

FUNDAMENTALS OF THE BUDGET



FISCAL YEAR 2022 - 2023

27J SCHOOLS



Fundamentals of the Budget

Dear Community Member,

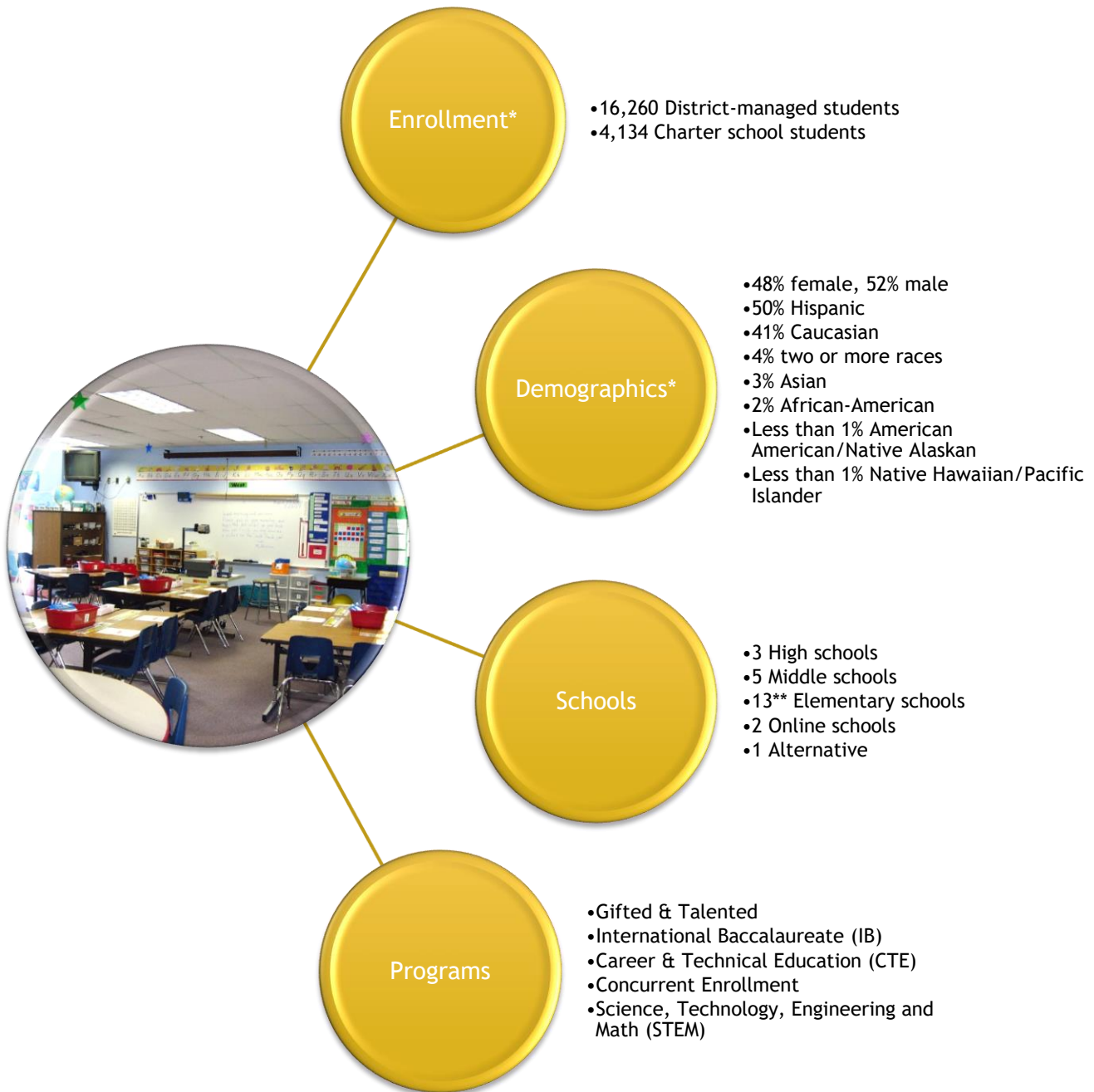
Thank you for your interest in 27J Schools' budget. Many questions regularly arise related to the topic of Colorado school finance and how it applies to the district in which you live. To that end, we have developed this informational guide to simplify and explain the major aspects of the District's financial planning process.

***Our mission is to empower every student today
to take control of their future tomorrow. We
engage this mission on behalf of our
community.***

This guide is broken down into four sections: where the money comes from, where the money goes, what money is left over and an overview of the separate funds. The process is complex, but we hope after reading this you will have a better understanding of how the district utilizes its resources to educate a steadily-growing and diverse population of students.



The District at a Glance



*Enrollment and demographic information from school year 2021-2022

**As of start of school year 2022-2023

Budget Development Calendar

• Beginning of fiscal year

July

• Start of school year

August

• Weekly review of enrollment

September

• Official student count commences
• Build school Amended Budget forms

October

• Determine school allocations
• Start priority-based budget meetings
• Send Amended Budget forms to schools

November

• Amended Budget forms are due back
• Mill Levy Certification for property tax
• CDE certifies pupil count

December

• Amended Budget is finalized and presented to the Superintendent and Board of Education (BOE) for approval
• Start the Proposed Budget process
• Continue priority-based budget meetings

January

• Legislature begins to determine school funding
• Work with Planning and Human Resources to determine school allocation and staffing

February

• Send out Proposed/Adopted Budget forms by end of month
• Review enrollment and staffing projections on a weekly basis
• Continue priority-based budget meetings

March

• Proposed/Adopted Budget forms are due back
• Create position control for next school year
• Final passage from State Appropriation Committee

April

• Present Proposed Budget to the Superintendent and BOE

May

• Make any necessary changes to the Budget based on state funding
• Adoption of the Financial Plan and Budget by the Superintendent and BOE
• End of fiscal year
• Review final numbers prior to audit

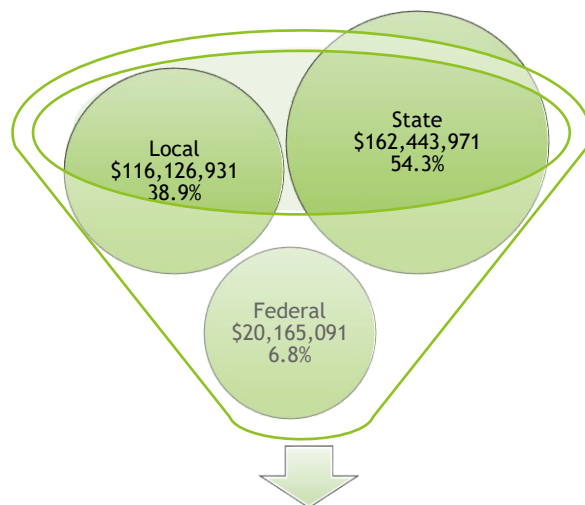
June

WHERE DOES THE MONEY COME FROM?

27J Schools receives revenue from three different sources: state, local and federal. Each source has different parameters for qualification, usage of funds, supervision and timing of award/receipt. The money from these sources are received into numerous types of funds (self-balancing sets of accounts to record revenues and expenditures associated with a specific purpose) that the district uses to provide educational programs and supporting services for our students. Examples of these funds are General Fund, Government-Designated Grants Fund, Bond/Building Fund, Nutrition Services and Special Programs Fund, among others. In Fiscal Year 2022-2023, the Adopted Budget includes \$298.7 million in total revenue throughout all funds. Major contributors to this total is \$216.5 million in General Fund, \$21.5 million in Government-Designated Grants and \$44.6 million in Bond Redemption Fund.

Federal Revenue

The Federal Government contributes a limited amount of funding to school districts through special programs like Title I of the Elementary and Secondary Education Act (ESEA) and the Individuals with Disabilities Act (IDEA). Districts receive these funds to help at-risk students, students from low-income families or students with disabilities. Most of the funds are used for additional instruction, instructional coaches and teacher professional development to support the needs of the students in the categories.



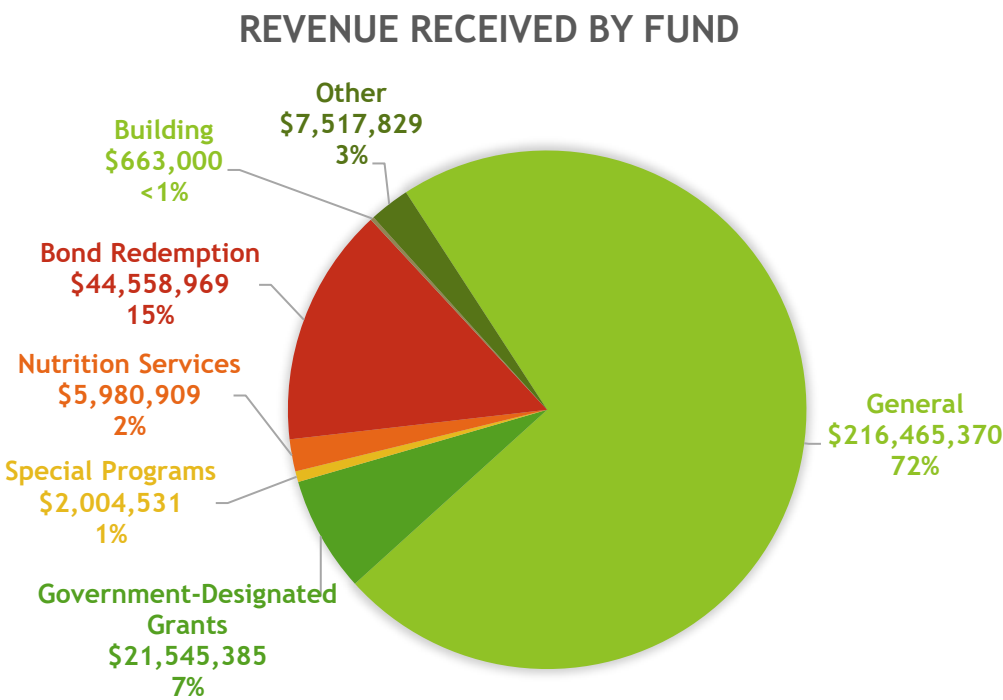
All funds: \$298,735,993

Local Revenue

Local revenue consists of property taxes, specific ownership taxes (vehicle registration fees), Bond issuance proceeds and non-tax sources like student fees, facility usage and investment interest. Property taxes are the highest contributor and are calculated every year based on the assessed valuation of all property within a school district's borders. \$100.5 million total is attributable to 27J's property taxes, which is 33.6% of all District revenue. Colorado law also allows school districts to ask voters to approve additional funding through local tax increases called mill levy overrides.

State Revenue

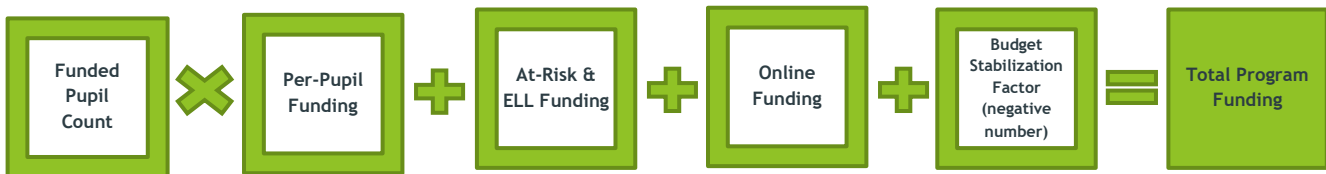
Funding from the state is received in two forms: categorical and equalization. Categorical funding provides support for specific programs that districts offer such as gifted and talented, special education, transportation and vocational. Typically, certain costs districts spend related to these programs are reimbursed by the state. Equalization is the amount of funding a school district receives based on the Total Program Funding formula outlined in the Colorado School Finance Act (more on this later). It was enacted to provide equitable funding to all school districts across the state.



General Fund

The General Fund is the district's main source for day-to-day operations. All of the revenue received into General Fund comes from State and Local sources and 96% of it via the Colorado School Finance Act. Revenue received into the General Fund is used to pay for the majority of salaries and benefits of district employees, as well as supplies and materials, technology, transportation, outside services and many others.

Colorado School Finance Act



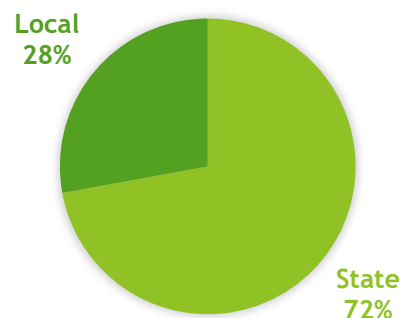
The Colorado School Finance Act was enacted in 1994 to provide equitable funding so all districts receive public funding relative to their economies. This means that as local funding increases as a percent of total program funding, state funding decreases. The SFA established a formula to calculate “Total Program Funding” for each Colorado school district. During the spring legislative session, the State sets a total budget amount to be given to its education sectors. That translates to a base, per-pupil revenue (PPR) amount for all districts. Once the base is established, the funding formula comes in to apply district-specific factors like local funding (property and specific ownership taxes), various demographics, educational program offerings and budget stabilization (BS) factor to calculate each district’s total program funding. Based on this amount, the local portion the District receives is deducted and the shortfall provided by the state in the form of State Equalization (PPR * enrollment).

FY 23 General Fund Revenue Highlights

The State legislative session for fiscal year 2022-2023 had a very positive effect on 27J Schools’ General Fund budget. The State’s budget approved additional money to education and a reduction in Budget Stabilization Factor which resulted in an increase to the statewide base PPR of \$252 per student and an increase to 27J’s PPR of \$606, for a final amount of \$9,242 per student. In addition, the State passed a bill adding further online education programs to the state equalization portion we receive. All these equate to an increase of \$38.2 million in state equalization revenue.

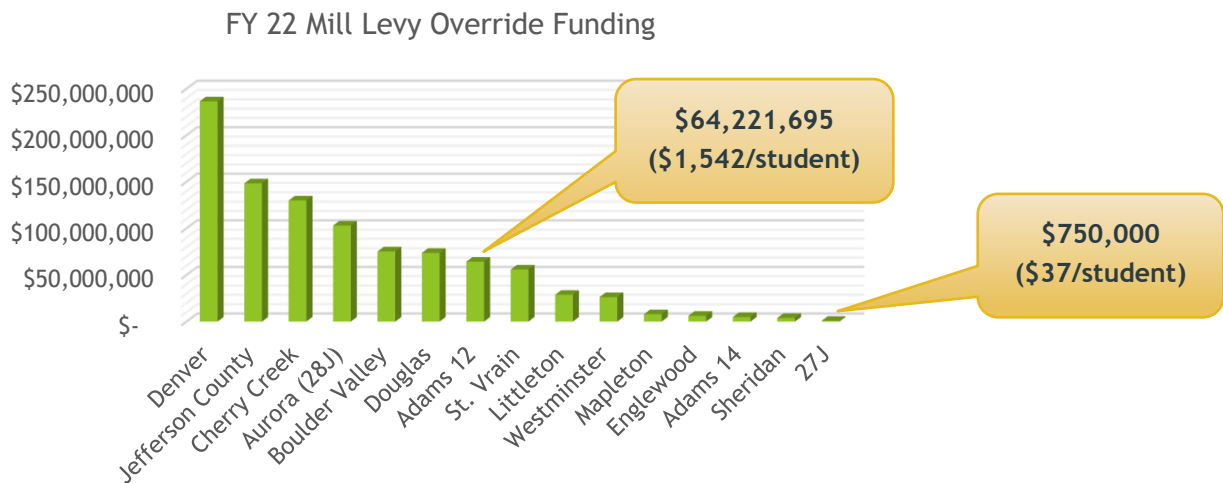
Furthermore, another bill was passed which centers around state-funded categorical revenue for Special Education programs. This will result in a \$1.9 million increase in categorical funding for 27J.

FY 23 REVENUE: GENERAL FUND ONLY



Mill Levy Overrides

A Mill Levy Override (MLO) is another local source of revenue in which school districts ask voters to approve additional funding through local tax increases. MLOs provide additional funding, exclusive of the SFA, for school districts' operating expenses. These funds are restricted by use as outlined in the election ballot language. Common uses for MLOs are education priority expenses like instructional programs, transportation, infrastructure, school safety, class-size management and attracting and retaining high-quality staff. In November 2000, voters approved a MLO to assist in funding tutoring, summer school and textbooks/curriculum. The 21-year-old MLO provided \$750,000 in FY 2022. Competing districts have also passed MLOs which far exceed that of 27J.

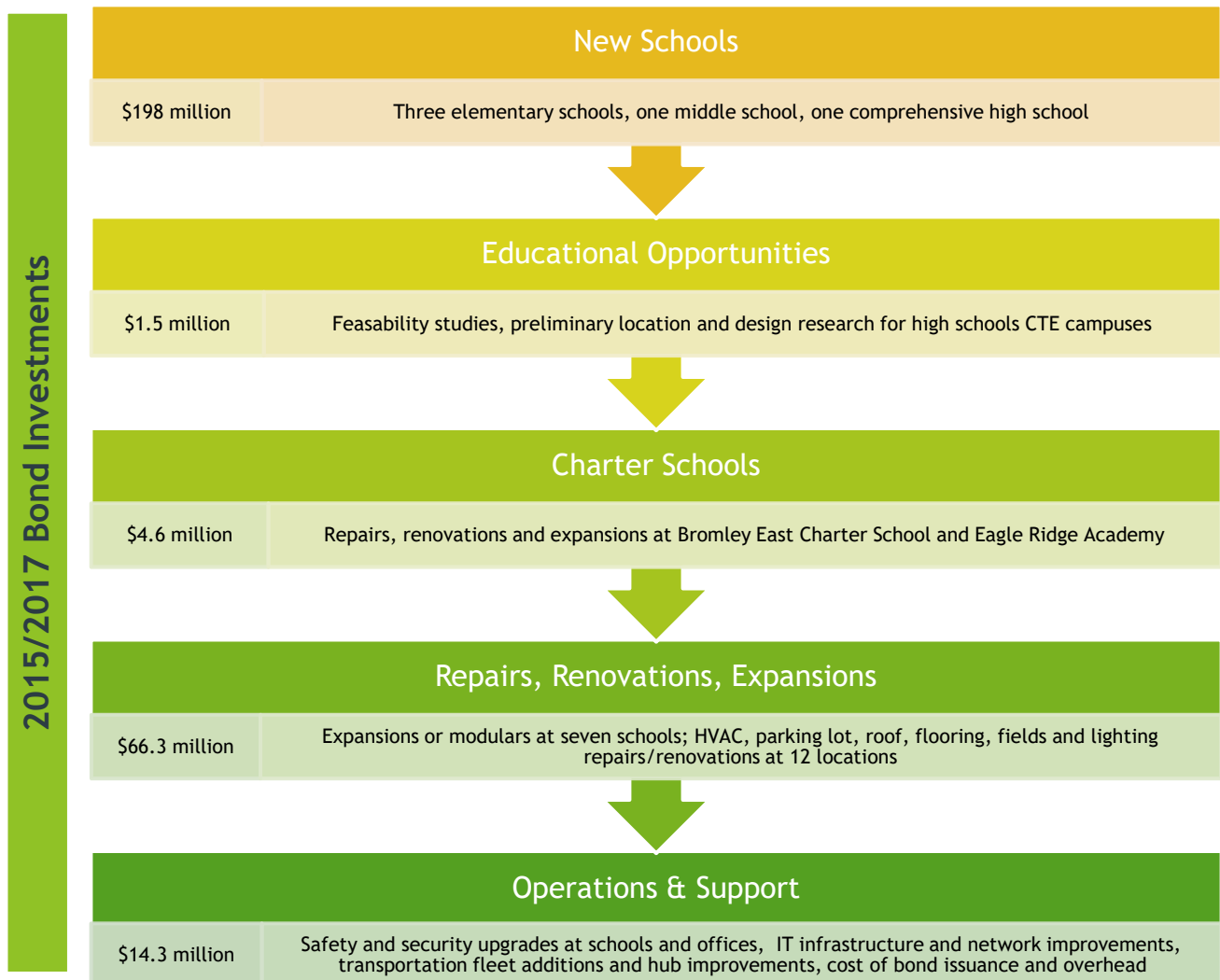


Bond Fund

The usage of bonds is restricted by law and can only provide funding for major repairs and renovations to existing school buildings, additions to schools, new school buildings and technology. The state of Colorado does not provide funding for these types of projects, so bonds are a vital source of revenue in order to keep up with recent and continued projected growth.

A bond question goes before voters as a ballot measure asking them to approve (or deny) additional proposed spending. If approved by voters, the District sells bonds to investors, uses the proceeds from the sale to pay for stated improvements or additions and then repays investors over a specific period of time.

27J received approval for bonds in 2015 and 2017 totaling \$299 million which enabled the District to build new schools, plan for future educational opportunities, expand, renovate and repair district-managed and charter schools and improve other areas of support within 27J. In 2021, voters approved another bond for \$515 million which will continue to fund these areas of need as the District continues to grow.



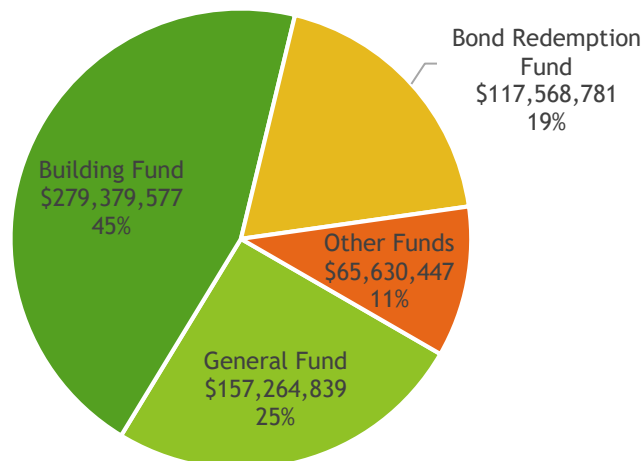
WHERE DOES THE MONEY GO?

The operating objectives of governmental entities, such as school districts, are different from those of commercial enterprises and therefore accounting requirements are different. Governmental entities use fund accounting to track expenditures (and revenues) which allocates and tracks financial activity using a chart of accounts prescribed by the Colorado Department of Education to account for revenues and expenditures by fund, location, program, object, department and project to ensure the money is being used for its intended purpose. 27J Schools has 16 different funds, all with specific intended uses and restrictions on how the dollars can be spent. Each fund has its own respective departments in charge of allocating their available dollars and they do so according to the needs of each program within the fund in order to provide valuable and effective education opportunities to the students for which the fund provides.

The different aspects of the chart of accounts enables 27J to identify the destination for every dollar. Object is used to categorize the type of expenditure: salaries, benefits, outside services, supplies, property and other uses. Program allows the District to track by the activity for which each object is spent. Program breaks expenditures down between instructional, support, operations and other uses.

27J Schools has been able to pass multiple Bond elections to support the substantial population (enrollment) growth within the District over the last several years. It is a unique situation compared to many other districts in the state, and, as a result, the Bond Redemption and Building Funds make up a large portion of 27J's total expenditures. These two funds solely pay for the construction of new schools and infrastructure and major repair and renovation of existing schools.

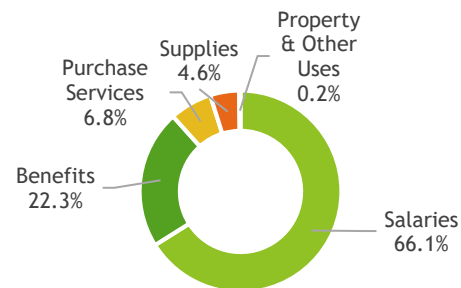
Adopted Budgeted Expenditures | All Funds



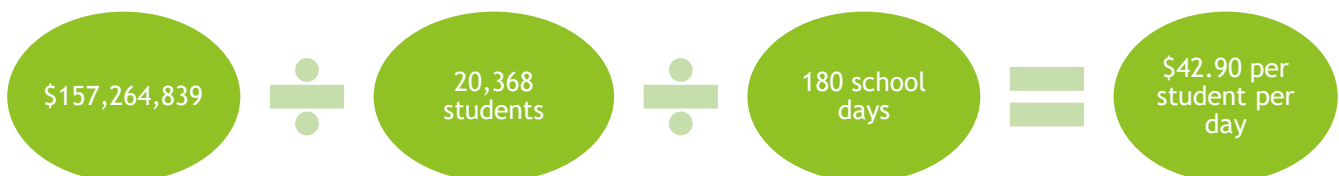
General Fund

The General Fund is the District's main operating fund and makes up 25% of *all* expenditures. The vast majority of our FY 23 General Fund budget pays for the people we employ: teachers, paraprofessionals, support staff, administration, bus drivers, nutrition services staff and many others. As the student enrollment grows, 27J continues to match that with staff growth and maintaining a student-to-teacher ratio of 20:1. The rest of the money is used to pay for supplies and services to provide positive learning experiences to our students: technology, curriculum and books, specialized education services, mental health and other support services, safety and security monitoring, cleaning, maintenance, upkeep, utilities and lots more.

Budgeted Expenditures by Object	
Salaries	\$103,910,735
Benefits	\$35,021,161
Purchase Services	\$10,697,236
Supplies	\$7,286,391
Property & Other Uses	\$349,316
Total	\$157,264,839



For \$42.90 per student, per day, 27J provides instruction and social, emotional and guidance support from highly-qualified teachers and staff. It also provides students access to ever-evolving technology, specialized learning programs and pathways and practical, safe and clean learning environments.



How is the money distributed?

Throughout the years' budget sessions, the District's budget committee has established individual budget allocation amounts for every department. Each department has its own respective base budget allocation at the start of every spring budget session. As the session moves along, the committee and departments request new budget allotments according to new needs and initiatives. These requests are discussed and approved or denied by budget committee and added to their budget allocations accordingly.

Schools' budgets are allocated differently from this process. The District pays for all staff within each school based on a student-to-teacher ratio of 20:1. For services and supplies, each school receives a per-student allocation based on school level (elementary, middle, high) plus any special program offerings they may have (i.e. Gifted & Talented, International Baccalaureate, CTE). Each school allocates their budget individually for essential classroom supplies and services they need. In FY 23, all 27J schools have a combined budget of \$2.6M for supplies and services.

General Fund Expenditures by Program

General Instruction	\$88,714,546
Instructional Support	\$25,591,414
Business Support & Salary Reserves	\$19,305,999
Operations & Maintenance	\$15,617,595
Central Support	\$8,035,285
Total	\$157,264,839



57¢	General Instruction	Costs associated with the delivery of instructional services to students, including teachers, classroom supplies and equipment
16¢	Instructional Support	Support services for students, including school library/media, nurses, psychologists, social workers, staff development and school/district leadership offices
12¢	Business Support & Salary Reserves	Costs associated with financial services and contingency reserves for staffing increases /fluctuations, overages and economic risk factors
10¢	Operations & Maintenance	Utilities, custodial services and building operations and maintenance
5¢	Central Support	Human resources, IT, safety/security, planning and unemployment

Staffing

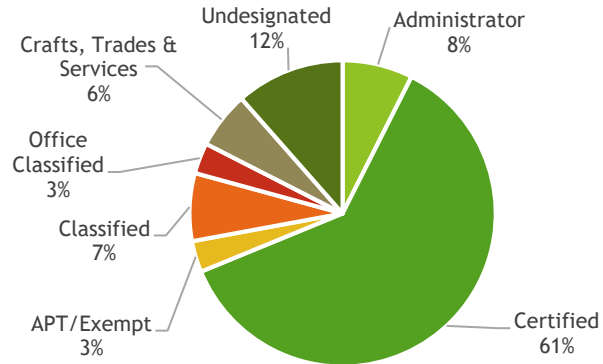
27J endeavors to maintain a 20:1 student-to-teacher ratio at every school. This ratio has been decreased at each school level since school year 2017-2018. Each school's leadership has the autonomy to assign their staffing based on their specific enrollment breakdown and certain needs they determine each year. A school with 500 students is allocated 25 staff which includes teachers for all grades/classes, assistant principal(s), office staff and support staff. Additionally, each school is given further staff "above the line" that is not factored in the ratio. These positions include the principal, counselors, custodians, office support and instructional coaches. Further staff is provided outside of General Fund via funding through special programs like At-Risk programs, Vocational, Preschool and more. All this means each school is able to staff their building in a manner that has the biggest impact on student achievement at their particular school.

	Ratio Allocation	Above the Line	Other Programs
Regular Education	671	21	0
Special Education	1	0	138
Vocational Education	17	8	0
Full-Day Kinder	55	1	0
Students	21	25	25
Instructional Staff	8	1	0
School Administration	69	48	0
Operation/Maintenance	7	1	0
Total	849	105	163

Compensation

As part of the budget session every year, compensation is a vital priority as 27J strives to attract and retain the highest-quality educators. Three of the previous four years, though limited, employees have received compensation increases. In fiscal year 2022-2023, the District has committed a significant investment into compensation increases in order to combat cost-of-living increases, low benchmarking and recognition of the tremendous efforts all staff have shown over the last two-plus years.

Salaries & Benefits by Job Class | General Fund



Fund	Administrator	Certified	APT/Exempt	Classified	Office Classified	Crafts, Trades & Services	Undesignated	Total
General	10,331,171	85,247,727	4,581,500	9,949,042	4,527,549	8,331,219	15,963,688	138,931,896
Colorado Preschool Program	64,792	1,567,470	-	648,677	91,525	-	-	2,372,464
Governmental -Designated Grants	2,156,444	7,774,836	263,841	941,064	480,636	33,346	-	11,650,167
Pupil Activity	-	650	-	130,900	-	3,650	-	135,200
Transportation	734,318	-	-	965,966	565,157	3,878,140	-	6,143,581
Special Programs	67,231	940,723	-	437,310	153,864	-	-	1,599,128
Building	1,055,479	-	1,512,901	-	113,143	-	-	2,681,523
Nutrition	309,199	-	158,767	-	224,268	3,017,054	-	3,709,288
Childcare	199,460	-	-	1,113,483	30,696	-	-	1,343,639
Print Shop	-	-	-	-	-	94,620	-	94,620
Total	\$14,918,094	\$95,531,406	\$6,517,009	\$14,186,442	\$6,186,838	\$15,358,029	\$15,963,688	\$168,661,506

- Administrator: executive leadership, directors, principals and assistant principals
- Certified: teachers with undergraduate or advanced degrees
- APT/Exempt: District-wide support services to include Operations, HR, Finance, Technology
- Classified: classroom support in the form of instructional paraprofessionals
- Office Classified: district-wide administrative office support
- Crafts, trades, services: custodial, transportation, operations/maintenance, nutrition services
- Undesignated: District-wide contingencies for substitutes, certified stipends, school and department overages, reserves for salary and benefit fluctuations

Bond Fund

New Schools

- Elementary #14 (Southlawn) Phase II ... \$10M
- Elementary #15 \$31M
- Middle school #6 land \$2.5M
- Middle school #6 \$77M
- Middle school #7 \$92M
- Comprehensive high school #4 \$126M

Educational Opportunities

- BHS STEM/CTE center \$40M
- PVHS STEM/CTE center \$31M
- RRHS STEM/CTE center \$27M

Charter schools

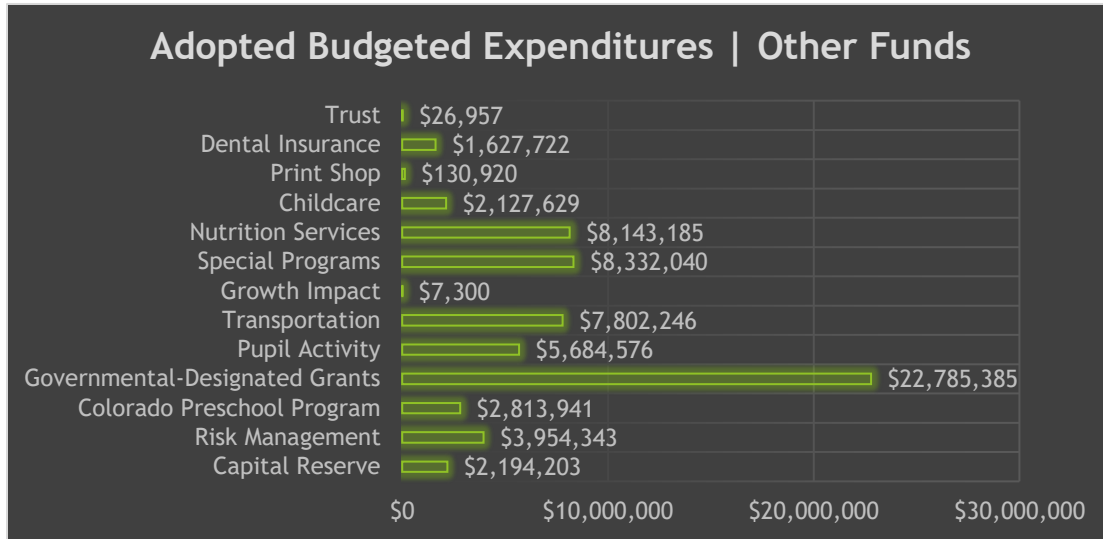
- STEAD School \$10.1M
- Eagle Ridge Academy \$6.7M
- Bromley East Charter \$0.54M
- Belle Creek Charter \$5.25M

Operations & Support

- Deferred maintenance \$25.5M
- Technology \$10M
- Safety & security \$10M
- North transportation terminal \$10.43M

TOTAL: \$515M

Other Funds



Capital Reserve Fund

This fund is used to account for financial resources allocated primarily for the purchase of equipment, costs of repairs and maintenance or construction of capital facilities. These expenditures are exclusive of major projects accounted for through the Building Fund.

Colorado Preschool Program (CPP) Fund

Expenditures in CPP Fund are for preschool classes consisting of three through five year-old children who lack overall learning readiness due to family risk factors, language development needs, or are receiving services from the State Human Services Department.

Pupil Activity Fund

Expenditures in this fund are for school activities and consumables for all school's activities in the District. This encompasses classroom and extracurricular activities, programs and clubs, including athletics.

Growth Impact Fund

Expenditures in Growth Impact Fund are for planning and research of future school sites.

Bond Redemption Fund

This fund is used for payment of general long-term debt principal and interest obligations.

Childcare Fund

This fund accounts for before and after-school care programs as well as full-day Monday care for our K-5 enrolled students.

Dental Insurance Fund

This fund accounts for the self-insured dental plan covering district employees.

Trust Fund

This fund is used to account for the monies donated for student scholarships and other specific-purpose donations.

Risk Management Fund

This fund pays for the District's property, liability and workers' compensation insurance. The District participates in a self-insurance pool managed by Rocky Mountain Risk Insurance Group for each of these programs.

Governmental-Designated Grants Fund

The Governmental-Designated Grants Fund provides separate accounting for federal and state-funded grant programs. These specific-purpose monies must be used for the purpose for which they are granted. These program include Title, IDEA, ELPA, Medicaid and ESSER.

Transportation Fund

This fund accounts for the expenses of transporting students to and from school and after-school events. This also includes transportation (in-district and outside entities) for students who require specialized services.

Special Programs Fund

The Special Programs Fund accounts for specific local programs and grants including Tuition-Based Preschool, the Adams County Detention Center, Credit Recovery, Summer School and oil and gas leases.

Nutrition Services Fund

This fund accounts for the school lunch program (National School Lunch Program).

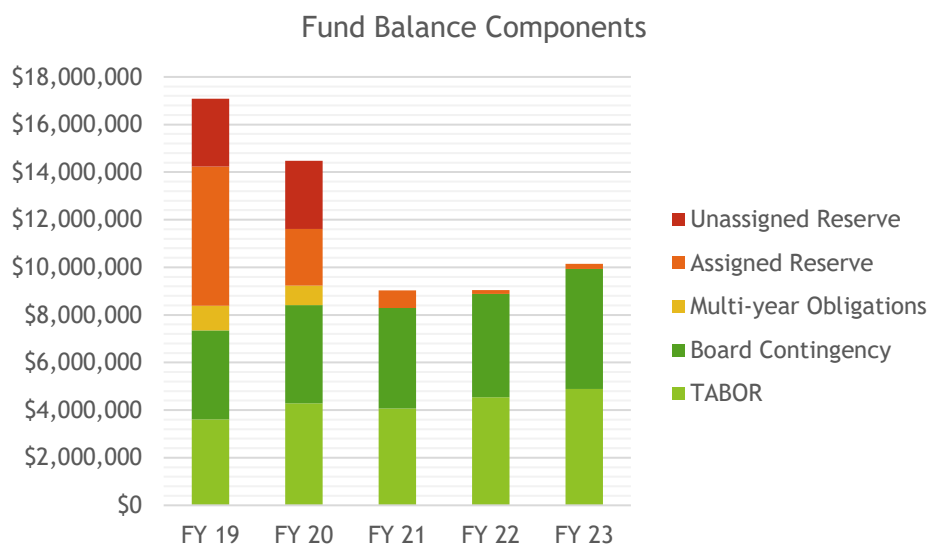
Print Shop Fund

The Print Shop Fund accounts for the financial activities associated with the District Print Shop.

Fund Balance

The term fund balance is used to describe the net position of governmental funds in accordance with Generally Accepted Accounting Principles (GAAP). Adequate levels of fund balance help mitigate current and future risks like revenue shortfalls and unanticipated expenditures. Moreover, because the majority of property tax revenue is not collected until the last four months of the fiscal year (March, May and June), an adequate fund balance provides effective cash flow timing in order to pay for expenditures prior to receipt of property tax revenue.

Five categories make up 27J's fund balance



TABOR Reserve

- An amount equal to 3% of the annual district expenditures and transfer, not including transfer to Transportation Fund as required by Section 20(b) of article X of the Colorado state Constitution.

Board Contingency Reserves

- An amount equal to 3% of expenditures and transfer, as required by the Board of Education.

Multi-year Obligations

- Reserves held for future year obligations of administration contracts.
- Released in full in FY 21 to enable employee retention & compensation increase.

Assigned Reserve

- Reserved for specific future needs, initiatives or projects of the district.
- Examples include startup/opening costs for new schools, staffing increases for 20:1 ratio, Career & Technical Education.

Unassigned Reserves

- The remaining residual balance that has not been assigned to expenditures, transfers or reserves. Typically used for one-time expenditures on as-needed basis.
- Released in full in FY 21 to enable employee retention & compensation increase.



Department of Finance

Educational Services Center

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