

Community Guide to Understanding the Denver Public Schools Budget



May 2005

The Mission of the Denver Public Schools is to provide all students the opportunity to achieve the knowledge and skills necessary to become contributing citizens in our diverse society

WHAT IS THIS GUIDE ABOUT?

This guide is designed to introduce you to the Denver Public Schools budget and how it works. School district budgeting is different than private business budgeting or personal budgeting and can be somewhat complex. This guide is designed to walk you through the basics, covering the budget's main components. You'll learn where the money comes from, how the money is used, and how you can get involved in school district budget decisions.

For more detailed information about the Denver Public Schools budget, visit our web site at www.budgetandfinance.dpsk12.org.

DENVER PUBLIC SCHOOLS BUDGET SNAPSHOT

In the 2004-2005 school year, the Denver Public Schools had a budget of \$1,385,047,912, funded from state, local, and federal sources. Where does this money go?

The Denver Public Schools annual budget is used to teach students, transport them to and from schools, feed them breakfast and lunch, and maintain school buildings and grounds. It funds special education programs and other programs such as magnet schools, charter schools and programs for students for whom English is a second language. It is used to pay teachers and other staff, provide them benefit allowances and retirement benefits and support additional training. Bond funds, which voters approve in local elections, pay for building new schools, renovating and modernizing existing facilities and upgrading the schools' technology infrastructure. Local voter approved property tax revenues are used to provide supplemental funds as described in the ballot questions.

At the center of this organization are our children. While businesses have a single overriding concern—the financial bottom line—school districts have a far broader objective—ensuring excellence and equity in education for our students. Yet this objective also carries with it a financial bottom line.

How does the Denver Public Schools distribute funds to meet this goal? What level of quality do your tax and bond dollars provide? Who makes school budget decisions,

and how are those individuals accountable? How can you get involved? You'll find out in the sections ahead.

Denver Public Schools Quick Facts (for Fall 2004, per the Colorado Department of Education)

Total number of students	72,412
Number of Schools	153
Elementary and K8 Schools	89
Middle Schools	20
High Schools (incl. Denver School of the Arts & Career Education Center Middle College)	14
Alternative Schools	13
Charter Schools	17
English language learner students	30%
K-12 Students eligible for free or reduced-price lunch	64%
Gifted and talented students	12%
Special needs students	12%

Ethnic Distribution

African-American	19%
Asian	3%
Hispanic	57%
American Indian	1%
White	20%

WHERE DOES THE MONEY COME FROM?

Many people are surprised to learn that most money for public schools comes from state and local governments and not from Washington. **Chart 1** below shows how much of the \$1,385.0 million 2004-2005 budget the Denver Public School received in prior years and is a beginning balance, and how much it anticipates receiving during the year from state, federal and local sources. **Chart 2** denotes what "fund" these dollars are recorded in.

Chart 1 - Denver Public Schools 2004-2005 Budget by Source (\$ in millions)

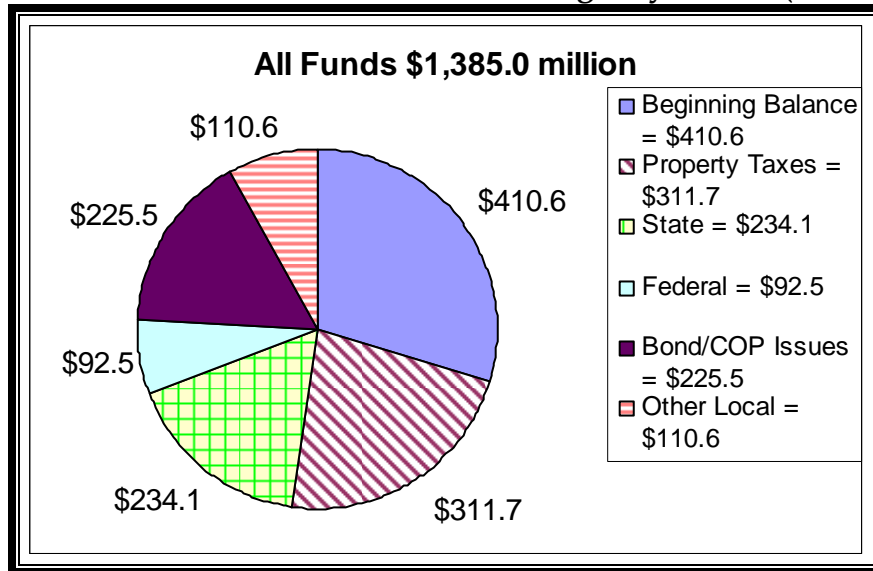
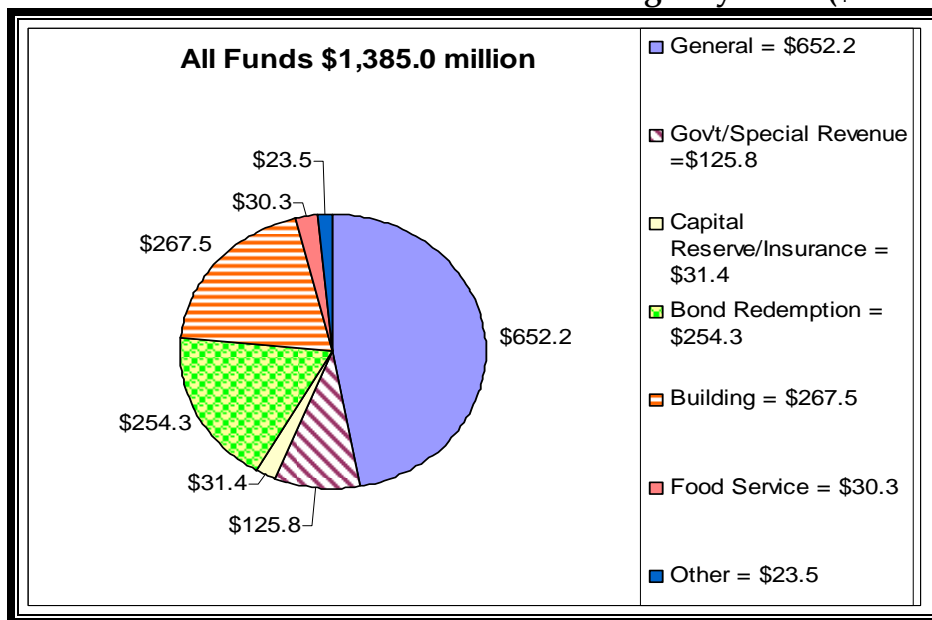


Chart 2 - Denver Public Schools 2004-2005 Budget by Fund (\$ in millions)



Who determines how much funding each school district receives?

Every homeowner and business owner in Colorado pays property taxes for schools, along with taxes for other public services. Each year, the budget crafted by the governor and legislature determines how much of the total state budget is allocated to education. The portion allocated for K-12 education is then divided among 178 school districts throughout the state using the state’s School Finance Act funding formulas. These formulas determine how much money each district will receive per pupil as well as how much of that funding is paid by the state and how much is paid through local

taxes. Currently, the state pays an average of about 60 percent of the funding for local school districts, with 40 percent coming from local taxes. After the state determines the funding, each school district decides how to fund its local system. This funding is recorded in the Denver Public Schools' General Fund. **Chart 3** shows how much of the \$652.2 million General Fund 2004-2005 budget the Denver Public School received in prior years and is a beginning balance, and how much it anticipates receiving during the year from state, federal and local sources. **Chart 4** denotes that 46.5% of the Denver Public Schools' \$438.0 million School Finance Act funding formula comes from the state

Chart 3 - Denver Public Schools 2004-2005 General Fund by Source (\$ in millions)

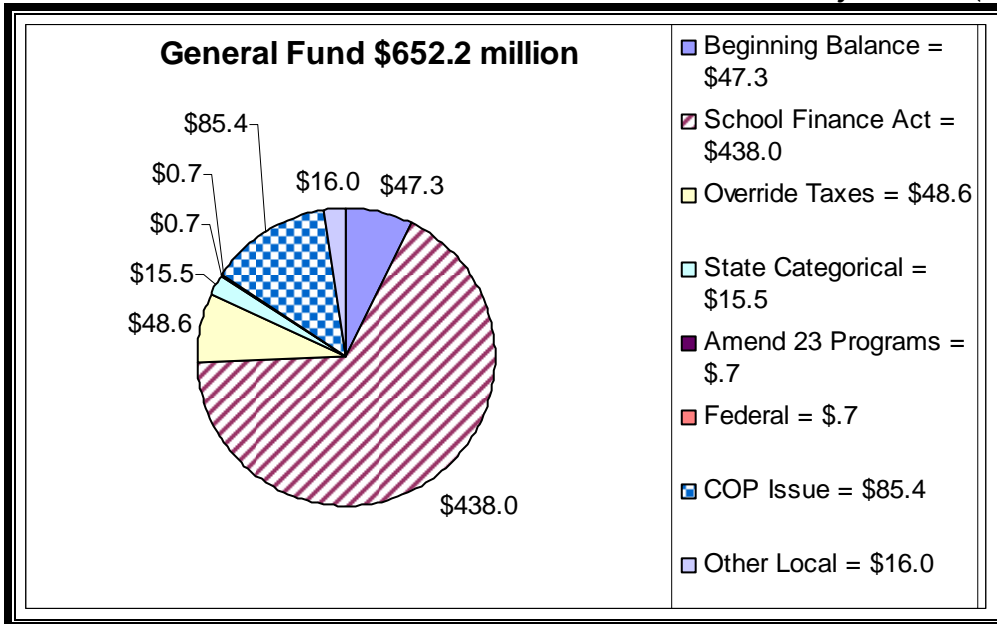
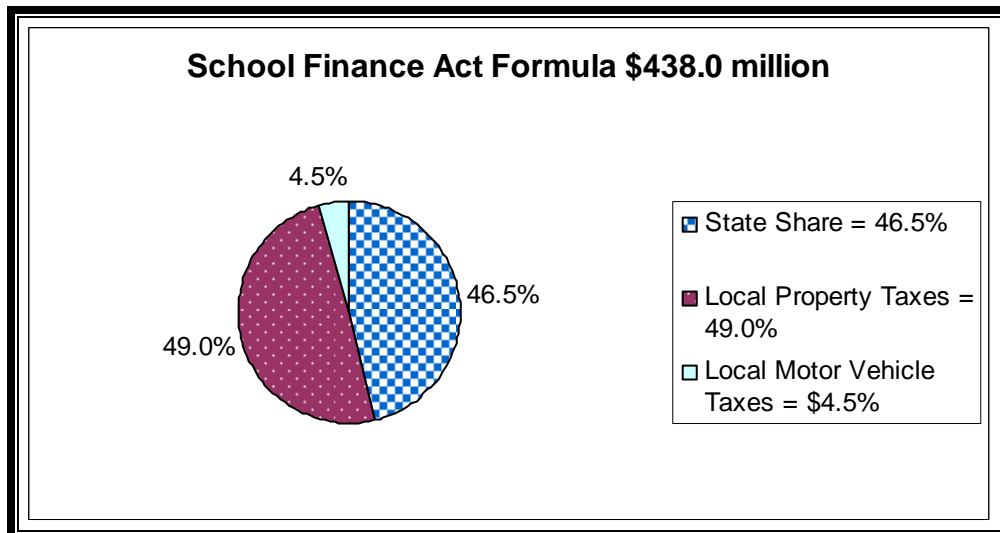


Chart 4 - Denver Public Schools 2004-2005 School Finance Act Formula Funding



Local Referenda

Colorado law allows local school districts to ask voters to approve additional funding for their district through local tax increases called mill levy overrides. Denver voters approved such overrides for Denver Public Schools in 1988, 1998 and 2003. This additional funding is capped by state regulation. All override revenues come from increased property taxes. A district's authorization to raise and expend override revenues does not affect the amount of state funding the district receives. **Chart 3** denotes that the Denver Public Schools anticipates receiving \$48.6 million of the \$49 million in the total voter approved taxes in 2004-2005.

How does supporting education impact your taxes?

Local tax money goes to the county treasurer who in turn distributes it to each governmental entity in the county. State law sets the property tax assessment rate. In 2005, homeowners will pay an assessment rate of 7.96 percent of the actual assessed value of their home, while businesses will pay a 29 percent assessment rate. This same formula may be used to calculate your property taxes for your schools if you know your home's assessed valuation. **Table 1** below shows how your taxes are figured.

Table 1

How to figure your school property tax	
Here's how much the school district's portion of your property tax bill was calculated for taxes due in 2005. Denver Public Schools taxes in Chart 1 include School Finance Act, voter approved override and bond redemption, and tax abatement recapture taxes.	
Property tax is the product of three factors:	
1. The market value of your home in your 2004 assessment notice.	x
2. The assessment rate, which is set by state law. (For residential property, the assessment rate is 7.96 percent for taxes due in 2005)	x
3. Mills/1000 (The tax rate, also known as a mill levy, set by the local taxing agency. One mill is equal to one one-thousandth, or .001. The Denver Public Schools tax rate for taxes due in 2005 is 38.327 mills, so the number to use in figuring your tax is 38.327.	x
<i>Property Tax</i>	<u>X</u>

Federal funding for education

In addition to local and state funding for education, the federal government contributes limited funds to local school districts. Historically, the funding of schools has been the responsibility of local districts and states. In the 1960s, the federal government began providing financial support to state and local districts to help with educating poor and disadvantaged students. That support later expanded to include students with disabilities. This money can only be used for specified purposes.

While very important to most school district budgets, the federal support amounts to only a small percentage of the total budget, usually 5 – 8 percent. In **Chart 1**, of the 2004-2005 Denver Public Schools' total budget of \$1,385.0 million, federal dollars make up \$92.5 million, or 8.1 percent of our budget. Of this \$92.5 million, \$76.2 million is for educational programs, \$14.8 million supports the School Lunch and Breakfast Program, and \$1.5 million represents Medicaid reimbursements. For more detailed information about federal funding, visit www.ed.gov.

LOOKING AT THE DENVER PUBLIC SCHOOLS BUDGET

The Denver Public Schools budget reflects the costs to educate approximately 72,000 students in 153 schools. There are two basic types of funding that the school district receives. Although separate in their sources and the types of expenses each pays for, both kinds of funding are equally important to the school system.

Operating funds pay for the day-to-day expenses of running the school system, like salaries, supplies, transportation and utilities. Most of the operating expenses are paid out of the district's **General Fund**, which is funded through a mix of local, state and federal tax dollars.

Capital funds pay for design and construction of new schools, expansion of existing schools, and major renovation and replacement of older facilities. Capital expenses are paid out of the district's **Capital Fund** using **bonds**, where voters authorize the school district to borrow money. Bonds are then paid for over a number of years through taxes.

The funding driver: enrollment

Although the Colorado School Finance Act determines how much money the school district will receive per pupil, the funded pupil count is the real driver of school funding. The funded pupil count refers to the number of full-time students enrolled in a

district. The funded pupil count total can be different from the total enrollment because not all students (e.g. kindergartners) attend school on a full-time basis. The count occurs each October and produces the official funded pupil count numbers. **Table 2** shows what makes up the Denver Public Schools Fall 2004 pupil count and how the funded pupil count is derived and **Table 3** shows how this count impacts our funding.

Table 2 - Denver Public Schools Fall 2004 Enrollment (per the Colorado Department of Education)

	<u>Fall 2004 Pupil Count</u>
Pre-Kindergarten	3,245.0
Kindergarten	6,376.0
Grades 1-5	29,169.0
Grades 6-8	15,760.0
Grades 9-12	<u>17,862.0</u>
Total Enrollment	<u>72,412.0</u>
<i>Less</i>	
Pre-Kindergarten	(3,245.0)
Half of Kindergarten	(3,188.0)
Half of part-time students	(248.5)
<i>Plus</i>	
Half of Special Ed ECE	209.5
Half of Colorado Preschool Program Students	826.0
Special needs students placed in non-DPS facilities in Denver	592.5
Other	2.0
School Finance Act formula 4-year averaging impact	<u>102.0</u>
Funded Pupil Count	<u>67,784.5</u>

Table 3 - Denver Public Schools 2004-2005 School Finance Act Formula Funding

Statewide Base Funding per Pupil	\$4,666.290
Denver Public Schools Base Funding per Pupil (BFPP)	\$5,848.498
Denver Public Schools Base Funding (67,470.5 x BFPP)	\$394.6 million
Denver Public Schools On-Line Funding (314.0 x \$5,627)	\$1.8 million
Denver Public Schools At-Risk Funding	\$44.1 million
Denver Public Schools Total Formula Funding	\$440.5 million
Denver Public Schools Funding based on 99% property tax collection rate (see Chart 3)	\$438.0 million

HOW IS THE MONEY SPENT?

Think of a dollar bill in terms of how the General Fund budget is allocated for the entire school district. To analyze the Denver Public School's 2004-2005 General Fund budget of \$652.2 million, one must first reduce it by the \$85.4 million one-time money received to refinance outstanding certificates of participation ("COP" included in the **Chart 1** and **Chart 3** Bond/COP Issues), in order to level and reduce future payments. The \$85.4 million was transferred to escrow accounts to be used to make payments on the refunded certificates. Also, \$37.1 million is set aside for the planned merger of the District's retirement system with PERA and for the TABOR Emergency Reserve. Of the remaining \$529.7 million General Fund budget, the largest share, 69.1 cents out of every dollar, is allocated to instruction, instructional and pupil support, and is comprised of primarily salary and benefits for teachers and other employees. This includes the learning support provided by counselors, librarians, nurses and others, in addition to books, supplies, computers and other classroom equipment. School administration and operations (which includes the principals, maintenance, custodial services and transportation) accounts for nearly 23.4 cents. District-wide leadership and support, which includes the central instructional, business, administrative and technology support, account for 7.5 cents of every dollar in the total budget.

For every dollar in the Denver Public Schools General Fund budget (see **Table 5**),

- 69.1 cents are spent on instruction at schools,
- 23.4 cents are spent on administration and overhead at schools, e.g. principals, custodians, bus drivers, etc., and
- 7.5 cents are spent on district-wide leadership and support, which includes the central administration.

Another useful way to break down the annual budget of a school district is by the amount spent per pupil. Divide the lump sum of this \$529.7 million budget for 2004-2005 by the number of students enrolled in October 2004, or 72,412, and you get the figure of \$7,315 budgeted per pupil. See **Table 4** for the budgeted per pupil amounts for prior years.

Keep in mind, though, that this number reflects all of the Denver Public Schools' General Fund expenses divided by all of their pupils. Every child is different, with different needs and different demands on the system. Some expenses are targeted to specific groups of students like special needs students, gifted students or students learning English as a second language.

Table 4 - Denver Public Schools General Fund Budgets (\$ in millions), Student Count per Colorado Department of Education and Budgeted Per Pupil

Fiscal Year	General Fund Budget \$ in Millions				Per Colorado Dept of Education	\$ not in Millions	
	General Fund	Less Reserves	Less Certificate Refunding	Net General Fund	Fall of year:	Student Count	Budgeted Per Pupil
Ending: 2005	\$652.2	\$(37.1)	\$(85.4)	\$529.7	2004	72,412	\$7,315
2004(a)	\$549.6	\$(26.9)		\$522.7	2003	72,103	\$7,249
2003	\$530.5	\$(25.2)		\$505.3	2002	71,972	\$7,021
2002	\$510.0	\$(27.3)		\$482.7	2001	72,361	\$6,671
2001	\$472.7	\$(22.5)		\$450.2	2000	70,847	\$6,355

(a) In the Fall of 2003, Denver voters approved a \$20 million override election, which increased resources available to spend beginning in fiscal year 2003-2004.

General fund budget break down

Table 5 and Table 6 list all of the expenses that make up the 2004-2005 Net General Fund Budget listed by programmatic/functional area and by type, respectively.

Table 5 - Denver Public School's 2004-2005 General Fund Budget by Program

Programmatic/Functional Area Expenses	(\$ in millions)	Percentage
Direct Instruction (teachers, paras, tuition, materials)	\$328.2	62.0%
School Counselor/ Advisor/Nurse/Psch/Social Work	20.7	3.9%
School Library/Staff Development/Technology Support	16.9	3.2%
	<u>\$365.8</u>	<u>69.1%</u>
School Administration (Principal's Office)	\$36.8	7.0%
School Facility Operations (custodial and utilities)	35.7	6.7%
Pupil Transportation	19.6	3.7%
Facility Maintenance and Operations Support	13.8	2.6%
Capital Reserve and Property/Liability Insurance	18.2	3.4%
	<u>\$124.1</u>	<u>23.4%</u>
District Management (Board, Legal, Superintendent, Community Councils/Relations)	\$2.6	0.5%
County Treasurer Property Tax Collection Fee	0.7	0.1%
Instructional Support (curriculum, testing, pupil records, instructional oversight)	16.3	3.1%
Central/Business Support (technology, human resources, finance, business, planning)	20.2	3.8%
	<u>\$39.8</u>	<u>7.5%</u>
Total Net General Fund Budget	<u>\$529.7</u>	<u>100.0%</u>

Table 6 - Denver Public School's 2004-2005 General Fund Budget by Type

<u>Type of Expenses</u>	<u>(\$ in millions)</u>	<u>Percentage</u>
Salaries and Benefits (full-time and hourly employees)	\$396.0	74.7%
Purchased Services (charter school, contract school, educational provider, technology, transportation and professional services contracts; property/liability insurance; water/sewer)	71.8	13.6
Supplies (books, supplies, electricity/gas)	35.4	6.7%
Interfund Transfers (allocations to other District budgets to support capital, property/liability insurance, second chance, and athletic programs)(a)	21.3	4.0%
Capital Outlay (computers, equipment, furniture)	3.0	0.6%
Other Expenses (fees)	2.2	0.4%
Total Net General Fund Budget	<u>\$529.7</u>	<u>100.0%</u>

(a) State law requires a minimum of \$268 per funded pupil to be allocated to the capital and insurance funds, or \$18.2 million.

The budget driver: district employees

Education is a very labor-intensive business. For that reason, the largest share of any school district's budget goes to pay for employee wages and benefits. Most of the Denver Public School's full employees -almost 83.4 percent-work inside the schools to provide direct services to its 72,412 students. See **Table 7** for a list of full-time staff.

Table 7 - Full-Time Employees Budgeted for 2004-2005

	<u>General Fund</u>	<u>Other Funds</u>	<u>Total</u>	<u>Percentage</u>
Teachers	3,809.46	396.42	4,205.88	61.7%
Mil. Sci., Paras, Student Services, Prof-Tech	267.45	98.73	366.18	5.4%
Admin, Clerical	566.60	12.00	578.60	8.5%
Fac. Mgr., Custodial, Maintenance	414.00	10.00	424.00	6.2%
Food Service	0.00	112.00	112.00	1.6%
Total School Based	<u>5,057.51</u>	<u>629.15</u>	<u>5,686.66</u>	<u>83.4%</u>
Admin, Clerical, Prof-Tech	518.68	268.63	787.31	11.5%
Fac. Mgr., Custodial, Maintenance	155.72	45.28	201.00	2.9%
Transportation	147.00	0.00	147.00	2.2%
Total Other Facilities	<u>821.40</u>	<u>313.91</u>	<u>1,135.31</u>	<u>16.6%</u>
Total Full-Time	<u>5,878.91</u>	<u>943.06</u>	<u>6,821.97</u>	<u>100.0%</u>

What does the budget buy us?

Over the 245-day work year, it cost Denver Public Schools an average of \$30 per day to educate each of the 72,412 students and operate the district with the \$527.9 million General Fund budget—less than the cost of most sports events tickets! This is a bargain when you consider all of the services the school district provides.

For just \$30 a day, the Denver Public Schools provides to each student:

- Quality instruction from caring and competent teachers
- Specialized learning services for students with special needs
- Access to library resources and computers
- Guidance, counseling and other support services
- Materials such as textbooks
- Transportation to and from school
- A balanced lunch (and, in some cases, breakfast)
- Healthcare services
- Extracurricular activities
- A safe, orderly learning environment

WHERE DO WE GET THE MONEY TO IMPROVE AND BUILD NEW SCHOOLS?

The Capital budget

While money for schools' day-to-day expenses comes from the general fund budget, money for building, renovating and expanding schools comes from bonds, which by Colorado law must be kept in a separate building fund.

Like any home or office building, the amount that a school district must spend on buildings depends not only on the number and size of schools, but also their age. As buildings grow old, they need new roofs, new heating and air conditioning systems, and new plumbing and electrical systems. In addition, schools built over 30 years ago lack many things we now take for granted from our schools or that are required by law, including computer and Internet wiring, an environment free from asbestos and fire hazards, and doors and ramps for disabled students and visitors.

Chart 2 of this document shows that \$267.5 million of the Denver Public Schools \$1,385.0 million 2004-2005 Denver Public Schools budget is set aside for the building fund. This \$267.5 million includes the remaining dollars from the November 2001 sale of bonds approved by Denver voters in November 1998 and the unspent dollars from the January 2004 sale of bonds voter-approved in November 2003.

What do school bonds pay for?

When you hear talk of school bonds, you're hearing about money that the district borrows to pay for these capital expenses. In Colorado, as in most states, voters must approve these loans at the ballot box. Colorado statute limits a school district's bonded debt to 20% of its assessed valuation. The 2004 assessed valuation (upon which taxes are levied and collected in 2005) for Denver was \$8,202,512,932. The maximum debt that Denver Public Schools can have, based on this 20%, is \$1.64 billion.

The voters in November 1990, 1998 and 2003 authorized the Denver Public Schools to sell \$199.6 million, \$305 million and \$310.8 million, respectively, for a total of \$815.4 million. As of July 1, 2004 (the beginning of the 2004-2005 fiscal year) there was \$715.7 million of debt to be repaid with the taxes approved by the voters to be levied. The taxes collected and payments made to the bond holders are accounted for in a school district's bond redemption fund. **Chart 2** indicates that there is \$254.3 million for this fund in 2004-2005. Of this \$254.3 million, \$140.1 million represents the proceeds from a bond refunding to refund, at a lower interest rate, \$140.1 million of the \$715.7 million in outstanding debt during 2004-2005. This \$140.1 million, included in the \$225.5 Bond/COP Issues in **Chart 1**, was remitted to the bank to pay off the refunded debt.

THE ANNUAL BUDGET

Each year, the school district must decide on its annual budget. The administrative staff of the district work together to create a tentative budget that considers the needs and values of students, parents, employees, and taxpayers and presents it to the Board of Education. The Board must balance the needs of students, parents and employees with the fiscal responsibility it has to the taxpayers. The Board is the final decision-maker on the budget.

Who determines needs and decides how we spend school funds?

Many people, including

- The principal, staff and school building accountability committees who make budget decisions at your local school.
- The superintendent and other school district staff who draw up the budget each year and present it to the school board.
- The Board of Education, which adopts the budget and presents it to the public.
- The Colorado State Legislature and Governor, who decide how much state money to spend on schools, how to allocate that money to districts, and what conditions apply.
- The U.S. Congress and President, who decide how much federal money to spend on education, how to divide it up among states and districts, and what conditions apply.
- And, of course, the most important person, *you*. As citizens, we elect all of these public officials.

Accountability for public education spending

Local school boards are accountable to their communities (to you, the taxpayer) for wisely and efficiently spending public funds to support schools. School boards, in turn, hold the superintendent responsible for developing and properly managing the school district's budget. The state also regulates district spending to a certain degree. And, of

course, the portion of the district’s budget that comes from the federal government is regulated at the national level. Independent auditors, who report their findings to the school board and the public, audit school district budgets annually.

Denver Public School’s budget timeline

The Proposed 2005-2006 Denver Public School’s budget is to be presented to the Board of Education on May 19, 2005. The entire document, which is available on the Denver Public School’s website at www.budgetandfinance.dpsk12.org , contains a narrative on its development and the details of each fund. **Table 8** below is a summary.

2005-2006 SCHOOL DISTRICT BUDGET

Table 8 - Comparison of 2004-2005 Budget to the 2005-2006 Proposed Budget (\$ in millions)

<u>Funds</u>	2004-2005 <u>(Chart 2)</u>	2005-2006 <u>(Proposed)</u>	Increase <u>(Decrease)</u>
General (a)	\$ 652.2	\$ 576.1	\$(76.1)
Gov’t/Special Revenue	125.8	125.8	0.0
Capital Reserve/Insurance	31.4	32.2	0.8
Bond Redemption (b)	254.3	109.3	(145.0)
Building (c)	267.5	183.7	(83.8)
Food Service	30.3	30.2	(0.1)
Other (d)	23.5	36.3	12.8
Total	<u>\$1,385.0</u>	<u>\$1,093.6</u>	<u>\$(291.4)</u>

- (a) decrease is primarily due to the \$85.4 million one-time money received in 2004-2005 to refund outstanding certificates of participation, in order to level and reduce future payments. The remaining \$9.3 million of increased funding available in 2005-2006 is not sufficient to address cost pressures from (1) enrollment shifts to charter schools, (2) rising pension, property/liability insurance, fuel and utility rates, (3) compensation increases and (4) restoration of prior years’ one-time budget cuts. As such, the Denver Public Schools has had to make \$11.9 million of budget reductions, as described in the budget narrative section of the Proposed Budget document.
- (b) decline is attributable to the \$140.1 million one-time receipt and use of proceeds from the refunding of outstanding bonds during 2004-2005.
- (c) decrease is due to expenditure of a portion of remaining bond proceeds during 2004-2005.
- (d) increase is from a \$13 million contribution during 2005-2006 from General Fund reserves for a Retiree Health Trust. “Other Funds” include internal service funds, a trust fund and the schools’ student activity fund.

Have a say

Successful schools are everybody's business. Every citizen can have a say in school budget decisions. If you are a public school parent, you can participate with your school's Collaborative School Committee and learn all you can about budget decisions at your local school. If you are a citizen living within the Denver Public Schools boundaries, you can share your opinions with the school board at a school board meeting.

The public will have an opportunity to comment on the Denver Public Schools 2005-2006 Proposed Budget at the Board of Education's public hearing on June 2, 2005. The Board of Education's website at www.board.dpsk12.org provides details on how to sign up to speak. There are still adjustments to be made for the budget which is scheduled to be adopted on June 16, 2005, to include additional Colorado Department of Education allocations for the Colorado Preschool Program and the appropriation of the District's grants and special revenue funds.

For information on state education policy and budget, call the Colorado Department of Education at (303) 866-6600 or access its web site at www.cde.state.co.us.