comprehensive Center at WestEd to assist the CDE in determining the latitude the state education agency (SEA) has in targeting its federal, state, and other allotments, taking into account both enabling legislation and prospects for flexibility in allocating resources, by:

- Examining funding currently overseen by the CDE in a formal and impartial way

- Identifying state and federally allotted resources offering the greatest potential for flexibility in budgeting across legislated purposes and in supporting the highest priority educational innovations

- Identifying strategies used by other SEAs that the CDE might effectively employ

- Preparing a Matrix of Available Funding (see Appendix B) that can be used to better understand funding that is available to CDE and how it may be used

- Assisting the CDE in determining how federal, state, and private funds might best be "reallocated" to create a blended and needs-based model where discretionary dollars follow the highest priorities in terms of statewide academic successes for all children

- Engaging in discussions with CDE executive and management team members, as the SEA makes decisions regarding levels of support extended to departmental units and leveraging of staff salaries

- Presenting findings and recommendations in writing and through formal presentations to CDE executive and management team members, and other stakeholders

Findings and recommendations in response to each of the previously listed activities are addressed in this report.

METHODOLOGY

The information presented in this report reflects independent analyses and objective, unbiased feedback intended to support the CDE's ongoing planning related to *Forward Thinking*. Following are the key activities that contributed to the preparation of this report.

- *Developed Prospectus in Consultation with Commissioner.* A formal project prospectus was prepared by the Southwest Comprehensive Center to clarify the scope and objectives for this undertaking. The final prospectus reflected input from the Commissioner and has been used by School Services of California, Inc., (SSC) to guide the work. (See the Introduction for an overview of the project prospectus under "Study Scope and Objectives.")

- *Examined CDE Fiscal and Programmatic Data.* A formal data request was provided to CDE staff, which detailed the specific fiscal, staffing, planning, and programmatic data required for this endeavor. The CDE submitted the requested data and it was reviewed to inform further analysis.

- *Interviewed Key Staff at the CDE.* Representatives from the Southwest Comprehensive Center at WestEd and SSC interviewed more than 30 CDE staff—mostly program/unit managers—during a two-day visit (December 6–7, 2007). The interviews provided an opportunity to discuss (1) how resources are currently managed, (2) major activities supported by units, and (3) existing structures that affect program and fiscal planning and management. Following this visit, additional interviews with CDE staff were made as needed. (See Appendix A for a list of units that participated in these interviews.)

- *Completed Independent Research.* Fiscal data from a sample of other state departments of education was collected for comparison purposes. The sample was selected primarily based on similarities to Colorado based on population, governance model, funding level per student, and demographic characteristics. (See Appendix B for a detailed state comparison.) In addition, the sample also includes states that had been referenced by CDE as possible models of change.

- *Analyzed Data to Prepare Report.* All collected data and information were analyzed using quantitative and qualitative research techniques to address the scope of work identified in the project prospectus. Findings and conclusions included in this report are based on a triangulation of such data and information.

FINDINGS

State agency budgets are complex by nature in large part because there are different types of funding that collectively comprise the budget. While SEAs are generally supported by most of the same types of funding allocated to local educational agencies (LEAs), the breakdown between unrestricted and restricted funding is dramatically different in these two settings. For instance, the average LEA receives a majority of funding in the form of unrestricted state and local revenues. By comparison, most SEA budgets are comprised primarily of "restricted" funding streams.

The rules and requirements associated with restricted resources can be daunting and pose unique challenges to the identification of resources sufficient to support new initiatives or changes in focus and direction. In considering how the Colorado Department of Education (CDE) can support improvements that will result in the more effective and efficient use of resources, there are several overarching and intertwined findings that underlie the challenge involved with categorizing new resources and/or redirecting existing resources toward new initiatives.

> ↓ **CDE relies heavily on federal funding to support operations—far above the level of other states.**
>
> ↓ **Federal mandates—not department priorities—define the CDE due to overreliance on federal funding to support operations.**
>
> ↓ **CDE's budget is treated as a cash flow device—much like a checkbook—rather than as a statement of policy.**

The above findings are substantiated and expanded upon with data organized around four research questions:

1. What is the extent of operating funds within the CDE's budget and how does that compare to other states?

2. How are resources used by the CDE?

3. What, if any, flexibility exists within the CDE budget?

4. How can CDE resources be aligned to support the goals and objectives included in *Forward Thinking*?

While each question stands alone, they also build on one another in sequence, with the answers to one question providing information that informs the next.

Comparisons and Context

Before there can be an assessment of changes to increase alignment of resources with priorities, it is first necessary to comprehend the CDE budget. This section of the report includes an overview of the CDE's budget and contextual information about the budget that informs later sections. Additionally, comparisons to other state education agencies provide a measure against which the level and types of funding available to CDE to support its operations may be evaluated.

WHAT IS A BUDGET?

Budgets take many forms and serve various purposes. In their simplest form, budgets are proposed plans for revenues and expenditures. In their optimum form, budgets serve as policy documents that reflect the philosophy of the agencies and communities they support. They can also serve several important management and communication needs: (1) a financial plan that shows where the agency has been and where it is headed, (2) an operations guide that informs administrative decisions and actions throughout the year, and (3) a communications device to share with stakeholders a sense of priorities, strengths, and challenges.

The objectives within *Forward Thinking* related to the budget call for propelling it from an operational document that meets accounting standards to a serious policy document that informs decision making and supports accountability. Budget transparency, currently an area of weakness at CDE, is key to making this shift. The existing budget structure and reports make it appear that the numbers within the budget are moving targets because they reflect an accounting of cash flow across multiple fiscal years. In other words, the CDE's budget documents are similar to reviewing a checkbook register. It is easy to identify deposits and expenditures, but it is more difficult to see the outlook—and consequently the bottom line—for the year in progress.

AN OVERVIEW OF CDE'S BUDGET

The following budget overview is based on examinations of detailed fiscal information and formal interviews of key CDE staff. There are approximately two dozen funding streams, mostly federal programs, which comprise the CDE's revenues. These various resources in 2007-08 total $4.1 billion in state and federal funding for K-12 education[4]—as shown in Figure 1, 75.3% from the General Fund, 12.5% from special funds, and 12.2% from federal sources. Of this amount, approximately $61.5 million was designated to support CDE's operations, or 1.5% of total state and federal funding.

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[4] An additional $1.7 billion in local funding is provided, which brings the total K-12 education support budget to approximately $5.8 billion.
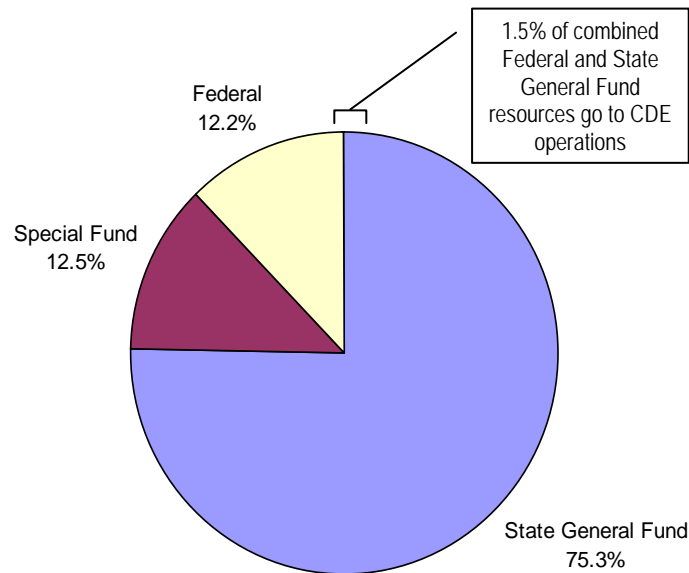
Figure 1: 2007-08 Colorado State Education Budget Overview

While the majority of funding for K-12 education is from the General Fund, when funding for state operations is isolated, the breakdown is dramatically different. (Appendix C includes a detailed breakdown of how funding supports individual programs within CDE.) In 2007-08, the General Fund supported approximately 25% of CDE's staff; the remaining 75% were primarily funded from federal sources.

Such heavy reliance upon federal funding to support state education operations is common, but Colorado's level of federal support is significantly above that of comparable states.

COMPARISONS TO SIMILAR STATES

Table 1 provides a comparison between CDE and several other states based on the breakdown in revenues, expenditures, and operating resources by type.[5]

Most SEAs rely heavily on federal funding to support operating costs, but as shown in Table 1, the CDE stands out among comparison states. Most other states reported receiving, on average, two-thirds of their operating budget from the state General Fund. By comparison, just over one-half of the CDE's operating budget comes from the General Fund.

The CDE is also among states with the smallest relative state investment in SEA operations. Colorado's 2007-08 state budget allocated 1.5% of the K–12 Education budget for operations.

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[5] The comparison states were selected based on several factors that included similarity in size, governance structure, funding levels, and student demographic characteristics.

By comparison, most of the other states exceed this level of relative support by some two to three times. Consider for example, like CDE, Maryland's State Department of Education operations are funded predominately by federal sources. Maryland provides 1.6 times the amount of funding for K–12 education[6] that Colorado does, yet when the level of funding provided for operations is compared, the Maryland SEA receives $264.0 million compared to Colorado SEA's funding level of $64.5 million. In other words, the Maryland SEA receives 4.3 times the level of funding as Colorado, which far exceeds the differences in total funding for K-12 education overall. A similar trend is observed for most other comparison states.

	K–12 Revenue			K–12 Expenditures		SEA Operating Budget	
	State	**Federal**	**Other**	**Local Assistance**	**SEA Operations**	**State**	**Federal/ Other**
Colorado	**87.9%**	**12.1%**	**0.0%**	**98.5%**	**1.5%**	**54.8%**	**45.2%**
Indiana	80.8%	19.2%	0.0%	99.1%	0.9%	58.5%	41.5%
Kansas	54.1%	6.3%	39.6%	99.1%	0.9%	41.5%	58.5%
Louisiana	52.1%	22.3%	25.6%	97.3%	2.7%	65.1%	34.9%
Maryland	84.8%	15.0%	0.2%	95.9%	4.1%	44.9%	55.1%
Minnesota	69.7%	6.6%	23.7%	98.7%	1.3%	45.8%	54.2%
South Carolina	60.2%	18.8%	21.1%	94.7%	5.3%	78.4%	21.6%
Ohio							

Table 1: 2007-08 State Education Agency Budget Comparison, Southwest Comprehensive Center 2008

The relatively limited amount of non-federal resources available to support CDE's operations imposes constraints that make it difficult to increase the aggregate of available operating resources. To illustrate this point, consider the following. CDE is allowed to assess awarded grants an "indirect," which provides a source of support for CDE overhead expenses that are not otherwise recoverable.[7] The methodology used to calculate an indirect rate is based on review of administrative and overhead costs the SEA incurs. Given CDE's limited amount of available resources to

What is an indirect rate and why does it matter?

Each year the federal government calculates a rate that SEAs may "charge" grants as a means to recover overhead or operating costs. This would include anything that is not a direct charge to a grant. Examples of overhead or operating costs include operations within the Commissioner's office, grant management, and facility expenses. Indirect rates are unique to each agency and based on how much money is spent to support operations. Typically an agency that has less discretionary funding, usually in the form of state funding to support operations, will have a lower indirect rate because there is simply less funding available to support operations. When there is less to support operations, there is less that can be recovered from grants because of the lower indirect rate. The ability to recover an indirect charge from grants is important to SEAs because it helps offset costs to maintain operations. SEAs with relatively low levels of state investment, such as CDE, can get caught in a vicious cycle that results in a frustrating drop in the indirect rate simply because there is less discretionary funding to leverage.

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[6] Maryland provides more funding per pupil than Colorado. According to data from the US Census Bureau, in 2004-05, Maryland provided $9,815 per student compared to Colorado's $7,730 per student. In addition, Maryland serves approximately 10% more students than Colorado. Together, these factors explain why Maryland spends more overall than Colorado for K-12 education.

[7] The way in which the state of Colorado handles indirect funding is rather unique when compared to other states. The state claims all indirect funding into the state General Fund and then the Legislature appropriates to CDE a portion of the indirect funding that is recovered from grants for use to support part of CDE's operational expenses. This structure allows the state maximum flexibility to direct the funding based on budget and legislative priorities.

support overhead, its permissible indirect rate has been declining, reaching a relatively low current level of 5.8% for 2007-08. When considering that some states have permissible indirect rates of more than 15% (see Figure 2), the CDE's rate places a significant constraint on how much it can recover from grants to support operations.
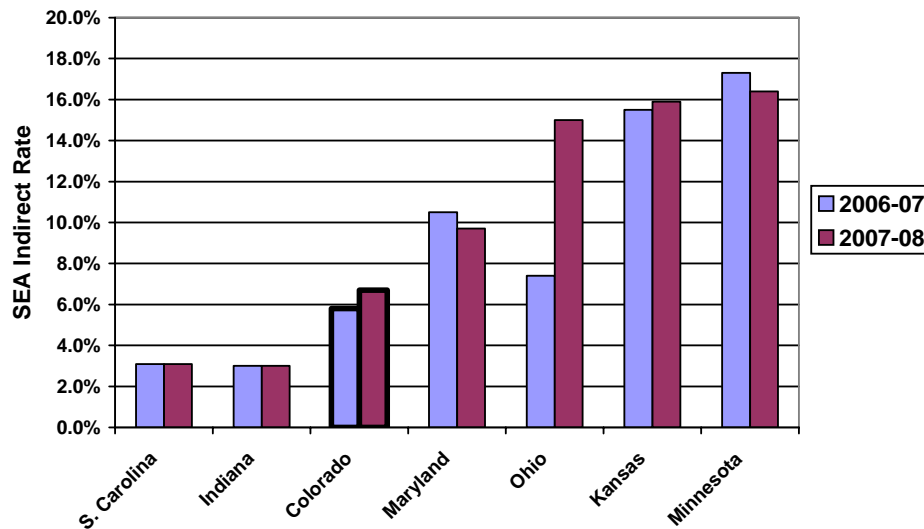
Figure 2: State Education Agency Indirect Cost Rate Comparison, Southwest Comprehensive Center 2008

Reversing this trend is challenging because the lower the indirect rate, the more CDE must contract its overhead costs, leading to a lower rate calculation each time the indirect rate is recalculated since it is based on actual expenditures. Figure 3 shows how the CDE indirect rate has fallen in recent years. Given how the state of Colorado handles indirect funding, declines in the indirect rate impact CDE's ability to support operations and, as noted above, can affect subsequent years if CDE cuts cost as a result of a lower appropriation from the state.
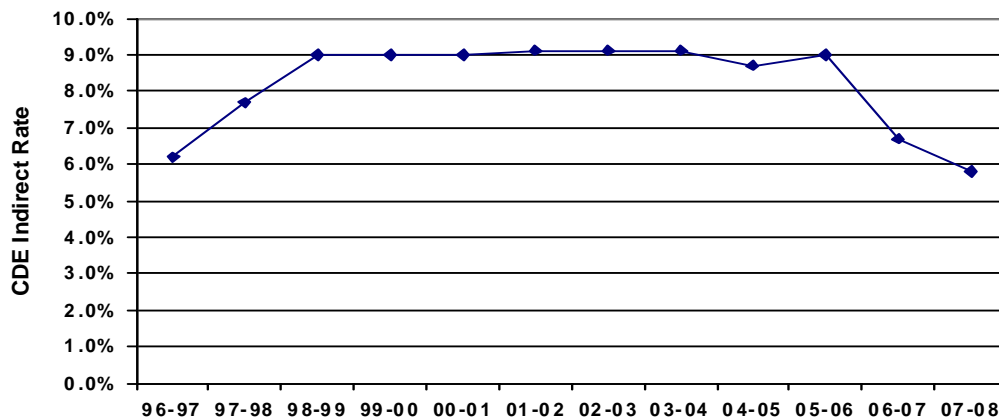
Figure 3: Colorado Department of Education Indirect Rate History, 1996-97 to 2007-08

Another consequence of the relatively low level of state funding is that CDE is limited in its ability to pursue federal and foundation funding that may require a state match. State funding to CDE primarily supports school finance, audits, accounting, and information management—all functions that cannot be diverted to grant or program support without noticeably impacting CDE's ability to fulfill its management responsibilities. As a result, when cash or in-kind matches are required, the CDE is unable to pursue such funding. In other words, the CDE has fully leveraged its available resources.

Money matters when it comes to the ability to support an effective and efficient operation. CDE's state funding is well below that of other SEAs, and its reliance on federal funding is well above most SEAs. The relatively low level of state funding provided to support CDE operations serves as a constant and significant constraint on CDE's ability to pursue new initiatives and funding.

Current Funding Use

As noted earlier, approximately two-dozen funding streams support CDE's operating budget, most of which are federal in nature. Overall, the manner in which CDE uses its grant funds is primarily driven by required mandates and within the allowable uses of each grant. Appendix C provides a detailed overview of the manner in which CDE uses each of the individual funding streams to support CDE operations.

In reviewing how CDE uses grant funding to support operations, it was found that most grants support multiple operating units. For instance, special education funding is distributed across six units, Title I funding supports five units, and the $7.6 million in available general fund support and indirect is distributed throughout the department, providing support to 28 units. In addition, almost all positions funded by CDE are funded with multiple funding sources. It is estimated that nearly 90% of positions are funded with more than one resource. While efforts are made to ensure that the funding is used within the mandates of the grant, there does not appear to be a systematic process for determining the way positions are split-funded. Funding splits reflect a decision to meet an immediate need and maintain a position rather than a strategic decision.

Individual managers understand portions of the program budgets for which they are responsible; however, managers have little comprehension of the impact of funding across units. In its current form, the budget appears to reflect incremental needs rather than an overall strategy. Based on comments from staff and examination of the fiscal details, the budget is a product of happenstance rather than design. The CDE staff that participated in formal interviews was very responsive and demonstrated a high degree of understanding and competency. These individuals perform their jobs to the best of their abilities, but there are constraints on the budgets and programs they manage. Some of these constraints are imposed by federal and state policies and regulations, but there are also some that result from CDE's structure and culture.

Budget Flexibility

State agencies that rely on grant funding to support operations quickly realize that not all dollars are created equal. Grants fund specific purposes, which inherently places some degree of limitation on how funds may be used. There are at least three factors that determine whether and how budget flexibility can be applied:

- *Availability*—The first factor is presence of funding. Funding must be available before any consideration can be made of whether funds can be used in one way over another. In absence of available funding, thinking about flexibility is simply a theoretical exercise. Available funds can be either unallocated (i.e., not designated for a particular purpose) or reallocated (i.e., redirected from a prior use).

- *Conformity*—Once funds and funding purposes have been identified, an agency needs to evaluate whether potential uses conform to rules, regulations, enabling legislation, state statutes, and organizational policies and protocols. Such scrutiny applies to both the type of proposed expense (e.g., funding may need to target a specific type of student, such as special education) and the way that funds will be used (e.g., most federal funds must "supplement, not supplant").

- *Authority*—The final factor involves being in a position of authority to direct the use of available resources.

Few CDE resources exist that are authentically "flexible" because most funding is committed, which means it's unavailable unless redirected from existing purposes. Considering that the CDE's use of most resources is dictated by federal mandates, it is unlikely that resources can be redirected without jeopardizing compliance with grant requirements. In cases where funding appears available (i.e., current year budget balances appear in reports), most is already committed to support costs yet to be incurred or to be incurred at the beginning of the following year.

Assuming that funds could be identified, another significant barrier to flexibility is the need to conform with laws and regulations associated with funding. Generally, federal funds can only be used to provide supplemental or extra support. This means that funds cannot be used to offset existing expenditures and must clearly be new costs. Additionally, most funding received by CDE is for specific purposes. The relatively small General Fund allotment is almost fully committed to overhead.

Finally, given the current structure for managing resources, there are times when the authority to make adjustments is at the cabinet level and other times where it resides with individual program managers. It was shared during interviews that it is not always clear where the authority resides,

and the lack of budget transparency makes it difficult for those with authority to see the larger consequences of actions to redirect funding.

The bottom line for CDE is that, unless and until CDE receives an increase in discretionary funding from either state or private sources, it will be limited in the amount of flexibility that can be exercised to support priorities. In many cases, it is not an option to redirect existing resources due to the need to continue to comply with state and federal requirements.

Resource Alignment

Organizations that rely heavily on federal entitlements to support operations tend to be reactive to money rather than proactive and selective. Often a culture emerges where the scarcity of resources makes any potential dollar look like a necessary dollar. Problems or distractions from agency mission emerge when such funding does not complement the work of the organization.

Organizations that tend to react to funding tend to "budget on the margin." *Forward Thinking* presents, instead, a comprehensive and bold vision that calls for a proactive rather than reactive approach to budgeting. It challenges the CDE to align resources to strategic goals and approach funding with an eye toward efficiency and effectiveness.

CDE's current budget is developed as an operating document rather than a strategic plan. Under the current structure, the "big picture" of the budget is hard to see because of the way individual budgets have been created and are managed. Individual managers understand their piece of the budget, but there is an absence of a larger plan. *Forward Thinking* is a "big picture" plan that will require rethinking the budget from a strategic perspective. Furthermore, another change that is necessary is to move from managing the budget as a cash flow plan to managing it as a policy document. It is currently difficult to draw a strategic tie between resources and their use. It is also hard to identify what exactly is available or committed to future use because the budget reflects cash flow. A budget that serves as a policy document has several characteristics. It:

- Is goal oriented.

- Is dynamic and responsive to departmental priorities.

- Guides decision making rather than static choices.

- Is transparent and understandable.

During the interviews with key CDE staff, there was a general agreement that *Forward Thinking* offered a positive shift for the CDE; however, the depth and breadth of how it will alter CDE's operations was less clear.

Because of a lack of discretionary (uncommitted) resources, CDE may make plans to initiate change, to the extent funding is required for such changes, but the department will find it hard to proceed without ascertaining funding purposes. Appendix C provides a matrix that maps the goals in *Forward Thinking* and aligns them to major funding sources currently available to the CDE. The matrix shows that, for most goal areas, multiple resources within CDE may support the type of activities that emerge. While funding sources can be identified that may support *Forward Thinking*, funding is generally not unallocated and redirection can be a challenge. Note that efficiencies are gained by planning for resources in a coordinated rather than piecemeal fashion. Currently, the budget is divided into several parts that individuals or operating units understand, but there is limited connection to the larger context.

RECOMMENDATIONS: PLANNING FOR IMPROVEMENT

The report offers reflections of CDE's current status and desired vision under *Forward Thinking*. A major challenge to be considered above all else is the lack of available resources. Absent an increase in funding for state operations, ideally in the form of increased General Fund support, changes can be made, but their impact will be limited since federal and state grant requirements largely define how existing funds may be used. Comparisons to similar SEAs provide a compelling argument that additional state funding for operations would bring the CDE on a par with other SEAs and provide essential resources, supporting movement toward a strategically focused and well-aligned budget.

Given the multitude of demands in any state for limited resources, requests to increase the operating budget of a SEA must compete with other agencies such as health care, higher education, and corrections. There is also a tendency to consider spending for operations an optional rather than a compulsory part of supporting the delivery of quality instruction. If CDE is to take a bold step forward in how it plans, additional resources are needed to facilitate the change. Engaging state policymakers in a discussion will require building a compelling case that clearly demonstrates the benefit to the state and LEAs as a result of potential increases in the level of investment.

Comparisons to other states clearly show that CDE stands apart for its heavy reliance on federal funding, which leaves it constrained by federal mandates, rules, and regulations. CDE's lack of flexible resources has meant systems, such as information management, financial management, and other data systems, which support efficient operations, have been put on hold and remain unaddressed. Efficiencies can be gained by retooling. Others require an investment of time and resources. Current CDE structures and technologies for position control, budget oversight and management, and data analysis are labor intensive and do not yield consistent and high-quality

information from which to make decisions. Since federal funding cannot generally be used for most agencywide, system-related upgrades, that leaves state or private funding as the only viable option. Seeking additional funding requires external action. CDE can take actions to transform its budget from an operating tool to a policy document that directs decisions. The following specific recommendations are offered based in response to the conditions observed at CDE (See Appendix E for supporting details):

- **Use *Forward Thinking* as a budget alignment tool.** As a first step, CDE should ensure that key stakeholders are aware of and actively involved in planning to address findings and recommendations included in this report. In addition, as *Forward Thinking* objectives and actions are refined consideration should be given to how all CDE resources support identified needs. The matrix provided in Appendix D may add some structure to this aspect of departmental planning. Finally, CDE should also develop criteria and a process by which the Commissioner, SBE and CDE managers will evaluate future budget decisions. This could include consideration of (1) what funding opportunities to pursue, (2) process for evaluating budget changes/requests, and (3) consideration of return on investment.

- **Increase budget transparency by improving reporting formats and content.** It would be helpful if CDE's budget were constructed in such a way that it clearly showed carryover funds proposed to be expended in the current year, but distinguishable from current-year grant awards. This would make transparent the reality that certain funds are available for one-time uses, while others are available for ongoing expenses. Planning for *Forward Thinking* Goal 5 should take into consideration information that unit and program managers need to make decisions and determine whether such reports are possible. One strategy used by some SEAs is to introduce a coding into the budget that identifies the goal served by the expense. The introduction of this type of coding may be difficult under the current budget systems, but it allows for consolidated reports that show how goals are served by actions and such a system can be used to support progress monitoring.

- **Review and consolidate funding of positions.** Almost all CDE positions are funded with multiple resources. This reflects the broad spectrum of staff responsibilities and the need to piece together resources to fully fund a particular position. The high number of blend-funded positions necessitates departmental review to (1) ensure position funding is appropriate relative to responsibilities, (2) simplify and consolidate funding, and (3) create criteria for future decisions, based on policy. As CDE considers adjustments, it needs to be aware that federal funding generally cannot be used to replace state funding, which includes the funding of positions.

➕ **Build shared sense of responsibility among managers for the CDE budget.** The CDE budget is highly centralized under the current structure. Individual unit managers possess limited discretion over how resources are allocated and expressed varying degrees of ability to support effective resource management. CDE should develop a process that involves unit managers in budget development and budget management. It also should work to clarify the role and responsibilities of managers with respect to the budget. Finally, it is critical that position control and position management procedures be improved if managers are expected to understand how staffing decisions affect their units and the overall CDE budget. Making such improvements will eliminate or reduce the current disincentive to identify efficiencies. Under the present structure when efficiencies are discovered, savings are generally subsumed into the overall budget, rather than retained within the affected program unit for priority reallocation. The span of control for CDE executive management and unit managers needs to be clarified. Direction and decisions aligned with *Forward Thinking* are needed regarding roles and responsibilities of units and managers to monitor and support priorities.

➕ **Invest and improve CDE management systems.** The CDE's technology infrastructure has not undergone major upgrades in many years. A separate study of CDE's data systems identified both system and hardware needs to improve financial and human resource planning, budgeting, and management systems. For instance, the current position control system has several weaknesses. Several staff noted that one reason the budget is difficult to manage is that there are a number of cumbersome steps required to fill positions and that learning the final disposition of a request and in filling a vacant position can span a lengthy period of time. Additionally, managers received requests to fund positions outside their units without a full understanding of whether the position meets the criteria of the funding sources. Investing in technologies that support efficient position control and budget management can improve this situation. Changes in policy and process are also needed to increase transparency, timeliness, and effectiveness of position control.

CONCLUSION

As the name implies, *Forward Thinking,* is concerned about making changes in the present to improve the future. The current expanding role of the state from a compliance-oriented organization to a service-oriented organization aligns with the history of U.S. education policy in which state, not federal, constitutions recognize education as a public interest. NCLB shines a spotlight on state systems of support that represent the evolution of states' responsibility to provide high quality public education to all of its citizens. (Rhim, Hassel & Redding 2008)

The overarching question tackled by this study was, "How can CDE improve the effectiveness and efficiency of how resources are used?" The blunt fact of the matter is that, while there are some options to make improvements, substantial changes to propel CDE forward require additional investment that allows CDE a degree of discretion in how the resources are used. The options currently available to CDE to flexibly use funding or align resources to priorities are quite frankly limited not by imagination or need, but by the fact that CDE is among the lowest-funded state educational agencies when comparing total spending per student, the proportion of state funding directed to support state educational agency operations, and reliance on federal funding. While federal funding may increase, such funding lacks the flexibility that CDE needs to make the type of adjustments required to support the type of system change called for under *Forward Thinking*.

This is not to suggest that, absent more funding, some improvements cannot be made. As this report indicates, there are a number of steps CDE can and should take to ensure that the budget can be used as a decision-making tool. The budget as an understandable, informative tool is critical to each of the teams that have come together to plan for *Forward Thinking.* The recommendations offered in this report address *Forward Thinking* Goal #5, but, in reality, the changes required to increase the level of resource effectiveness and efficiency requires attentiveness to the budget across all aspects of planning.

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Appendix A – List of Units Interviewed for this Report

Competitive Grants

English Language Acquisition Support

Exceptional Student Support

Executive Management

Federal Programs

Grants Fiscal Management

Literacy Support

Management Services

Regional Services

Standards Support

Assessment Support

State Library

School Finance

Appendix B – Comparison States

State	# Students[a]	Expenditures per Pupil[b]
Colorado	775,000	$7,730
Indiana	1,041,000	$8,798
Kansas	469,000	$7,706
Louisiana	723,000	$7,605
Maryland	868,000	$9,815
Minnesota	844,000	$8,662
Missouri	913,000	$7,717
Ohio	1,832,000	$9,260
South Carolina	714,000	$7,555

Sources and Notes:

[a] Enrollments: Projections of Education Statistics to 2016, Table 4, NCES 2008-060, Dec. 2007.

[b] Public Education Finances 2005 (Figure 4 and Tables 1, 5, and 8), US Census Bureau, April 2007.

Appendix C – Resource Matrix

Colorado Department of Education
Resource Matrix: Current Resources and Their Uses

The following table provides an overview of CDE's current resources based on 2007-08 budget information (as reported December 2007). It also describes how the resources are currently used by CDE and offers comments regarding the ease with which adjustments may be made given the current situation surrounding their utilization. This document is intended to complement the "Forward Thinking Matrix" and explanatory documents, which collectively address the question, "How can CDE improve the management of its existing resources to support the goals and objectives of Forward Thinking?"

Resource	ID	Total Budget	$ for CDE Operations	% Retained for CDE Operations[8]	FTE	# Units Supported	Current Use	Comments
State General Fund and Indirect	010 and 020	$7.65 million	$7.65 million	100%	78.0	28 [All units]	• Supports Commissioner, Deputy Commissioner, State Board, school finance, school audit, data and research, and partial support for many other units of operation including but not limited to regional support teams, information management, GATE, communications, library, assessment, and special education. • Limited to no flexibility absent identification of resources to offset.	This is in theory the dollars that the CDE can use with the greatest flexibility, but given the limited amount of state funding available at CDE, state funding has been used as the mortar to fill the cracks; absent increases in state funding it may be difficult to redirect these resources.

[8] The variation in the "% Retained for CDE Operations" is generally related to the rules associated with the grant (i.e., some grants limit the amount that may be used to support operations), the size of the grant (i.e., larger grants tend to have a smaller amount of funding set-aside for operations as a percent of the total because the marginal cost to support the program needs is lower for larger grants), and/or CDE's service role with respect to the program (for instance, in the case of Licensure 100% of the funding goes to support operations because CDE is in a direct service provider role versus serving primarily as a fiduciary agent or compliance monitor as is the case with Title I and Special Education).

Resource	ID	Total Budget	$ for CDE Operations	% Retained for CDE Operations[8]	FTE	# Units Supported	Current Use	Comments
Special Education	23X	$137.2 million	$2.4 million	1.72%	44.78	6	• Federal law (IDEA 2004) mandates services that states must support for students identified with disabilities; in addition, the state must monitor local implementation of special education services. • 18.8 FTE support program administration at CDE, 26.0 FTE provide state-level direct services • As the categorical resource with the largest operating budget, it is viewed as one of the few programs that has resources available; hence it has been called to support a number of initiatives and projects throughout the CDE as evidenced by the number of units supported.	It is difficult to make adjustments to special education funding for the following reasons: (1) fulfilling federal and state mandates make it difficult to alter program model and services and (2) federal law requires states to demonstrate "Maintenance of Effort" year-to-year, which generally prohibits reductions in state and local funding effort; Federal funding for special education has grown faster than state funding, hence this resource has been drawn on for marginal program increases in other areas.

LSTA	16X	$2.57 million	$1.98 million	77.3%	21.37	1	• Supports several state level library and publication services with combination of state and federal resources.
							  - Talking Book Library
							  - State Publications
							  - Virtual Library
							  - Support for library development and state institutions
								Federal LSTA funds require a state-level match. Currently Colorado is meeting the minimum level of required match for the grant level received. For the state to increase federal resources for libraries it will need to increase state support absent changes in federal program rules.

Licensure/ Certification	293	$1.65 million	$1.65 million	100%	19.0	1	• Supports licensing and monitoring of teaching and administration certification.	Fees are designed to be revenue neutral and cannot be increased without legislative approval.

Resource	ID	Total Budget	$ for CDE Operations	% Retained for CDE Operations[8]	FTE	# Units Supported	Current Use	Comments
							• CDE annually authorized by legislature to charge fees, currently at $60 per educator for a one-year certification.	
Reading First	20X	$10.55 million	$2.11 million	20%	16.75	2	• Supports grant administration, (1.05 FTE), training (8.1 FTE), and technical assistance (7.6 FTE).	Future of Reading First is unclear; the is a possibility that funding may expire within one to two fiscal years; CDE may need to redirect staff, eliminate positions, or identify new funding to maintain program support.
Title I	40X	$123.93 million	$1.50 million	1.2%	12.67	5	• Federal funding intended to provide compensatory support targeted towards low performing students. • Funds are used to support a variety of units within CDE including regional support providers, grants fiscal management, information management, and special services.	While the general uses of Title I funds by CDE appear consistent with program objectives, there is a lack of coherent focus and planning; the funds have been used to fill needs as they arise rather than based on a strategic focus; possibility exists that more funds could be available to support CDE administration and/or CDE initiatives, but absent additional funds this would require redirection from existing activities.

Resource	ID	Total Budget	$ for CDE Operations	% Retained for CDE Operations[8]	FTE	# Units Supported	Current Use	Comments
State Assessments	75X	$7.57 million	$1.01 million	13.4%	9.64	4	• Ensures that state level assessments are administered, results reviewed and monitored, and reports prepared to meet state and federal accountability requirements.	
Migrant Education	32X	$7.93 million	$939,694	11.8%	9.65	5	• Funding is provided to 8 LEAs to provide targeted support for migrant students. • State resources directed towards administration include English Language Acquisition Program (8.5 FTE), and other units (1.1 FTE).	
Title II, A	48X	$31.28 million	$991,540	3.2%	8.95	3	• Professional development planning and delivery. • Supports state's efforts to meet Highly Qualified Teacher requirements.	
Nutrition	24X	$110.72 million	$725,437	0.65%	7.42	3	• Provides training and support to ensure LEAs comply with federal and state nutrition program requirements. • Most of the state operation funding is currently directed to staff in the Food Services Training unit with a total of 1.3 FTE directed to IMS and Summer Food Services.	
IDEA: Preschool	29X	$4.96 million	$1.08 million	21.7%	5.98	4	• IDEA requires that a state provide preschool services to eligible students; funding is directed to four units with 1.3 FTE to preschool unit and balance	

Resource	ID	Total Budget	$ for CDE Operations	% Retained for CDE Operations[8]	FTE	# Units Supported	Current Use	Comments
							contributing partial funding to Grants Fiscal Management, Special Education Finance and Data, and Prevention Initiatives units.	
English Language Learners	313	$9.81 million	$490,582	5%	4.13	4	• Oversees and directs state ELPA program funding. • Staffing noted includes positions paid for from Title III.	
State Program Improvement Grant	21X	$1.004 million	$608,608	6.1%	4.0	1	• Required by NCLB to offer state support to program improvement schools. • Currently funding directed to position within Exceptional Student Support unit.	It seems that the span of support that can be offered under this funding could be broader than functions within the Exceptional Student Support unit.
Charter Schools	58X	$6.32 million	$316,155	5%	3.30	3	• Administration of charter school funding model.	
21st Century	22X	$9.596 million	$528,717	5.5%	3.17	2	• After and before school programs, administration, and professional development.	
Title IV	25X	$3.03 million	$252,939	9.2%	2.79	*INA*	• Administration and oversight of Safe and Drug free programs.	Future federal funding may be reduced or eliminated; contingency plans should be developed as to how positions will be handled should funding decrease or be eliminated.
Deaf-Blindness	38X	$154,079	$154,079	100%	1.35	1	• Supports administrative and oversight needs for state Deaf-Blindness programs.	
Title II, D	44X	$2.47	$123,435	5%	1.35	3	• Oversight and management of federal	Federal funding has been

Resource	ID	Total Budget	$ for CDE Operations	% Retained for CDE Operations[8]	FTE	# Units Supported	Current Use	Comments
(EETT)		million					technology grants to LEAs.	declining and may be eliminated in the near future; contingency plans should be developed regarding how positions will be handled should funding decrease or be eliminated.
Homeless	27X	$584,226	$146,056	25%	1.25	1	• Oversee and administer federal grants to provide compensatory support and services to homeless students.	
Learn and Serve School Based	52X	$219,993	$89,993	40.9%	1.10	1	• Direct and oversee capacity building and implementation of Learn and Serve grants – provide technical assistance and support to LEAs.	
State Categorical Support	INA	$210.4 million	$195,994	0.1%	1.0			The level of state support for administration of state categoricals is severely out of line with level of local assistance program support provided by the state.
Title II, B – Math and Science Partnership	28X	$1.80 million	$91,006	5%	0.45	2	• Professional development support in the areas of mathematics and science.	
Rural and Low Income Assistance	35X	$226,969	$18,342	8.1%	0.18	1	• Administration of local grants to support rural LEAs.	
Title V	49X	NA	NA	NA	5.0	4	• 2.7 FTE directed to support regional service teams, remaining funds used to support Grants Fiscal Management, Consolidated Federal Programs, and	Title V is amongst the most flexible federal resources; it appears that CDE has used Title V to fill gaps and needs

Resource	ID	Total Budget	$ for CDE Operations	% Retained for CDE Operations[8]	FTE	# Units Supported	Current Use	Comments
							Web Support.	identified over time; Title V has undergone significant reductions in recent years and will likely face further reductions or elimination in the future – contingency plans should be developed regarding how positions will be handled should funding decrease or be eliminated.

Appendix D – Forward Thinking Planning Matrix

Forward Thinking Planning Matrix: Funding Source Mapped to Goals

Funding Source	Forward Thinking Goals[9]							Notes
	1	2	3	4	5	6	7	
State General Fund and Indirect	x	x	x	x	o	x	x	Strategically review how resources are allocated once priorities and needs are clear; resources can and should supplement highest priority needs.
Licensure/Certification		x			o		o	Evaluate how current policies and practices influence the quality of instruction and approach to professional development; through policy changes may be able to direct staff towards explicitly addressing as part of review and assistance FT objectives.
Title IV					o			Include in general discussions of school improvement as safety and conditions of learning environment influence learning outcomes.
Reading First		x	x		o			Consider how LEAs are directing resources to provide support for state content standards and staff development support; expand planning for resources to include not only other literacy initiatives, but also school improvement support in general offered by CDE .
State Program Improvement Grant			x	x	o			
21st Century			x		o			Supports supplemental programs that should be designed to contribute to closing achievement gaps – broaden focus beyond offering quality programs to connection with overall approach to school and district improvement.
Special Education		o	x		o			Particularly important to consider as part of closing the achievement gap; given that multiple units are supported with this funding source—increased collaboration in planning is needed.
Nutrition			o		o			Include in general discussions of school improvement as nutrition influences learning outcomes.
Homeless			x		o			Students supported by this program are affected by each goal area; when planning for goals this group of schools should be included and may require differentiated attention.

x = Core funding for goal
o = Supportive funding for goal

[9] Forward Thinking Goals:
1. Provide guidance and support to meet district/school needs
2. Enhance professional development involving best practices
3. Develop tools to eliminate gaps and increase achievement for all
4. Implement a seamless, collaborative leadership system with intentional intensity, urgency, and impatience
5. Make efficient, effective use of federal, state, and private funds
6. Become a reliable source for research, data, and analysis that is envied by all professionals
7. Build/implement model to expand leadership capacity

Funding Source	Forward Thinking Goals[a]							Notes
	1	2	3	4	5	6	7	
Title II, B – Math and Science Partnership		x			o			Included in professional development planning and should support availability of research based professional development that is coordinated with Title I, Title II (A &D), and Title III.
IDEA: Preschool			o		o			Plan for as part of early-intervention
English Language Learners		x	x	x	o	x		Since EL students are generally also eligible for Title I, II, and III, collaborative planning can more comprehensively address needs.
Migrant Education		x	x	x	o	x		Since EL students are generally also eligible for Title I, II, and III, collaborative planning can more comprehensively address needs.
Rural and Low Income Assistance		o	o	o	o	o		Schools that are within this program are affected by each goal area; when planning for goals this group of schools should be included and may require differentiated attention.
Deaf-Blindness					o			
Title I		x	x	x	o	x	x	At present there are aspects of Title I that are centrally managed, but at the same time there are some areas within Title I that are distributed; comprehensive and collaborative planning should take place under Title I, Part A as this program is linked to federal accountability and offers flexibility and funding to address broad spectrum of LEA improvement needs.
Title II, D (EETT)		o			o	o		Include as part of planning for professional development (25% set-aside required from local grants) and data training and technology needs within CDE and at LEAs.
Title II, A		x			o		x	Primary resource supporting professional development, but should be considered with all other professional development focused resources (Title I, Title IID, Title III).
Learn and Serve School Based					o			
Charter Schools					o			
State Assessments		o	x	x	o	x		Critical connection to most goal areas; need to ensure that resources provide targeted supplement to other resources using the goals as a common focus
State Categorical Support	o	o	o	o	o	o	o	Presently very limited and under current level insufficient to make significant contribution towards goals
LSTA					o			Should be included as part of the plan, but constrained by limited resources and federal grant requirements

x = Core funding for goal
o = Supportive funding for goal

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[a] Forward Thinking Goals:
  1. Provide guidance and support to meet district/school needs.
  2. Enhance professional development involving best practices.
  3. Develop tools to eliminate gaps and increase achievement for all.
  4. Implement a seamless, collaborative leadership system with intentional intensity, urgency, and impatience.
  5. Make efficient, effective use of federal, state, and private funds.
  6. Become a reliable source for research, data, and analysis that is envied by all professionals.
  7. Build/implement model to expand leadership capacity.

Appendix E – Conditions that Affect Budgeting at CDE

Conditions that Affect Budgeting at the Colorado Department of Education

The current situation of how resources are used and/or available for use by CDE is affected by a number of conditions. Some of these conditions are within the full jurisdiction of the CDE, but there are others that are affected by external factors. Following is a brief overview of significant conditions identified during the review and an explanation of the impact they have on the current operating and budgeting environment at CDE. In addition, the table shows how recommendations provided in the report respond to the observed conditions.

Condition	Impact	Recommendation/Action
Strong state-level commitment to local control.	Legislative preference is to direct funding to local districts and/or allow for local resource management. As a consequence, state resources comprise a small fraction of the operating budget at CDE. The limited amount of state contribution for CDE operations and direct assistance constrains how much CDE can leverage in other resources (federal and private).	**Recommendation #1: Use *Forward Thinking* as a Budget Alignment Tool** *Forward Thinking* provides a framework to organize CDE needs to available resources. However, the level of state resources available to CDE poses a real constraint. To build the case that that additional funding may be warranted CDE must demonstrate that it has done the utmost to improve operating efficiency and develop a system of accountability. The following strategies should be considered:
Indirect rate that CDE may charge against grants has dropped to 5.8% and continues to fall.	The relatively low indirect rate makes it difficult to recover fully the costs of operating from grants. The relatively low rate is a reflection of the limited resources at CDE. This presents a funding conundrum.	• Ensure that key stakeholders are aware of report findings and recommendations and are appropriately and actively involved in planning next steps.
Most grants have hit the maximum that may be directed to administration.	The CDE is generally maxed out in the level of funds that may be directed to administration from grants. In the few situations where the amount directed towards administration could be increased, it can only be done by redirecting funding away from local assistance because the current budget commits all resources.	• Align CDE budget to support *Forward Thinking* priority areas. • Develop criteria and process by which Commissioner , CBE, and CDE managers will evaluate future budget decisions

Condition	Impact	Recommendation/Action
CDE managed its operating budget as a documentation of cash flow. In other words, when accounting for grant resources, the CDE budget reflects multiple years of funding in the total attributable to the grant, unexpended balances in any given fiscal year are expected to support operations in future fiscal years.	The budget does not serve as a policy document because, in its current format, it is designed to track cash flow. In addition, the CDE relies on carryover funds from one year to fund the costs in a subsequent year. This makes it difficult to identify one-time resources that may be directed to short-term strategic needs.	**Recommendation #2: Increase Budget Transparency by Improving Reporting Formats and Content** • Restructure budget coding to support budget management and monitoring consistent with *Forward Thinking*. • Prepare easy to understand reports that show overall budget condition and individual program budgets. • Improve budget system infrastructure.
Most positions are funded through a combination of resources.	The current budget was created in a piecemeal approach. Current positions are generally funded from a variety of federal resources (approximately 88% of positions are split-funded), which appears driven more by availability than strategic alignment. While units are assigned responsibility for grant/program areas, the unit managers do not have the full span of control over resources because of the extensive use of multiple funding streams to support CDE operating positions.	**Recommendation #3: Review and Consolidate Funding of CDE Positions** • Revise staffing and funding plan based on function rather than resource/funding.
The CDE's position control system is weak.	All interviewed indicated that the process is cumbersome and that months can go by without learning the final disposition of a position request or filling a currently vacant position. As personnel costs are a major portion of the state's budget allocations, a highly functioning position control system needs to be in place.	

Condition	Impact	Recommendation/Action
Individual budgets are understood by managers, but how budgets impact operations across programs, grants and the connection to strategic objectives lack transparency and systems to support.	Related to multi-funding of positions, but also prior to *Forward Thinking*, there has not been a clear articulation of the priorities and objectives of CDE. The current organization and budget reflect an incremental process of change. An outstanding issue is to what extent *Forward Thinking* drives planning. In other words, does *Forward Thinking* add to the existing goals, or does it serve as the overarching plan? There is a need to redesign the organization and systems to address the *Forward Thinking* objectives.	**Recommendation #4: Build Shared Sense of Responsibility among Managers for the CDE Budget** • Involve unit managers in budget development and budget management. • Clarify role and responsibility mangers have with respect to the budget. • Improve position control and position management procedures.
Individual units manage resources, but alignment between responsibility and authority are not necessarily apparent.	Each operational unit has a budget, but the full scope of the budget follows flexible lines of authority, which makes it difficult to understand how individual budget decisions may affect the whole and also minimizes the incentive to implement budget efficiencies because the savings that are realized are not necessarily retained by the program.	
As a consequence of having limited discretionary resources, data systems is one area that has suffered from lack of investment.	Funding for the information management function at CDE comes from a variety of resources and is below the optimal level to support proactive data management. The state does not have an electronic grant system and relies on independent data systems, paper, and other submission methods. This results in additional workload for CDE and LEA staff.	**Recommendation #5: Invest in and Improve CDE Management Systems** • Improve budget and other management processes within CDE – this will lay a foundation for future investments in technology • Develop plan to implement "Data Infrastructure Review" recommendations needed to put in place integrated data system that includes fiscal, personnel, and accountability management systems.