



COLORADO DEPARTMENT *of* EDUCATION

Understanding Senate Bill 13-213

Proposed Future School Finance Act

August 2013

Colorado Department of Education
Public School Finance
201 E. Colfax Ave., Denver, CO 80203

| Table of Contents | Page |
|--|-----------|
| I) Districts | 3 |
| <ul style="list-style-type: none"> a. Total Program Funding b. Local and State Shares – Total Program Mill Levy Calculation c. Mill Levy Overrides | |
| II) Institute Charter Schools | 6 |
| <ul style="list-style-type: none"> a. Total Program Funding | |
| III) District Charter Schools | 6 |
| <ul style="list-style-type: none"> a. Total Charter School Funding b. Three Key Changes in S.B. 13-213 Affecting Charter Schools | |
| IV) Categorical Funding | 7 |
| <ul style="list-style-type: none"> a. Special Education Categorical b. Gifted and Talented Categorical | |
| V) Additional State Funding | 8 |
| <ul style="list-style-type: none"> a. Investment Moneys b. Hold-Harmless Moneys c. Per Pupil Supplemental Payment (Floor Funding) d. At-Risk Supplemental Funding e. Mill Levy Equalization Fund f. Mill Levy Election Support Fund g. Education Innovation Grant Program | |
| VI) Other Sections of Interest | 10 |
| <ul style="list-style-type: none"> a. Reporting Issues b. Budgeting for At-Risk and ELL c. Charter Capital Construction d. One-time Funds | |

I) Districts

- a. **Total Program Funding** - Funding for school districts is based on a per pupil formula that is supplemented with funding for such factors as at-risk students, English language learners (ELL), multi-district on-line students and Accelerating Schools through Concurrent Enrollment (ASCENT) program students. Because these additional factors may vary across school districts, total program (TP) provided for each district may vary. {CRS § 22-54.5-201}

$$\text{Total Program Funding} = (\text{District's Per Pupil Funding} \times \text{Membership}) + \text{District's At-Risk Funding} + \text{District's English Language Learner Funding} + \text{District's Multi-District On-Line Funding} + \text{District's ASCENT Program Funding}$$

- i) **District per pupil funding** is calculated by multiplying the **statewide base per pupil funding** by the **district size factor**. The statewide base is the starting per pupil funding level for each district. Under the Public School Finance Act of 1994 this number was supplemented by such factors as cost of living, personnel costs and size factor. Only the district size factor remains in the future School Finance Act, and is included to reflect the different spending powers across the districts. It is only available to districts with pupil counts of 4,300 or fewer, and changes only for districts with pupil counts between 4,023 and 4,300. {CRS § 22-54.5-201}
- ii) **Funded membership**¹ is calculated by utilizing average daily membership (ADM) data throughout the school year, as opposed to a single-day count.² ADM is total number of pupils in the averaging time period divided by the number of days in the averaging period. To derive the membership count, the state will incorporate the first quarter of ADM data from the current year and the four quarters of ADM data from the previous year. In contrast to the current finance bill, kindergarten students are counted as full-time enrollment students as well as students at the secondary level. Further, the new act allows all students ages three to five who are eligible for and enroll in the Colorado Preschool Program to receive funding on a half-day enrollment basis. {CRS § 22-54.5-201}
- iii) **District at-risk funding** will vary from a minimum 20 percent to a maximum 40 percent of base funding, depending on the number of students in the district who are eligible for free or reduced-cost lunch (FRL) as compared to the statewide average. At-risk funding under the new act

¹ This excludes on-line average daily membership and ASCENT Program daily membership.

² For purposes of uniformity, S.B. 13-213 mandates that the State Board of Education promulgate rules to establish a working definition of membership.

expands the definition of at-risk to include students who are eligible for reduced-cost lunch as well as free lunch. {CRS § 22-54.5-201}

- iv) **District ELL funding** is available to ELL students for five years, compared to two years under current law. As with at-risk funding, ELL funding will range from 20 to 40 percent of base funding, depending on the percentage of ELL students in the district as compared to the statewide average.³ A student is determined to be ELL by the district based on how the student performs on an English language proficiency exam. {CRS § 22-54.5-201}
- v) **District on-line funding** is calculated by multiplying the district’s on-line average daily membership by the statewide base per pupil funding amount. {CRS § 22-54.5-201}
- vi) **District ASCENT funding** is calculated by multiplying the district’s ASCENT average daily membership by the statewide base per pupil funding amount. {CRS § 22-54.5-201}

b. Local and State Shares – Total Program Mill Levy Calculation - Under the formula established by S.B. 13-213, CDE will determine, no later than July 1, 2015, July 1, 2020 and July 1 of every six years afterwards, the relative share of funding applicable to local taxpayers and the state.⁴ To determine the appropriate shares, CDE will utilize the most up-to-date valuations of property, median family income level and membership calculations. Based on these factors, CDE will determine the number of mills each district is expected to levy. {CRS § 22-54.5-203}

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

- i) **State share** is calculated by subtracting local share (contribution from local property taxes and specific ownership taxes) from the cost of total program. {CRS § 22-54.5-203}
- ii) **Local share** consists of the contribution local taxpayers make from local property taxes (mill levies) and specific ownership taxes. Its calculation is based on a district’s assessed value per pupil (adjusted for median income differences) and a district’s percentage of at-risk students. Though districts may raise their mill levies, a district that currently levies 25 mills or less for total program may not raise its total program mill levy above 25 mills. A district may not lower its total program mill levy below the number of mills levied in the preceding budget year either. {CRS § 22-54.5-203}

$$\text{Local Share} = \text{Amount of Property Tax}^* + \text{Amount of Specific Ownership Tax}$$

*Amount generated from mill levies as determined by CDE to be necessary to produce the local share of total program minus the specific ownership tax; calculation takes into account the district’s real property assessed valuation, median family income, and percentage of at-risk pupils.

³ A student that is both at-risk and ELL is eligible for both at-risk and ELL funding.

⁴ In terms of percentage, beginning with the 2015-2016 budget year and every subsequent year through 2019-2020, the targeted statewide local share of total program is 40 percent; the targeted statewide state share is 60 percent.

c. **Local Mill Levy Overrides** - Under S.B. 13-213, a district may raise local property tax revenues in addition to the amount required to fund the district’s total program. The district’s Board of Education may seek a mill levy override by requesting eligible voters to approve such an increase. The Board of Education for the district must submit the question of increased property taxes to eligible voters if a valid initiative petition (at least 5 percent of the eligible voters) is brought to the district requesting such an increase. Districts that do not receive per pupil supplemental payments (as discussed below) must levy their full total program mill levy before seeking voter approval of an override. Districts may continue to impose mill levy overrides that are currently in place. There are four types of mill levy overrides that a district may seek: {CRS § 22-54.5-205}

i) **Operating moneys** - A district may seek a mill levy override for general operating expenses. The total additional local property tax revenues a district may receive will be capped at the greater of: A) \$200,000; B) 25 percent of total program plus the amount of investment moneys the district receives for the applicable budget year; or C) 25 percent of the sum of total program for 2014-2015 prior to negative factor, plus supplement payments, plus mill levy override from cost of living adjustment, plus investment moneys, plus the amount of district categorical buy-out, plus any state moneys received for categorical funding. As a practical matter, any existing levies for operating expenses count towards the cap. {CRS § 22-54.5-205}

| Mill Levy Operating Expenses Capped at Greater of: | | |
|--|---|--|
| A) \$200,000 | B) 25 percent of total program plus the amount of investment moneys the district receives for the applicable budget year | C) 25 percent of the sum of total program for 2014-2015 prior to negative factor, plus supplement payments, plus mill levy override from cost of living adjustment, plus investment moneys, plus the amount of district categorical buy-out, plus any state categorical funding |

ii) **Early childhood education** - A district may seek a mill levy override to fund early childhood education programs. There is no statutory cap on the amount of additional revenue a district may receive. The district that receives voter approval for an override, however, must develop its early childhood education program using evidence-based research. {CRS § 22-54.5-206}

iii) **Technology and building maintenance and operation** - A district may seek a mill levy override for technology and the maintenance and operation of buildings. There is no statutory cap on the additional revenue a district may receive. {CRS § 22-54.5-207}

iv) **Cost of living** - A district may seek a mill levy override to provide funding for cost of living expenses for district employees. The mill levy override will be capped at an amount equal to the portion of the district’s total program for the 2014-2015 budget year determined by the cost of living factor, calculated before the negative factor; cap may increase annually beginning 2016-2017 to account for inflation. {CRS § 22-54.5-208}

II) Institute Charter Schools

- a. **Total Program Funding** - Funding is available to Institute Charter Schools (schools) to cover the cost of providing public education to pupils enrolled in such schools. CDE will pay the Total Program for the schools directly from the state public school fund to the Charter School Institute (CSI) to distribute to the various schools within the CSI. Funding is calculated by multiplying the accounting district’s per pupil funding by the school’s funded membership. This calculation is then increased for each school within the CSI by the mill levy equalization funding, at-risk funding, ELL funding, on-line funding, and ASCENT Program funding. Funded membership and the funding averaging period are defined the same as for districts. The accounting district is the district in which the charter school is geographically located. {CRS § 22-54.5-202}

| | | | |
|---|---|---|--|
| Institute Charter School Total Program Funding = | (Accounting District’s Per Pupil Funding x Charter School Funded Membership) | + | Mill Levy Equalization Funding + School’s At-Risk Funding + School’s English Language Learner (ELL) Funding + School’s Multi-District On-Line Funding + School’s ASCENT Program Funding |
|---|---|---|--|

- i) **Institute charter school mill levy equalization funding** is calculated by CDE. The amount is based on the per pupil mill levy override revenue collected by the accounting district, adjusted for the relative enrollment of the school. {CRS § 22-54.5-202}
- ii) **Institute charter school at-risk funding** varies from a minimum 20 percent to a maximum 40 percent of base funding, depending on the number of students in the school that are eligible for free or reduced-cost lunch as compared to the statewide average. At-risk funding under the new act expands the definition of “at-risk” to include students who are eligible for reduced-cost lunch as well as free lunch. {CRS § 22-54.5-202}
- iii) **Institute charter school ELL funding** is available to ELL students for five years and, as with at-risk funding, ELL funding will range from 20 to 40 percent of base funding, depending on the number of ELL students identified by the school.⁵ {CRS § 22-54.5-202}
- iv) **Institute charter school multi-district on-line funding** is equal to the school multi-district on-line ADM multiplied by the statewide base per pupil funding amount. {CRS § 22-54.5-202}
- v) **Institute charter school ASCENT Program funding** is equal to the school ASCENT Program ADM multiplied by the statewide base per pupil funding amount {CRS § 22-54.5-202}

⁵ A student that is both at-risk and ELL is eligible for both at-risk and ELL funding.

III) District Charter Schools

- a. **Total Charter School Funding** - Funding for charter schools is substantially similar to current law. However, under the new act and related laws, per pupil amounts will be calculated for each type of funding category. Charter schools will receive 100 percent of the accounting district's per pupil funding, plus 100 percent of at-risk and ELL per pupil funding, plus 100 percent ASCENT program per pupil funding, and 100 percent of investment moneys (see below) all calculated based on ADM data. In addition, charter schools that are not multi-district online schools will receive investment moneys based on the school's ADM. For districts with average daily memberships greater than 500, the district and charter school may negotiate central administrative overhead costs for services in an amount up to five percent of the district's per pupil funding. For districts with average daily membership less than 500, the amount may be up to 15 percent of per pupil funding plus the other categories. {CRS § 22-30.5-111.5}
- i. **On-line funding** for multi-district online schools is calculated by multiplying the on-line funding amount by the charter school's on-line ADM. This amount is then added to the at-risk and ELL funding amount allocated to the charter school. Multi-district online schools are not eligible for investment moneys. Limits on the amount of central overhead charges are the same for multi-district online schools. {CRS § 22-54.5-202}
- b. **Three Key Changes in S.B. 13-213 Affecting Charter Schools**
- i. **Mill levy overrides:**
- A. CDE must publish an annual report detailing the amount of mill levy override revenues in each district, and the amount, if any, each district shares with its charter schools. {CRS § 22-30.5-111.5}
- B. Prior to a mill levy override election, an authorizing school district must negotiate the percentage of shared override revenues with a charter school. {CRS § 22-30.5-111.5}
- C. If the district and charter school cannot agree on a shared override revenues number, the charter school may apply to become a CSI school and receive the mill levy equalization factor. {CRS § 22-30.5-111.5}
- ii. **Special education funding** - School districts alone are responsible for the education of students with disabilities, many of which charge charter schools fees for special education services rendered. To increase transparency in special education funding, S.B. 13-213 requires districts to provide an itemized accounting of the actual special education costs incurred by the district for that year and the basis of any per-pupil charges for special education services charged to charter schools. {CRS § 22-30.5-111.7(2)(c)}
- iii. **At-Risk and ELL Funding** - At-risk and ELL funding for charter schools will be based on the actual at-risk and ELL populations in each charter school. {CRS § 22-54.5-410}

IV) Categorical Funding

For categorical programming, S.B. 13- 213 increases funding for the special education categorical and the gifted and talented categorical.

- a. **Special Education Categorical** - Under S.B. 13-213, categorical funding for special education will increase by \$80 million. This increase will go towards funding Tier B students. Tier B students are those students that have been identified with one or more disabilities as listed in CRS § 22-20-114(1)(c). Additionally, funding will increase for Tier A students by \$1,250 per pupil, maxing out at \$2,500 per pupil. The additional funding for Tier A students is dependent upon the availability of growth tax revenues. Growth tax revenues are those state tax revenues that exceed the amount specified in the statewide ballot question. {CRS § 22-20-114}
- b. **Gifted & Talented Categorical** - Under S.B. 13-213, categorical funding for gifted and talented programs will increase by \$7 million. One million dollars of the \$7 million will be utilized to identify gifted and talented students.

V) Additional State Funding

- a. **Investment Moneys** - S.B. 13-213 provides for investment moneys, to assist district schools and CSI schools with the costs of implementing the educational reforms. Funding will help cover the costs of providing staff support and professional development needed for the implementation of certain standards-based instruction and assessments, educator performance evaluations, and efforts aimed at eliminating achievement and growth gaps among students of various groups.

For the first year (2015-2016), the amount of funding for each district, each supplemental payment recipient, and each eligible CSI school will be \$441 per pupil (excluding on-line and ASCENT program students).

The investment moneys are adjusted in each of the subsequent years based on the receipt of per pupil supplemental payments (see below) and average daily membership. {CRS § 22-54.5-301}

- b. **Hold-Harmless Moneys** - Under S.B. 13- 213, hold-harmless funding is designed to protect districts that receive less in state funding compared to the current finance act, after recalculation of local and state shares. Hold-harmless funding will be calculated by comparing the state share in 2014-15 (current) to new state funding under the new act. State funding includes a district’s state share of total program plus a district’s investment moneys. A district would receive the difference plus an additional 2 percent of the sum of the district’s new total program plus funding from the investment moneys. Though a district can receive hold-harmless funding so long as the calculation results in a positive number, local share plus state share plus hold-harmless moneys cannot exceed total program for the applicable budget year or total program for 2014-2015, whichever amount is greater. {CRS § 22-54.5-302}

$$\text{Hold-Harmless Moneys} = (\text{State Share 2014-15} - \text{State Funding New}) + .02 \times (\text{TP} + \text{TLI})$$

- c. **Per Pupil Supplemental Payment (Floor Funding)** - Per pupil supplemental funding is designed to ensure that the per pupil revenue (PPR) for each district and CSI school is at least equal to 95 percent of the state average PPR. If a district's or CSI school's PPR is less than 95 percent of the state average PPR, that district or CSI school will receive supplemental funding to increase PPR to meet that benchmark. {CRS § 22-54.5-303}
- d. **At-Risk Supplemental Funding** - Additional floor funding is available for those districts or CSIs that receive the per pupil supplemental payment and have an at-risk pupil percentage equal to or greater than 10 percentage points less than the statewide average at-risk pupil percentage. A district or CSI school that meets these criteria may receive at-risk supplemental funding equal to 23 percent of the at-risk funding that the district or CSI school would receive. {CRS § 22-54.5-303}
- e. **Mill Levy Equalization Funding** - To help equalize local mill levies, S.B. 13-213 provides mill levy equalization funding. Any district of fewer than 10,000 students that increases its mill levy by at least 2.5 mills will receive mill levy equalization moneys if 2.5 mills on the district's assessed valuation generates less in revenue than 2.5 mills on statewide assessed valuation. The district per pupil equalization moneys is the difference between the per pupil amount generated by the 2.5 mills on statewide assessed valuation and the per pupil amount generated by 2.5 mills on the district's assessed valuation. {CRS § 22-54.5-304}
- f. **Mill Levy Election Support Fund** – S.B. 13-213 provides mill levy election support funding to help school districts pay county clerks who charge for the administration of elections to increase total program mill levies. Districts that must pay such costs may seek reimbursement. {CRS § 22-54.5-305}
- g. **Education Innovation Grant Program** - The Education Innovation Grant Program is expected to receive \$100 million. It is the intent of the General Assembly to appropriate that money to provide funding for innovation initiatives that are designed to eliminate achievement and growth gaps, improve student retention, reduce dropout rates, and increase graduation rates. Educators, as well as districts, boards of cooperative services (BOCES), and charter schools, may apply for the grants. An appointed education innovation board will award the grants. A grant recipient may receive a grant for up to five consecutive years and must report the success of the initiatives implemented with the program moneys. {CRS § 22-54.5-311}

VI) Other Sections of Interest

- a. **Reporting Issues** – Under existing law, the Colorado State Board of Education must establish and maintain a statewide financial, student management, and human resource electronic data and communications and reporting system. The reporting system currently provides a standard chart of accounts that allows for district to district comparisons.

Under S.B. 13-213, the system will include and expand to the fullest extent possible comparable reporting of expenditures at the school-site level, district level, institute level and BOCES level. The Colorado Department of Education, the state charter school institute, all district charter schools, CSI, school districts and BOCES shall use the system to report and obtain necessary financial information.

Each participating party must report expenditures (including salary and benefit expenditures by type of benefit) as well as whether the school principal retains or chooses to forego control of at-risk and ELL funding. Additionally, all parties must report the number and percentages of professional instructional staff disaggregated by race and the number and percentages of students disaggregated by race.

CDE will create a website that makes the reported information easily accessible to the layperson as well as the participating parties. {CRS § 22-44-105}

- b. **Budgeting for At-Risk and ELL** - Each charter school, non-charter school, and the district must dedicate at-risk and ELL funding to programs that primarily serve at-risk and ELL students. Principals of all schools other than charter schools will develop a budget detailing how he or she will use at-risk and ELL funding. The principal will have the end goal in mind of meeting the district’s achievement targets for at-risk and ELL students. Prior to implementing the budget, the principal will submit the budget to the superintendent for review and comment. The superintendent upon review will ensure that the budget is in line with the school’s improvement strategies, district standards, programs, curricula and interventions. If the superintendent finds that the budget does not align with those requirements, the district board of education may approve the requirements included in the budget.

Districts may apply to the CDE to seek a waiver from the distribution requirements set forth above. Successful waiver depends on the implementation of a different student-based funding allocation plan that nevertheless dedicates a great deal of control to non-charter school principals in determining how to use the funds. {CRS § 22-54.5-410}

- c. **Charter School Capital Construction** - Charter school funding for capital construction is available to qualified charter schools. The allocation will be distributed to a district or the Charter School Institute based on per pupil amounts for average daily membership. These funds are then distributed in total to the qualified charter schools and no administrative fees may be withheld. A qualified charter school may or not be operating in a district facility, but must have capital construction costs. A charter school operating in a facility listed on the state inventory with lease payments for the facility is also qualified. A qualified charter school does not include those that do not incur capital construction costs or lease payments for operating in a state facility. In addition, a qualified charter school does not include a charter school that operates in a facility that is not included under the Building Excellent Schools Today (BEST) (BEST) Act prioritized facility list or in a facility that is built using financial assistance awarded through BEST. The following table outlines the allocations: {CRS § 22-54.5-309}

| Charter School Capital Construction Allocations | | |
|--|--------------------------------|---------------|
| Operating in facility owned by charter school | Has capital construction costs | \$450 per ADM |
| Operating in facility not owned by district or charter school | | \$350 per ADM |
| Operating in facility on state inventory or in district owned facility | | \$100 per ADM |

d. **One-time Funds:**

- i) **Preschool through 12th grade education reserve fund** creates a reserve fund that consists of up to 40 percent of revenues received by the state before July 1, 2015, as a result of a citizen-initiated increase in state tax revenues for public education, approved by a ballot initiative in November 2013. {CRS § 22-54.5-412}
- ii) **Educator effectiveness reserve fund** creates a reserve fund of up to 15 percent of revenues received by the state before July 1, 2015, as a result of a citizen-initiated increase in state tax revenues for public education, approved by a ballot initiative in November 2013. Moneys are subject to allocation for programs designed to recruit, prepare, and retain effective educators. {CRS § 22-54.5-413}
- iii) **Education technology fund** creates a reserve fund of up to 5 percent of revenues received by the state before July 1, 2015, as a result of a citizen-initiated increase in state tax revenues for public education, approved by a ballot-initiative in November 2013. Moneys are subject to appropriation to assist school districts and public schools in purchasing and maintaining technology needed to support educational reforms and programmatic enhancements. {CRS § 22-54.5-414}
- iv) **Capital construction assistance fund (BEST)** shall receive up to 40 percent of revenues received by the state before July 1, 2015, as a result of a citizen-initiated increase in state tax revenues for public education, approved by a ballot-initiative in November 2013. These funds will be available for capital construction BEST grant awards needed to support education reforms and programmatic enhancements – including using up to 50 percent of that money for full-day K and Preschool facilities. {CRS § 22-54.5-414}