



Citizen's Guide to Denver Public Schools

FY2014-15 ADOPTED BUDGET



Overview

THE MISSION of Denver Public Schools is clear: "Provide all students the opportunity to achieve the knowledge and skills necessary to become contributing citizens in our society."

Denver Public Schools is committed to meeting the educational needs of every student with great schools in every neighborhood. The District's goal is to provide every child in Denver with rigorous, enriching educational opportunities from preschool through high school graduation to ensure they are prepared for success in college, career, and in life.

Under the leadership of Superintendent Tom Boasberg and guided by the tenets of The Denver Plan, DPS has become the fastest-growing urban school district in the country in terms of enrollment, and is the fastest-growing large school district in Colorado in terms of academic growth. As of the 2013-2014 school year, DPS is the largest school district in Colorado. DPS is committed to establishing Denver as a national leader in student achievement, high school graduation, and college and career readiness.



Widely recognized today as one of the best urban school systems in the country, Denver Public Schools serves the residents of the City and County of Denver, Colorado.

Vision: Every Child Succeeds!

Shared Core Values

1. Students First

We put our kids' needs at the forefront of everything we do

2. Equity

We celebrate our diversity and will provide the necessary resources and supports to eliminate barriers to success and foster a more equitable future for all our kids

3. Collaboration

Together as a team, we think, we work, and we create in order to reach our goals

4. Accountability

We take responsibility for our individual and collective commitments; we grow from success; we learn from failure

5. Integrity

We tell the truth, and we keep our promises

6. Fun

We celebrate the joy in our work and foster in our students a joy and passion for learning to last their whole lives

QUICK FACTS

185 SCHOOLS*

- 85 Elementary
- 18 K-8
- 26 Middle
- 14 6-12
- 35 High
- 3 ECE

87,398 STUDENTS*

- 72,218 Traditional
- 13,567 Charter
- 1,613 Alternative

*for FY2013-14 academic year, including charters

DEMOGRAPHICS

- 57.5% Hispanic
- 21.2% White
- 14.1% Black
- 3.0% Asian
- 1.0% American Indian
- 3.2% Other

72.1%

FREE/REDUCED LUNCH ELIGIBLE

LANGUAGES

- 33,922 receive English Language Acquisition (ELA) services
- 42,726 English Language Learners

BUDGET CALENDAR

▶ January	▶ February	▶ March	▶ April	▶ May	▶ June
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PREPARATION

- FY2013-14 Amended Budget
- Q2 Reporting
- FY2014-15 Budget Recommendations
- Financial State of the District

DEVELOPMENT

- FY2013-14 Amended Budget
- Site-level Budget Processes

FINALIZATION

- Propose FY2014-15 Budget
- Vote to Adopt FY2014-15 Budget
- Q3 Reporting
- FY2014-15 Budget Book

The Denver Plan

EDUCATORS, FAMILIES AND COMMUNITY MEMBERS have tirelessly committed to realizing the vision of Every Child Succeeds. Denver Public Schools first created the Denver Plan in 2006 and updated the plan in 2010. The results are promising. In the last six years, DPS has dramatically expanded pre-school and kindergarten opportunities, posted record enrollment increases, driven the highest rate of student progress of any major district in the state, increased the graduation rate by 18 percent and reduced the dropout rate by half.

While the DPS vision is clear and its progress certain, there is a long road ahead. DPS is grateful for the commitment and hard work of its educators that has led us to become the fastest-growing district in any city in the country. At the same time, there are large achievement gaps that are not closing, and not every child is succeeding. As DPS looks to the future, there are many passionate individuals who are committed to the progress of Denver's schools and who will continue to work hard for the success of its students.

To build upon the momentum of the last several years, DPS will focus on the changes that have proven successful and introduce new strategies to continue to drive innovation and progress. Over the last few months, DPS leaders spoke with nearly 3,000 stakeholders—students, family members, teachers, school leaders, community partners and other school district employees—who have offered them vital feedback. Based on this input, DPS has established a few critical goals and key strategic priorities to get there. DPS is raising the bar to ensure that its children have every possible advantage on the road to becoming well prepared, successful, civically engaged adults.

▼
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Discover a World of Opportunity™



Core Beliefs

1. Every child has talent and potential.
2. Our diversity is a community treasure, and equity is the core of our mission.
3. We can and will eliminate the achievement gap.
4. We must dramatically accelerate the progress we've made by investing more in what is working and embracing innovation.
5. Every family deserves choice and access to high quality schools in their neighborhood.
6. Our kids need all of us – educators, families, community partners and staff – and together, we are Team DPS.

Where We are Going – Goals to Achieve by 2020

1. Great Schools in Every Neighborhood
2. School Readiness
3. Ready for College and Career
4. Support for the Whole Child
5. Close the Opportunity Gap

How We will Get There – Key Strategic Priorities

1. Leadership
2. Teachers
3. Flexibility
4. Invest Early
5. Culture

Together, we are TEAM DPS

FY2014-15 Budget Highlights

Revenue

- ▶ Reduced negative factor* by \$100M for the state, resulting in an additional \$11.6M to DPS
- ▶ \$20M Early Literacy Fund (READ Act) funding for the state, resulting in \$3.3M to DPS
- ▶ \$30.5M additional funding for English Language Proficiency Act, resulting in \$6.6M to DPS
- ▶ Enrollment projected to increase from 87,398 to 89,445 in FY2014-15
- ▶ Per Pupil Revenue increase 5.5% year over year to \$7,399

Spending

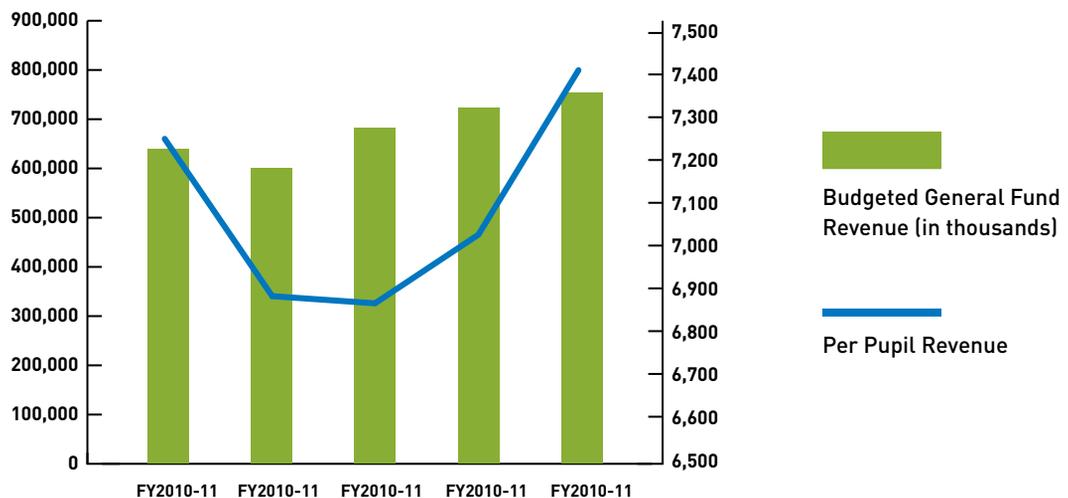
- ▶ Increased dollars to schools allocated through the Student Based Budgeting (SBB) model by \$13M year over year for all funding sources
- ▶ Implemented blended learning pilot program
- ▶ Implemented new grant initiatives: Youth CareerConnect grant, Next Gen Systems grant, Gates grants
- ▶ New curriculum roll-out for Common Core State Standards

* The Negative Factor is a reduction in total school funding by the state from full funding for K-12 education to a level that it can afford. The Negative Factor is applied to each school district as a percentage of total funding.

The following graph demonstrates how even though General Fund revenue has increased year over year due to enrollment increases, the Per Pupil Revenue has not kept pace did not increase over FY2010-11 until FY2014-15.

Enrollment projected to increase from 87,398 to 89,445 in FY2014-15

PPR TO GENERAL FUND REVENUE



Sources of Funding

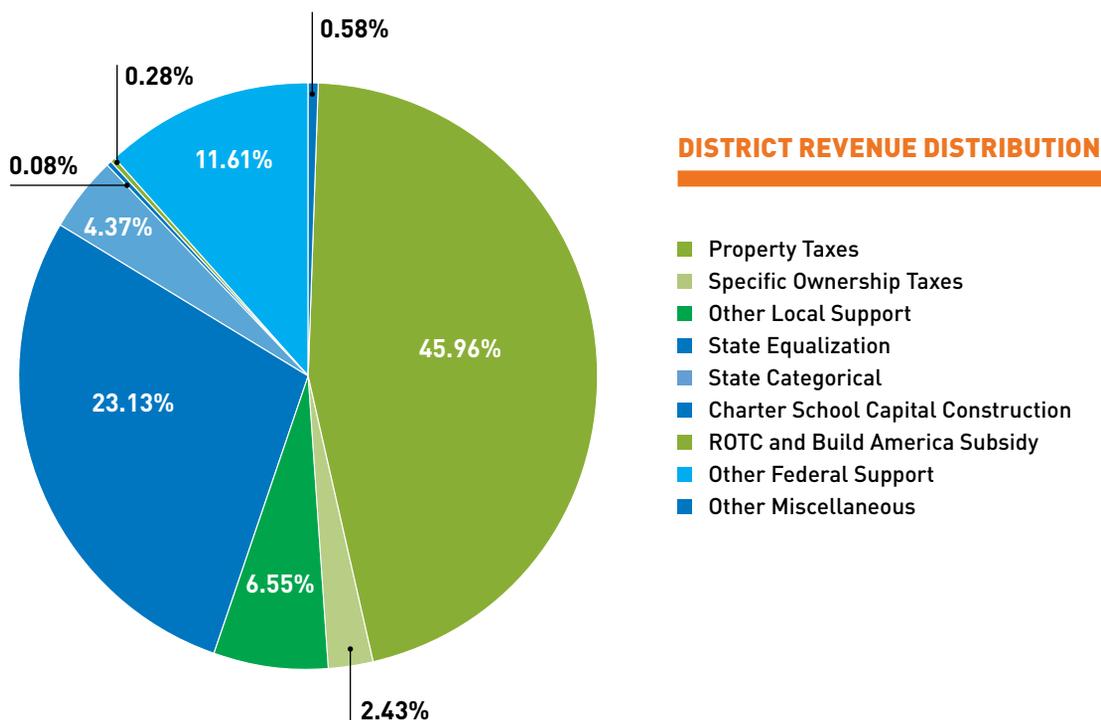
DENVER PUBLIC SCHOOLS receives revenue from a variety of local, state, federal, and private sources, with the largest being local property taxes which account for almost 46% of total revenue. Property taxes include revenue determined by the School Finance Act, as well as all Mill Levy Overrides and Bond Redemption approved by the voters of Denver. The second largest source of revenue for Denver Public Schools is from State Equalization, which is the remaining share of total program funding determined by the School Finance Act. Combined, these two sources account for nearly 70% of Denver Public Schools' total revenue.

Other major revenue sources include:

- ▶ **Federal Funding** – comprised mainly of Title I and Title II revenue. The revenue received from both Title I and Title II is variable year to year based on student demographics in DPS, as well as the state of the national economy. Food Services revenue for meals is also a type of federal funding.
- ▶ **Other Local Sources** – grants from many different institutions and foundations, including but not limited to the Bill & Melinda Gates Foundation, Michael & Susan Dell Foundation, and the Wallace Foundation. Similar to Federal Funding, this revenue is also variable year to year based on the pledge amounts of charitable organizations and the implementation timeline of programs these organizations support. Various other funding sources such as Risk Management Fund revenue or Pupil Activity Fund revenue are also types of Other Local Sources.

The following chart depicts all DPS revenue sources (100% of total revenues of all appropriated funds).

Property taxes and state equalization account for nearly 70% of Denver Public Schools' total revenue

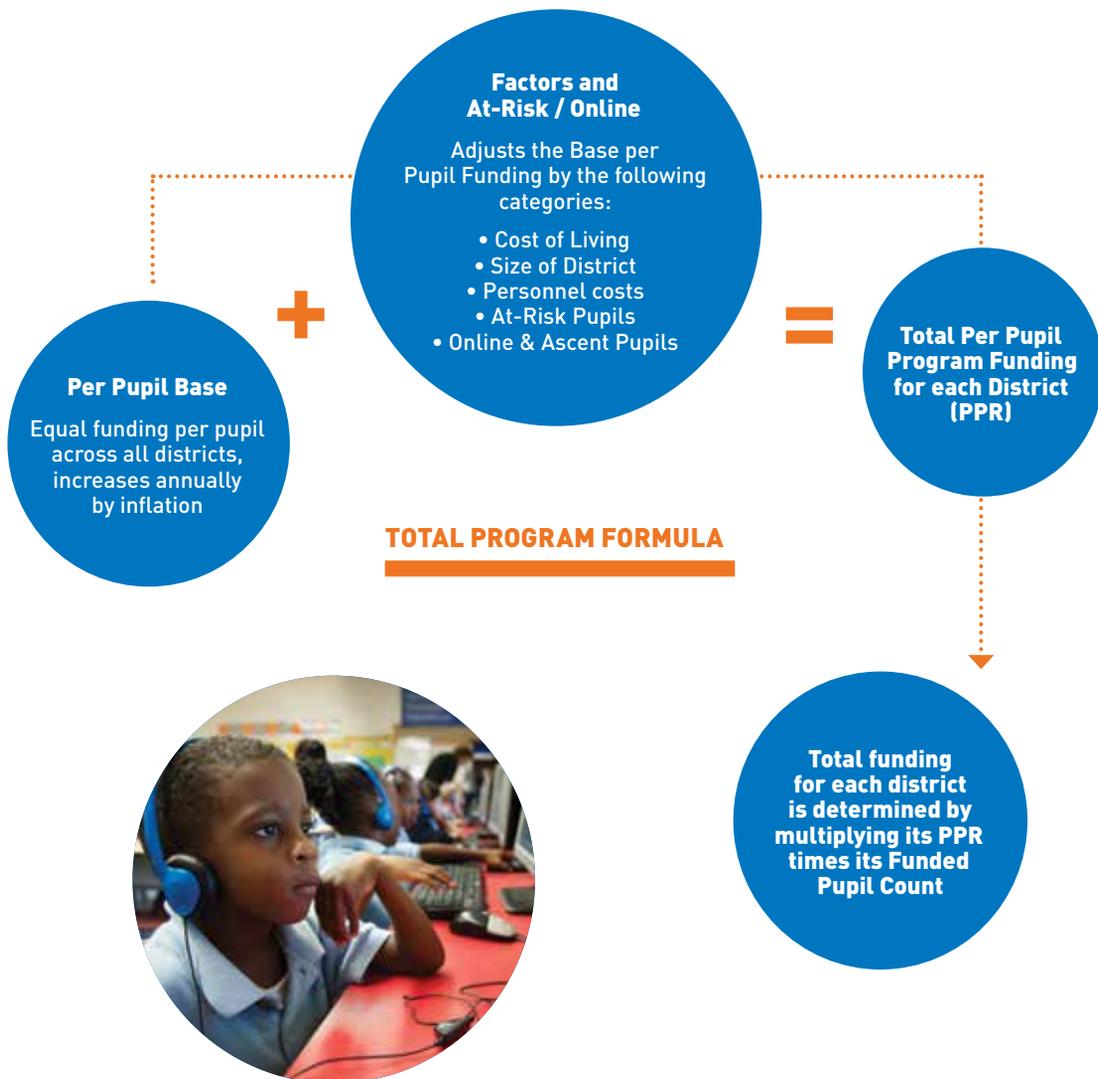




School Finance Act

THE COLORADO SCHOOL FINANCE ACT outlines the Total Program funding formula used to determine a per pupil funding level for each school district. The Total Program funding includes a base amount plus additional factors that vary by district and compensate for financial differences among districts such as cost of living, size of the district, and personnel costs. In addition to these factors, additional funding is allocated for At-Risk and Online pupil counts.

The following diagram outlines the Total Program formula.



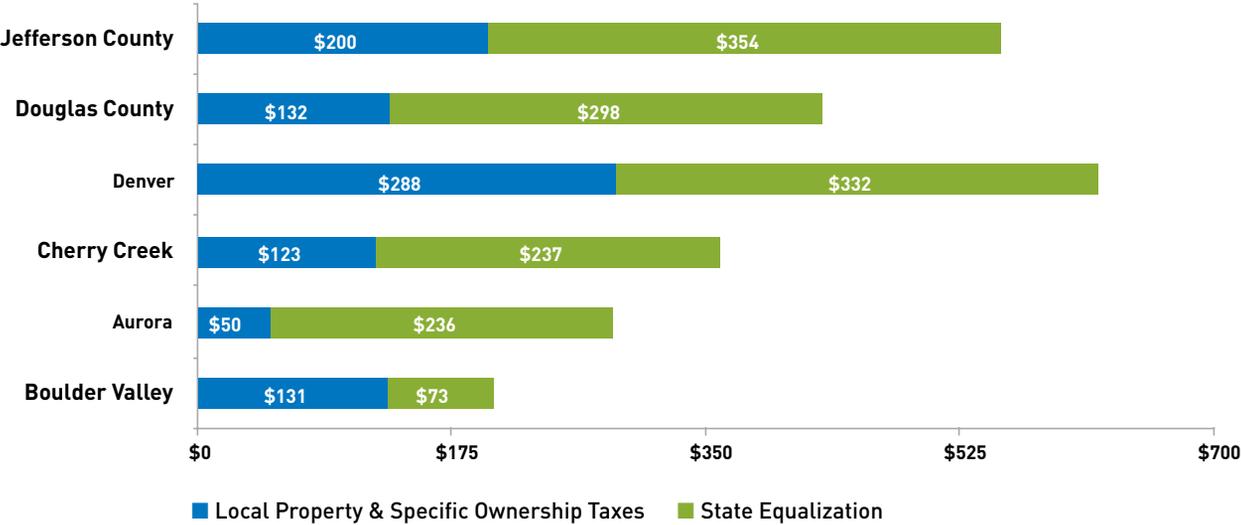
DPS is more heavily funded by the factors than any other large district in the state.

PER PUPIL FUNDING BY DISTRICT (excludes Negative Factor)



Total Program funding is comprised of two main sources: local and state. Denver receives approximately 55% of total funding from the state and has a higher net assessed valuation than neighboring large districts.

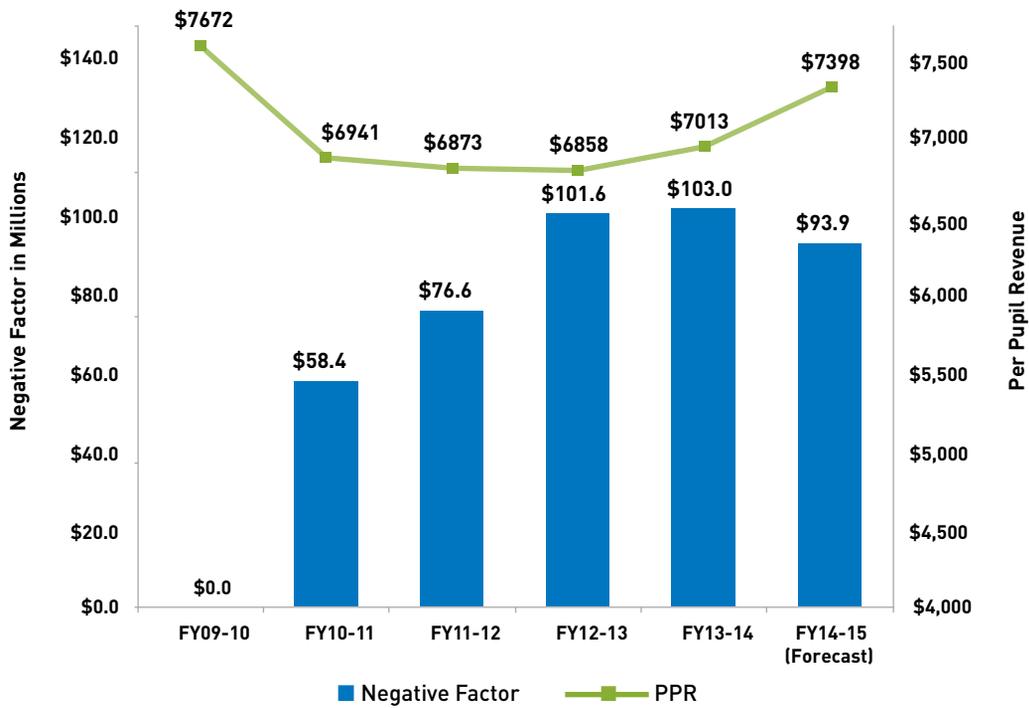
SOURCES OF FUNDING BY DISTRICT (\$'s in millions)



The Negative Factor

BEGINNING IN FY2010-11, the Colorado Legislature implemented the “Negative Factor,” due to lower revenues associated with the economic downturn. In FY2013-14, DPS’ share of the Negative Factor was \$103M or \$1,280 per student. Since FY2009-10, DPS’ funding has been reduced by a total of \$340M through the state’s use of the Negative Factor.

DPS' SHARE OF NEGATIVE FACTOR AND EFFECT ON PPR



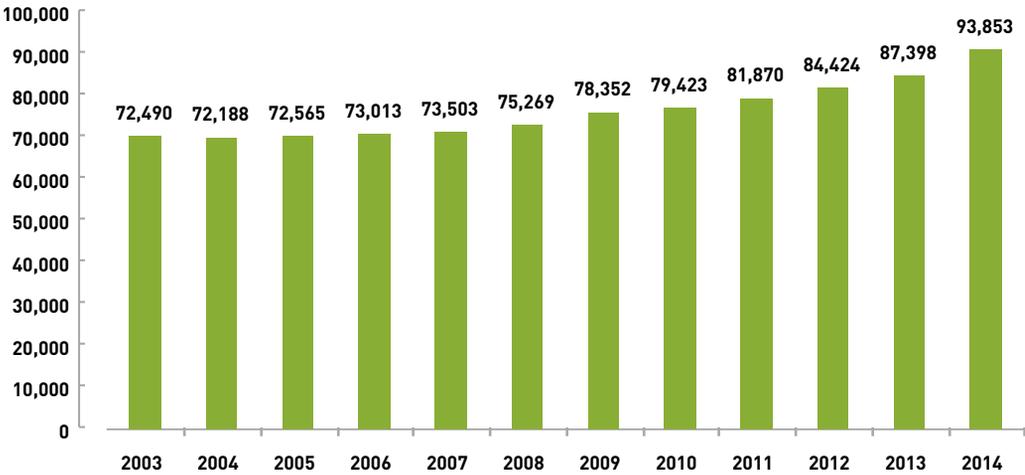
Student Enrollment History and Projected Growth

DPS IS A RAPIDLY GROWING DISTRICT. In the last five years, enrollment has increased from just over 73,500 students in 2007 to 87,398 students in 2013. This growth of almost 14,000 students represents an increase of almost 19 percent, which is above the state-wide growth of 5.4 percent from 2009 to 2013. The increase in DPS enrollment has been driven by a variety of factors, including population growth, strong residential development, and improved school offerings drawing students back into DPS, particularly at the middle and high school grades.



From looking at a variety of data inputs, including population growth, new residential development, and the increasing percentage of students living within the District who choose to attend a DPS school, the DPS expects that it will continue to grow in the future, albeit at a slower rate than the previous five years. By 2018, DPS expects to add 6,455 students over the 2013 October Count. Most of this growth will come from Green Valley Ranch, Stapleton, and Lowry, where most of the new residential development is occurring.

DPS ENROLLMENT GROWTH



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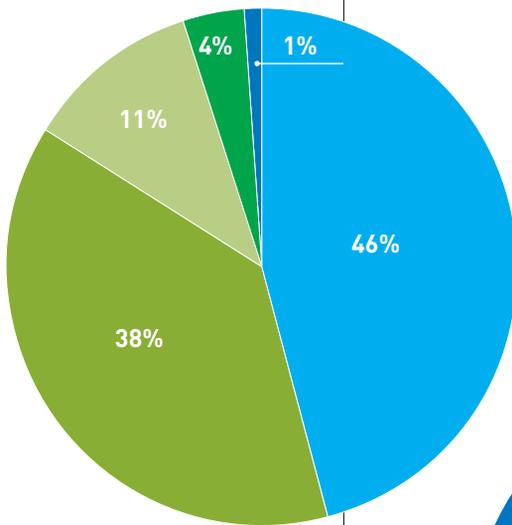
General Fund Revenue

ALL REVENUE ASSUMPTIONS are based on the FY2014-15 School Finance Act (HB14-1298) and the Student Success Act (HB14-1292), which were adopted by the legislature on April 30, 2014 and May 1, 2014, respectively. The passage of these two acts resulted in a \$386 increase to per pupil revenue, from \$7,013 in FY2013-14 to \$7,399 in FY2014-15. With this increased per pupil revenue and increasing enrollment, FY2014-15 general fund (exclusive of Mill Levy Overrides) revenue is forecasted to increase ~8% over FY2013-14.

Local share of revenue is a combination of property taxes and specific ownership tax. Each district imposes a property tax levy on its district and the revenues remain in the district that imposes the tax (not shared with other districts). Specific ownership is vehicle-registration taxes.

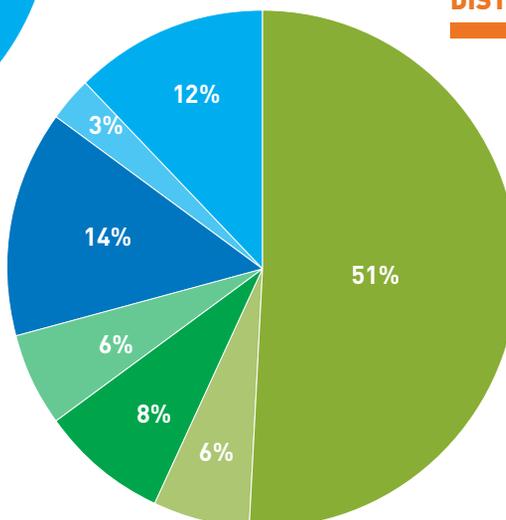
A district, such as DPS, may seek approval from its voters to raise additional property tax revenues via an additional mill levy called a Mill Levy Override. This is in addition to the amount authorized to fund Total Program and cannot exceed 25% of Total Program. All override revenue is from increased property taxes and the voter approval to raise override revenues does not impact state share funding. Mill rates used to determine revenue from Mill Levy Overrides are calculated by dividing the amount needed to be raised by the assessed valuation multiplied by 1000.

The following pie chart is of all General Fund revenue sources and includes funding for mill levy overrides.



FY2014-15 SOURCES OF REVENUE

- State Funding
- Property Taxes
- Mill Levy Override
- Specific Ownership
- Other General Fund



DISTRICT EXPENDITURE DISTRIBUTION

- Employee Salaries and Benefits
- Purchased Services
- Charter Schools
- Supplies & Materials
- Property
- Other Expenses
- Debt

FUND DESCRIPTIONS

Fund Name	Fund Description	FY2014-15 Fund Appropriation
General Fund	General operating fund; everything except financial resources required to be in other funds	\$858,511,417
General Projects Fund	Donations or funds without restricted spending	Included in General Fund
Government Designated Purpose Grants Fund	Resources from local, state, and federal grants	\$123,405,412
Pupil Activity Fund	Intrascholastic and interscholastic athletics and other related activities	\$796,986
Special Revenue Fund	Restricted or committed revenue sources, such as private grants and tuition	\$24,579,687
ProComp Special Revenue Fund	Pay-for-performance compensation system	\$42,806,966
Bond Redemption Fund	Payment of principal and interest on long term general obligation debt	\$106,360,652
Building Fund	Capital outlays, including acquisition or construction of capital facilities and other capital assets	\$159,277,028
Capital Reserve Fund	Accumulated resources for acquisition, renovation and maintenance of capital assets	\$84,559,508
Food Services Fund	Financial transactions related to food service operations	\$40,333,525
Risk Management Internal Service Fund	Property and liability insurance, worker's compensation premiums and claims, and risk management services	\$11,225,423
Contractual Services (Warehouse) Internal Service Fund	Central copying services, office supplies, postage and rental of equipment for schools	\$1,011,398
Private Purpose (Trust) Fund	COBRA, retiree health and life insurance trusts, DCTA and paraprofessionals	\$11,225,423
Permanent Fund	Resources restricted that only earnings and not principal may be used to support District	\$123,984
Student Activity Fund	School sponsored activities	\$5,781,680

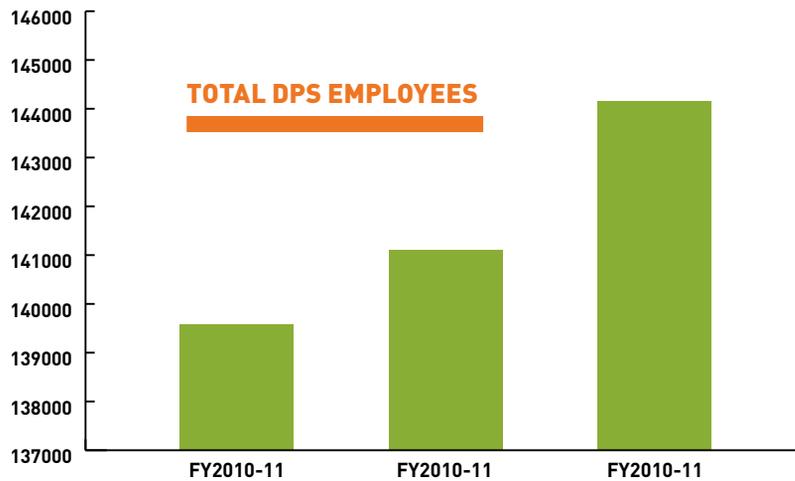
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School-Based vs. Centrally Allocated Resources

DPS' GOAL IS TO MAXIMIZE FUNDING in the classroom and in support of schools, while streamlining central school-support spending as much as possible. Currently, DPS spends 95% of its budget in Schools or in School Support with only 5% of its budget going toward central administration functions. DPS continues to reduce centrally budgeted services and remains among comparative urban districts with the lowest percentage of central funding in order to maximize funding in our classrooms. The analysis and calculation methodology was confirmed independently by the consulting firm Education Resource Strategies (ERS) in FY2009-10.



The following graph demonstrates the growth in DPS employees from FY2011-12.



Student-Based Budgeting

DISTRICT-OPERATED SCHOOLS are allocated funds based on a weighted student formula from the General Fund, federal and state grants, Colorado Preschool Program and Mill Levy funds. The Student Based Budget is a school funding system where dollars follow students. Recognizing that students with different needs may require differentiated services, SBB provides a base per-pupil funding amount for all students and then additional per pupil weights. For example, additional funds are allocated for English Language Learners (ELL), at-risk students (Free and Reduced lunch eligible) and Gifted and Talented. School leadership teams are able to determine how to spend their funds to best meet their students' educational needs. School-centered teams develop budget, academic and staffing plans.

Student Based Budgeting (SBB) was initially adopted in 2007-2008 after it was determined that schools required increased transparency, flexibility and autonomy to best meet the needs of their students. It is because of the wide-array of student and school needs that the District implemented a model to allow for site-level autonomy and for school leaders who are best positioned to assess the needs of these students to have the ability to make decisions on how the school is structured.

FY2014-15 Student Based Budgeting				
(\$s in Thousands)	SBB Allocation	FY2013-14 Final SBB	FY2014-15 Proposed SBB	Variance
General Fund (10) at-Risk	Base	\$264,581	\$270,931	\$6,350
	Free and Reduced Lunch	23,050	23,288	237
	Alternative School Subsidy	10,427	12,800	2,372
	English Language Learners (ESL and ELA)	11,517	11,549	32
	English Language Learners (ACCESS Test)	5,182	5,195	14
	Other	13,442	16,813	3,372
	Total Fund 10	328,199	340,576	12,377
Colorado Preschool Program (19)	Early Childhood Education	9,012	11,006	1,994
Total General Fund (10 and 19)		\$337,211	\$351,582	\$14,371

FY2014-15 Student Based Budgeting				
(\$s in Thousands)	SBB Allocation	FY2013-14 Final SBB	FY2014-15 Proposed SBB	Variance
1998 Mill Levy Override (12)	Student Literacy	\$4,642	\$4,746	\$104
	Development Library	437	1,638	9
	Technology	1,604	447	34
	Total 1998 MLO (12)	6,683	6,830	147
2003 Mill Levy Override (16)	Arts	7,076	7,366	290
	Textbooks	673	688	15
	Total 2003 MLO (16)	7,749	8,053	305
2012 Mill Levy Override (14)	Tutoring	4,200	4,140	(60)
	PE/Engagement	6,054	6,131	76
	Arts/Music	4,929	4,926	(3)
	Technology	3,505	3,350	(155)
	Early Childhood Education	5,861	5,443	(418)
	Total 2012 MLO (14)	24,549	23,989	(560)
Government Designated Purpose Grant Fund (22)	Title I	18,920	19,571	651
	Parental Involvement	380	395	15
	Title II	1,313	0	(1,313)
	Head Start Early Childhood Education	825	817	(8)
	Title III Native Language	944	1,119	175
	Total Government Designated Purpose	22,381	21,901	(480)
Special Revenue Fund (29)	Early Childhood Education	5,750	5,232	(518)
Total MLO and other Funds		67,112	66,006	(1,106)
Total SBB		\$404,323	\$417,588	\$13,265

Capital Program

WHILE DPS ALWAYS SEEKS to maximize intergovernmental funding (Federal, State, Municipal and private grants) the District has historically used general obligation bonds and lease purchase certificates of participation to fund major capital improvements including construction of new schools, renovation and maintenance projects and technology upgrades. Additionally the Capital Improvement Plan also benefits from the use of tax increment financing (through inter-governmental agreements with Denver Urban Renewal Authority), federal and state programs and grants, as well as private grants.

Operating Budget:

Replacement of the district's school bus fleet, maintenance vehicles and equipment, capital improvements and purchases of equipment are included in the operating budget on a pay-as-you-go basis. The District's Operating Budget also provides for debt service and operating expenses associated with the capital projects included in the Capital Budget and Program.

Certificates of Participation:

Certificates of Participation are annually appropriated lease purchase financing vehicles used to fund capital facility improvements as well as other large scale financing needs of the District.

Tax Increment Financing:

The District is in agreements with the Denver Urban Renewal Authority (DURA) on the redevelopment over the former Lowry Air Force Base and Stapleton International Airport sites. DURA agrees to reimburse the District from tax increment revenues for costs incurred in connection with the construction of an elementary school at Lowry and one elementary school at Stapleton. The District, DURA, the City and County of Denver and Park Creek Metropolitan District entered into an additional agreement in connection with the construction and equipping of additional schools located in Stapleton.

Capital Reserve Fund (CRF):

There are two categories of spend within the CRF Fund which can be most adequately described as recurring and non-recurring capital project spending. Recurring capital spending can generally be classified as funding that is appropriated annually to departments so that they have well maintained capital assets necessary in order to maintain the quality of the services they provide to schools. Non-recurring capital outlays are typically spent out of the CRF and are typically for one-time, large-scale construction projects. These expenses are not expected to be recurring and are necessary to meet a pressing capital need where G.O. bond funding is already allocated across competing project need and unavailable.





2012 General Obligation Bonds:

In November of 2012, the Denver County electorate authorized the issuance of \$466M (par value) in municipal bonds from DPS. DPS responded by issuing \$445M (par value) of bonds at a \$67M premium to the market and was able to raise approximately \$512M through this issuance. These funds were approved for the following:

- ▶ **Technology** – Classroom devices, infrastructure, and software for learning and operational efficiencies (Approximately \$39M)
- ▶ **Critical Maintenance** – Performing repairs and renovations to address health, safety and security concerns and improve the sustainability of all schools (Approximately \$141M)
- ▶ **New Schools/Capacity** – Constructing new buildings to address enrollment increases and reduce overcrowding across the district. (Approximately \$192M)

In March of 2014, DPS issued the remaining \$21M of authorized bonds from the \$466M originally approved. Once again, DPS took advantage of favorable market conditions and investor demand for premium bonds netting over \$25 million to fund additional need capacity projects. These funds were approved for the following:

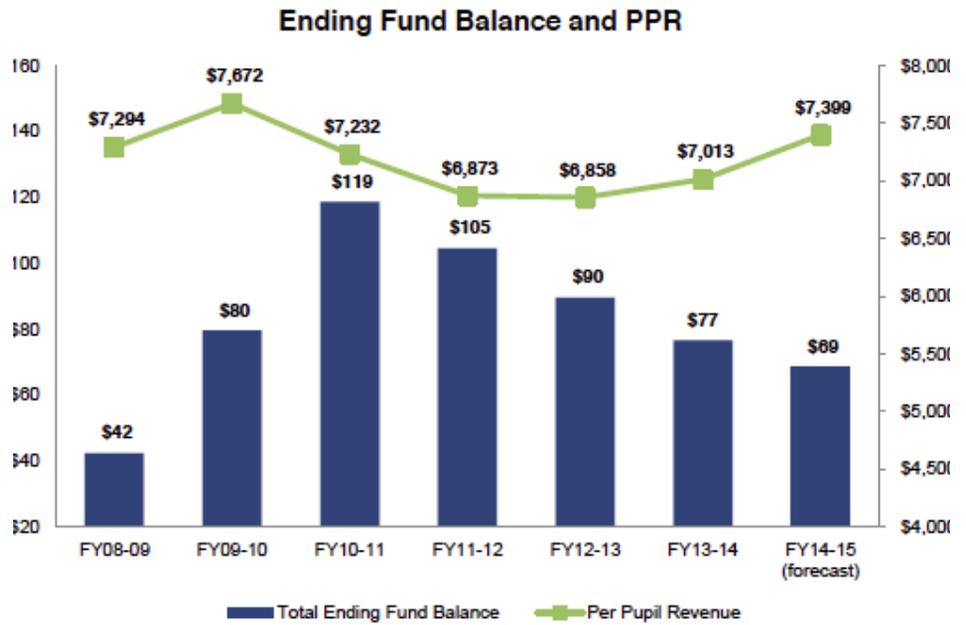
- ▶ **Capacity** – to expand capacity in Far Northeast and Southwest regions
- ▶ **Critical Maintenance** – to fund services to serve students with significant disabilities within existing schools
- ▶ **The Board of Education** may, in its discretion, determine to expend the proceeds of the bonds for any purpose authorized by the 2012 bond election.

The following chart outlines expenses for the Capital Reserve Fund, 2008 General Obligation Bonds and 2012 General Obligation bonds from FY2009-10 to FY2013-14.

Capital Program	FY2009-10	FY2010-11	FY2011-12	FY2012-13	FY2013-14
Capital Reserve Fund	\$17,890,875	\$17,174,472	\$19,998,066	\$23,893,542	\$81,317,950
2008 GO Bond	\$117,940,564	\$144,814,006	\$94,854,301	\$58,277,586	\$26,665,743
2012 GO Bond				\$41,435,029	\$127,176,977

Fund Balance

SINCE FY2010-11 DPS has used fund balance to supplement declining state revenues due to the implementation of the Negative Factor. As state funding has slightly increased, DPS has reduced its use of fund balance; however, increasing pressures from inflation and other rising costs continue to pressure the District's ability to meet students' needs.



Every child succeeds!



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