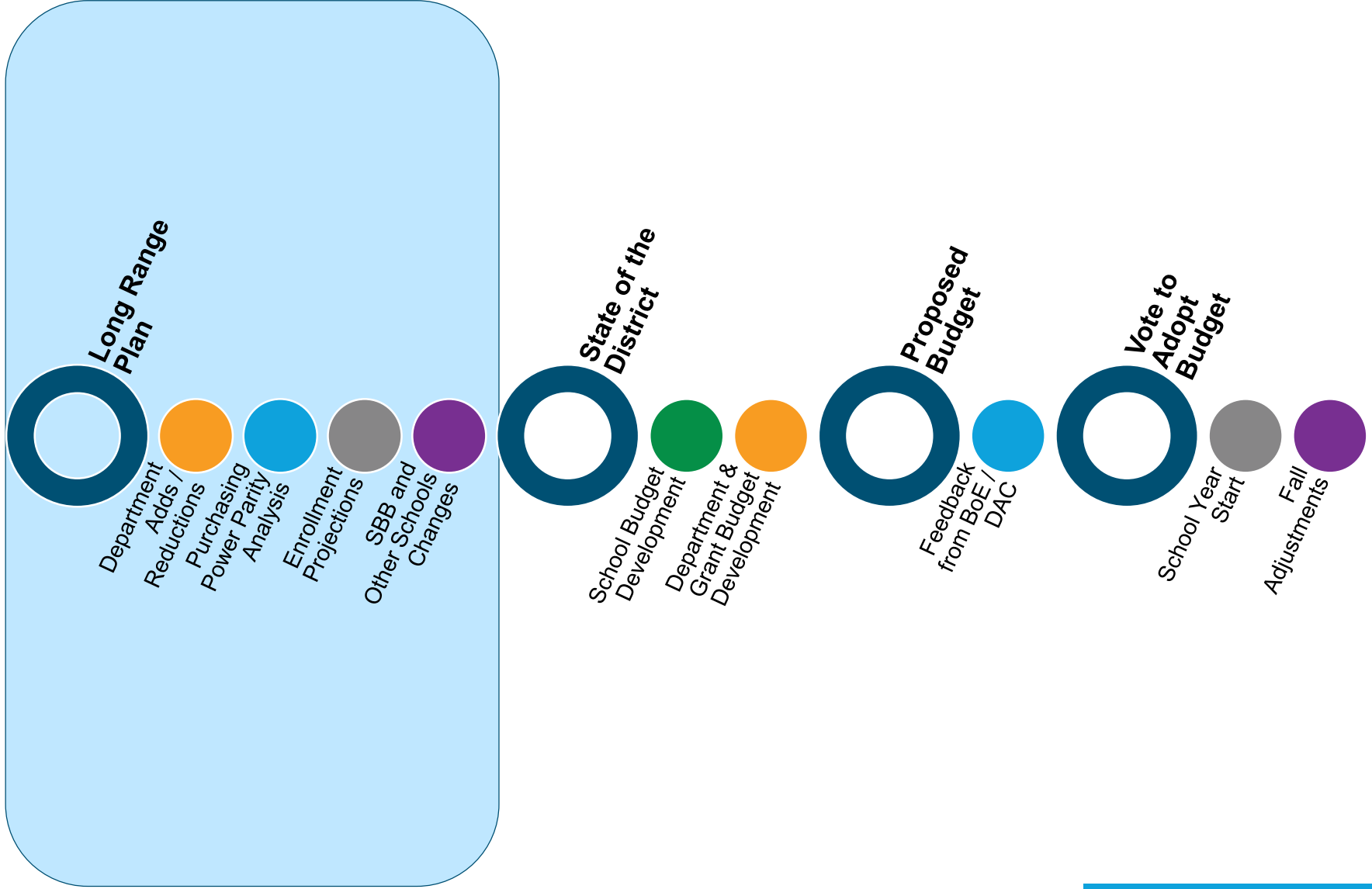


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BUDGET OVERVIEW

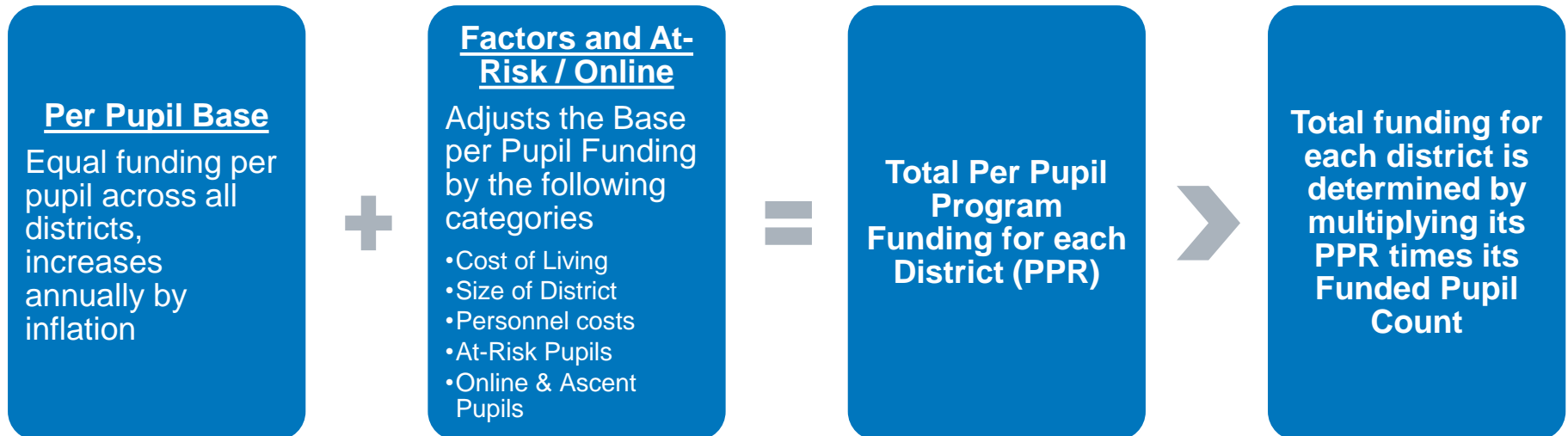
Erik Johnson, Executive Director of Finance

BUDGET PROCESS



K-12 FUNDING FORMULA

- Amendment 23 and 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



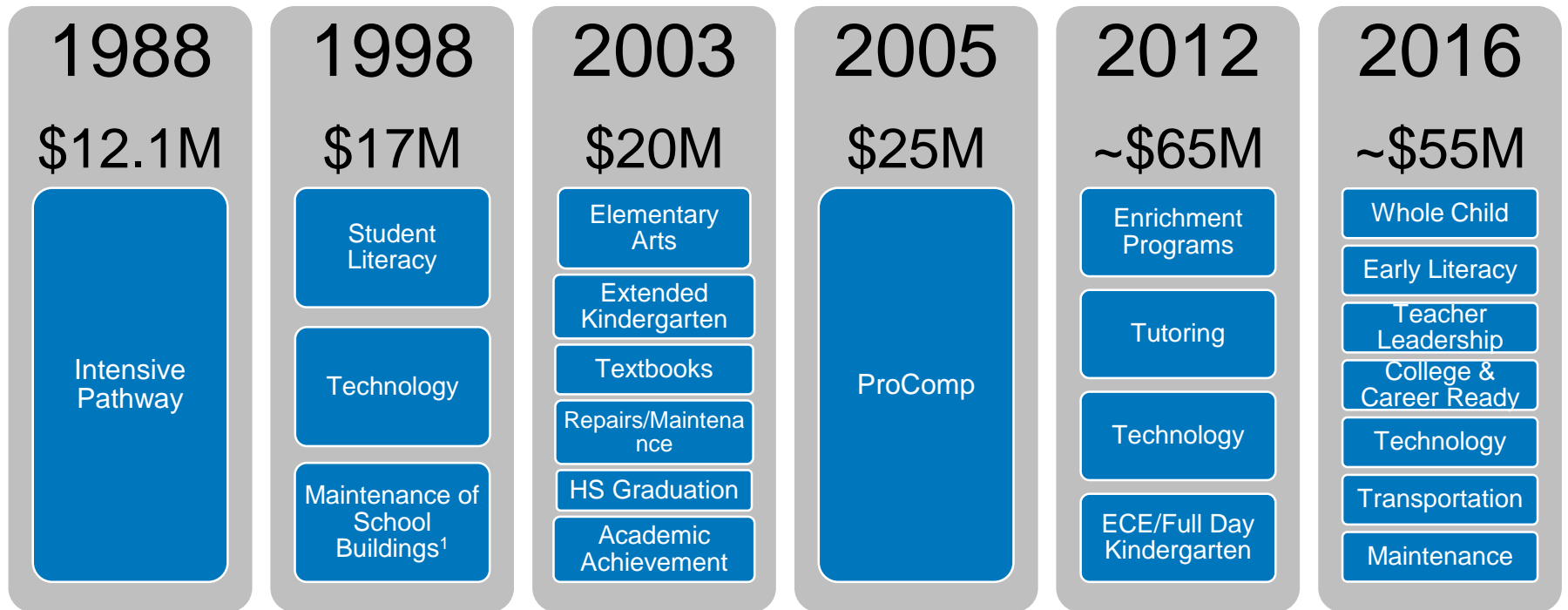
SCHOOL FINANCE ACT

- Total Program = Funded Pupil Count x Per Pupil Revenue
- Property Tax + Specific Ownership Tax = Local Share
- State Share = Total Program – Local Share

FY2016-17 DPS Total Program
(based on Adopted Budget & CDE Forecast)



DPS MILL LEVY OVERRIDES



Key Consideration

- Mill Levy Override funds are provided directly to school budgets or, in some cases, managed centrally to provide direct services to schools.
- Schools must use funding in accordance with the ballot language and board-approved resolutions. DPS provides charter schools a per student share of eligible Mill Levy Override funding as long as those funds are used as intended.

1. Charters in DPS facilities benefit from this allocation in the same way as district-run schools

HISTORICAL NET ASSESSED VALUATIONS AND MILLS

2016 Mill Levy Certification

Collection Year	Net Assessed Value	Change Over Prior Year	Total Mill Levy	Revenue Generated
2017	\$ 13,460,852,897	1.81%	50.396	\$ 678,364,297
2016	\$ 13,221,694,094	25.71%	47.397	\$ 626,659,994
2015	\$ 10,517,386,669	0.60%	49.299	\$ 518,494,363
2014	\$ 10,454,481,228	4.47%	49.299	\$ 515,401,775
2013 ^A	\$ 10,007,267,892	-1.90%	50.488	\$ 505,238,061
2012	\$ 10,200,816,964	-8.64%	42.265	\$ 431,137,529
2011	\$ 11,165,147,081	-0.94%	39.972	\$ 446,293,259
2010	\$ 11,270,854,510	10.65%	39.262	\$ 442,516,290
2009	\$ 10,186,126,917	1.61%	39.657	\$ 403,951,235
2008	\$ 10,025,025,839	17.10%	39.21	\$ 393,081,263
2007	\$ 8,561,432,054	0.00%	40.333	\$ 345,308,239

- Implications for Mill
 - Fixed Mill: Increase in AV causes increase in revenue collected
 - Fixed Dollar: Increase in AV causes decrease in mill

^A Of the increase in mills from 2012 to 2013, 7.609 mills are due to voter approved 2012 ballot initiatives

TAX LEVIED IN 2016 AND COLLECTED IN 2017 - BY MILL

2016 Mill Levy Certification

Mill Levy	FY12-13	FY13-14	FY14-15	FY15-16	FY16-17	Description	FY16-17 \$ Collection
School Finance Act	25.541	25.541	25.541	25.541	25.541	Fixed mill	\$ 343,803,644
Mill Levy Overrides							
1988	1.209	1.157	1.150	0.915	0.899	Fixed dollar amount	\$ 12,099,253
1998	1.699	1.626	1.616	1.286	1.263	Fixed dollar amount	\$ 17,000,000
2003	1.999	1.913	1.902	1.513	1.486	Fixed dollar amount	\$ 20,000,000
2005	2.947	2.875	2.938	2.402	2.388	Prior Year \$ + CPI	\$ 32,141,948
2012	4.860	4.860	4.860	4.860	4.860	Fixed mill	\$ 65,419,745
2016	0.0	0.0	0.0	0.0	4.052	Variable with Total Program	\$ 54,543,376
Total Operating Mill Levy	38.255	37.972	38.007	36.517	40.489		\$ 545,007,966
Bond Redemption	10.913	10.446	10.519	10.250	9.383	GOB Debt Service	\$ 126,296,713
Abatement	1.320	0.0881	0.773	0.630	0.524	Recovery of CY Abatement	\$ 7,059,618
Total General Fund Mill Levy	50.488	48.506	49.299	47.397	50.396		\$ 678,364,297

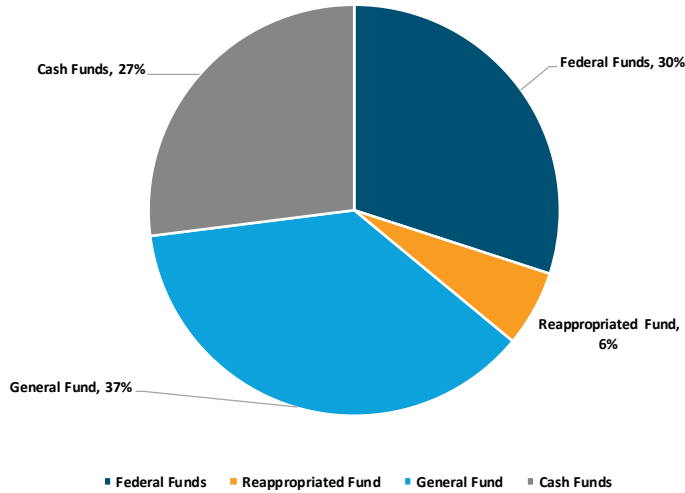


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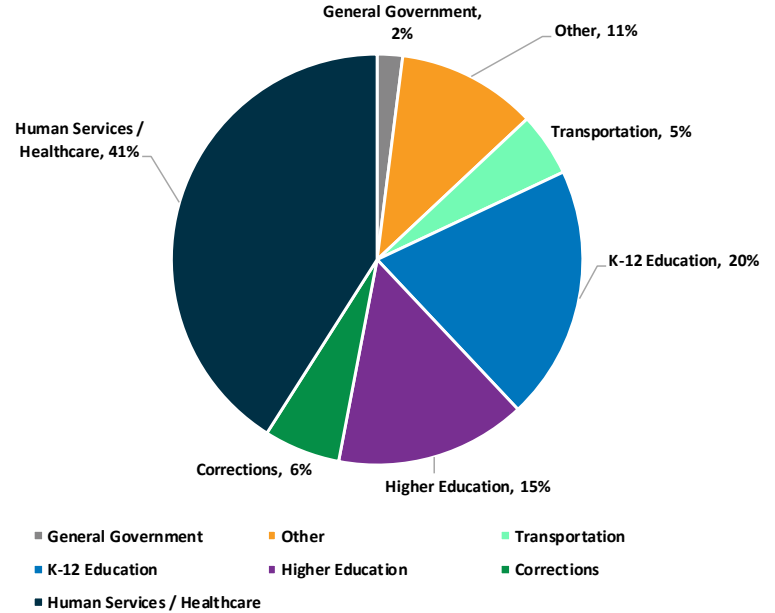
STATE OF THE STATE

STATE BUDGET

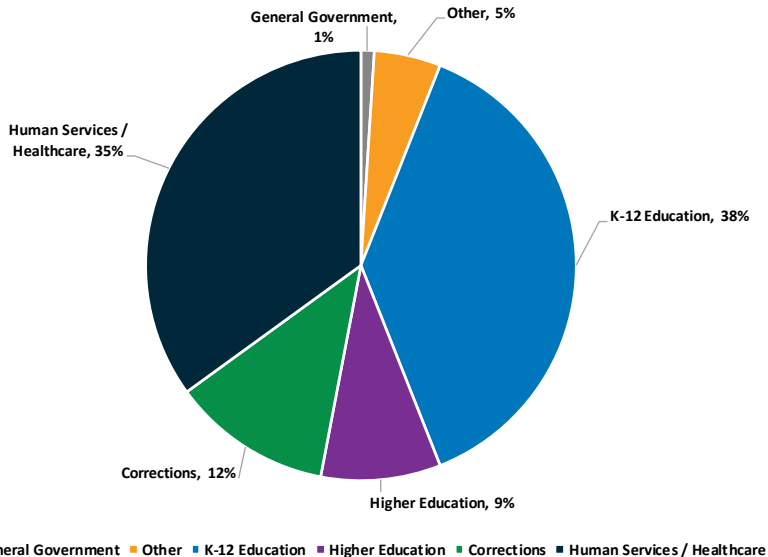
Colorado State Budget Funds



Colorado State Budget Expenditures - All Funds

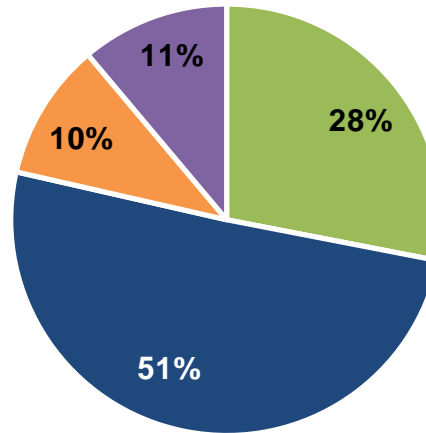


Colorado State Budget Expenditures - General Fund



K-12 Education accounts for 20% of all State funding, but more than 38% of the General Fund

DPS Funding Sources (All Funds)



■ State ■ Local Taxes ■ Federal ■ Other (Grants, Etc)

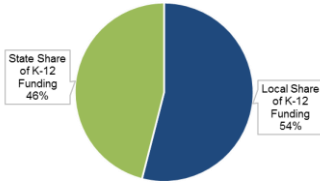
- DPS receives ~50% of its revenue from Local Taxes ~25% from the State in the form of Equalization and Categorical funds
- 10% of total revenues come from the Federal government and the remaining 11% comes from a variety of sources including tuition fees, private grants and other miscellaneous revenues and donations

Note that the chart above reflects all funds including General Funds, Capital, Food Services and Grant Funds

IMPACT OF GALLAGHER AND TABOR

K-12 Education Funding

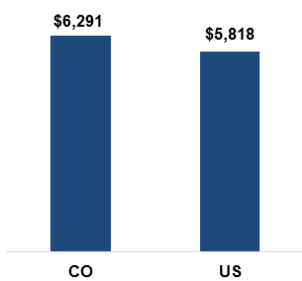
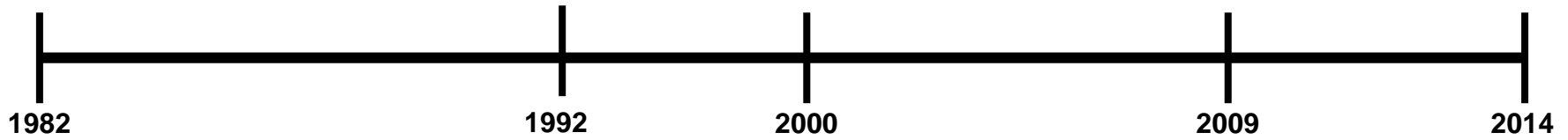
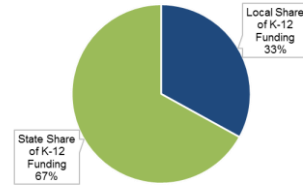
Gallagher Amendment passes maintaining a proportional relationship between revenue raised from business and residential property taxes (55% / 45%)



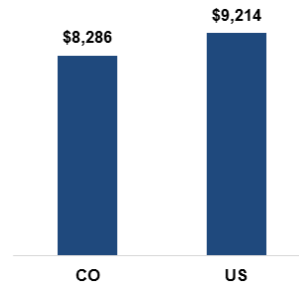
TABOR passes establishing limits on revenues and the ability of elected officials to increase revenue or change property assessment rates

Amendment 23 passes establishing minimum increase in “base” per pupil funding by at least the rate of inflation and with the goal of catching K-12 funding up to 1988-89 levels adjusted for inflation

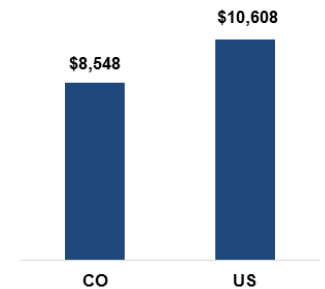
Due to the declining local dollars and lower state revenues as a result of the Great Recession, Legislators introduce the “negative factor” reducing K-12 funding by ~\$1B per year



In the early 1980s Colorado spent ~\$500 more per student than the national average



By 2000, Colorado was spending ~\$900 less per student than the national average

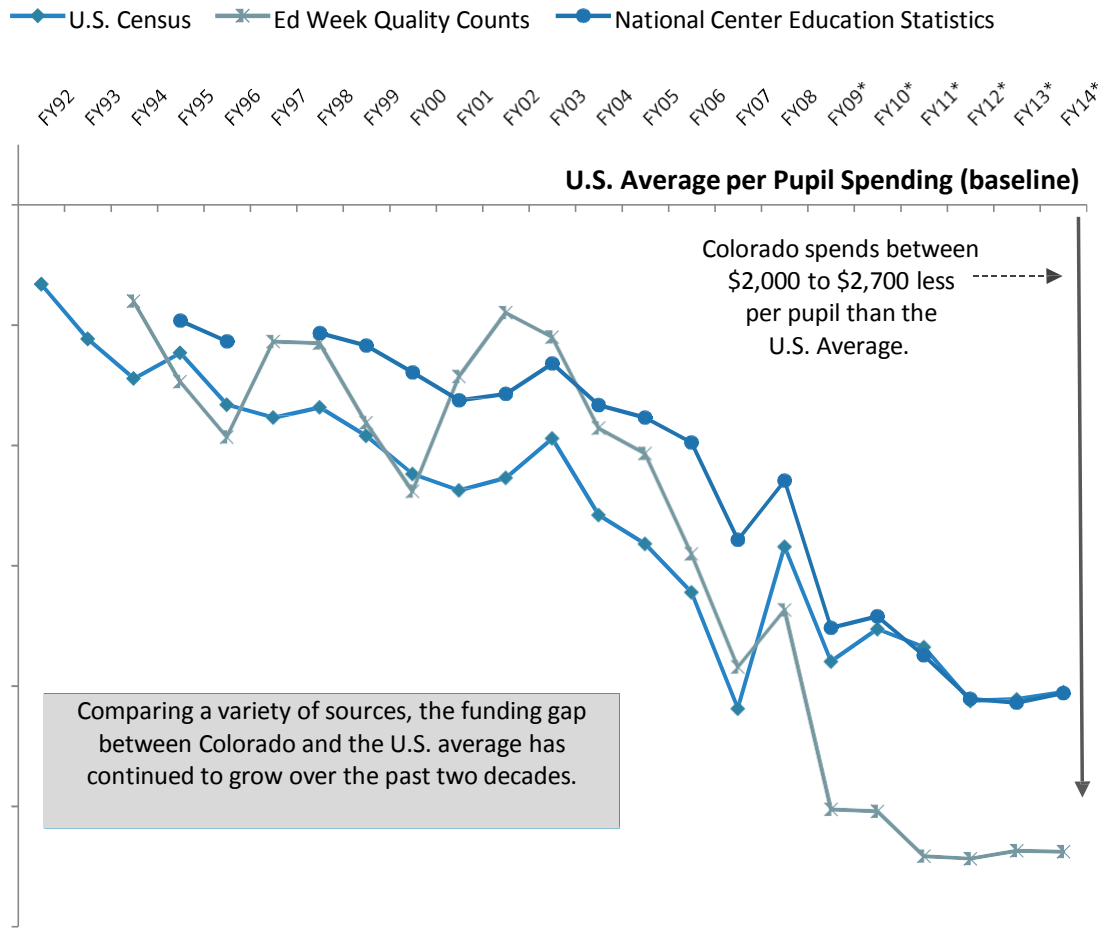


The latest figures show that Colorado spends ~\$2,500 less per student than the national average

COLORADO VS NATIONAL AVERAGE

K-12 Per Pupil Spending

Comparing Colorado to U.S. Average - Trends in Per Pupil Spending
FY 1991-92 to FY 2013-14



For over twenty years, the per pupil spending gap between Colorado and the U.S. average has continued to grow. In the early to mid-90's the gap was less than \$500 per student. By 2013-14 the gap increased to between \$2,000 to \$2,700 per pupil.

Audited data from U.S. Census, Quality Counts, NCES
Chart: Colorado School Finance Project
April 2017

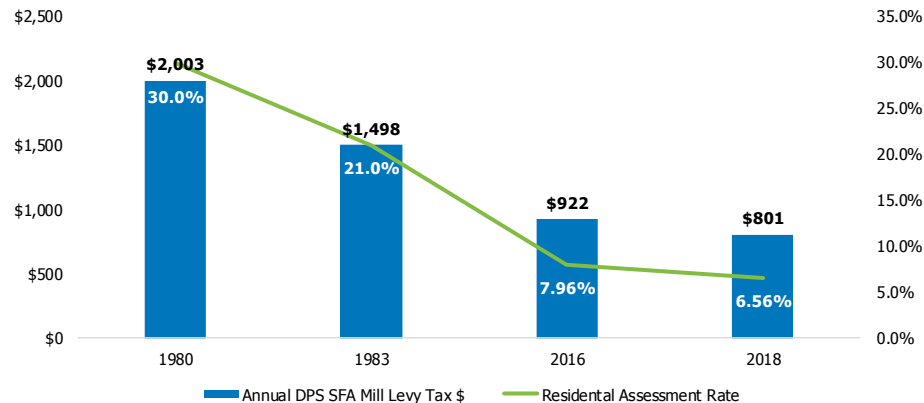
* Negative Factor (mechanism to reduce funding) incorporated in School Finance Act

IMPACT OF GALLAGHER AND TABOR

Property Taxes

- The Gallagher Amendment, passed in 1982, fixes the ratio of taxes collected from Commercial and Residential property at 55% and 45% respectively
 - Fixed the assessment rate for Commercial property at 29% meaning the residential assessment rate is adjusted to maintain the overall ratio
- TABOR, passed in 1992, requires that voters need to approve all tax increases including the residential assessment rate
 - The combined effect of Gallagher and TABOR has reduced the assessment rate on Residential property from 30% in 1980 to an estimated 6.56% for 2018

Impact of Gallagher and TABOR on Residential Assessment Rates and DPS Funding



	1980	1983	2016	2018
Average Assessed Value in 2018 dollars ¹	\$137,572	\$130,894	\$235,075	\$249,100
Residential Assessment Rate	30.0%	21.0%	7.96%	6.56%
2017 Denver Public Schools Mills ²	48.54	54.50	49.28	49.04
Annual DPS SFA Mill Levy Tax \$	\$2,003	\$1,498	\$922	\$801
Percent of Assessed Value Invested in DPS	1.46%	1.14%	0.39%	0.32%

Average Assessed Value in 2018 dollars¹

Residential Assessment Rate

2017 Denver Public Schools Mills²

Annual DPS SFA Mill Levy Tax \$

Percent of Assessed Value Invested in DPS

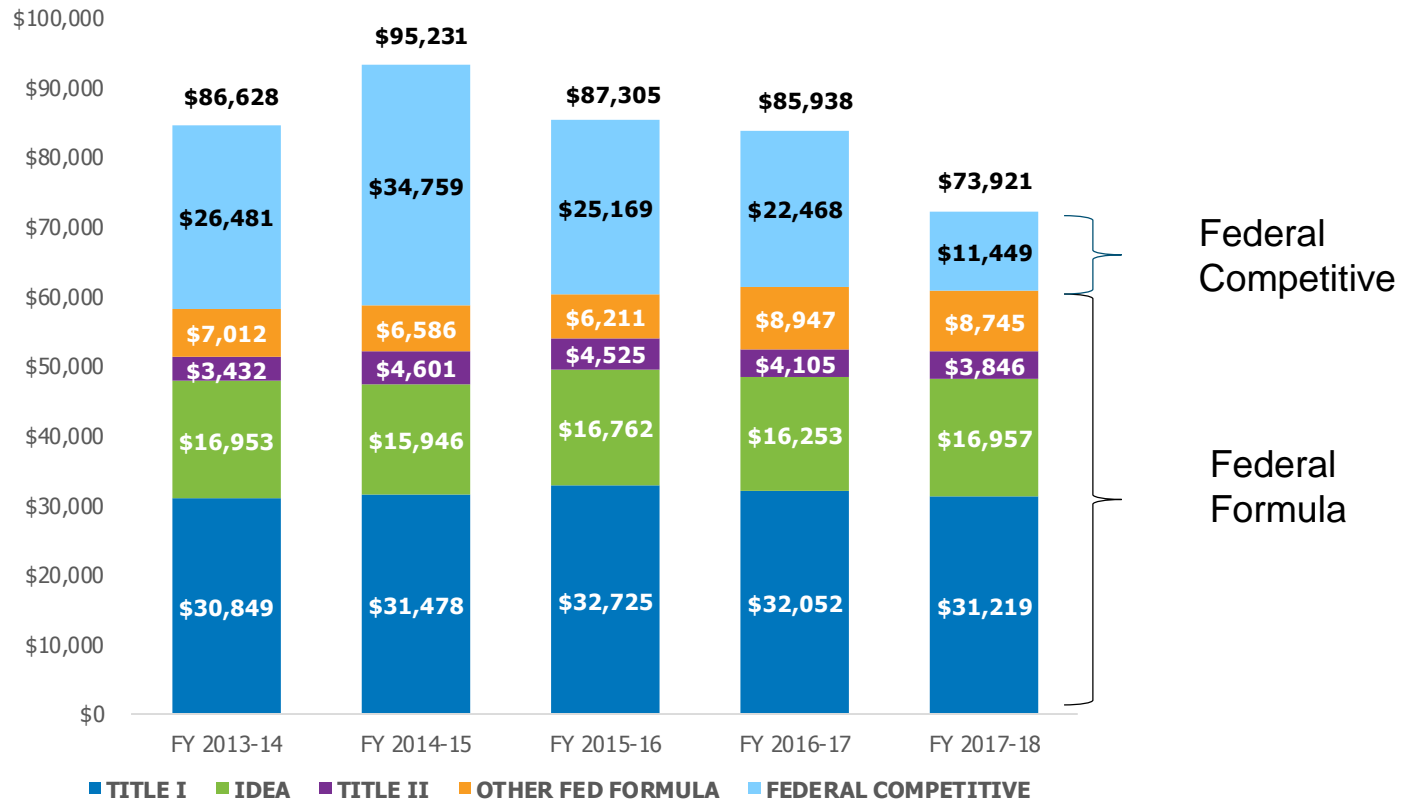
¹Assumes 2018 ratio between home price and assessed valuation of ~65% remains constant across all years

² 2016 and 2018 include the implied Mills required to cover State Equalization and excludes all Mill Levy Overrides

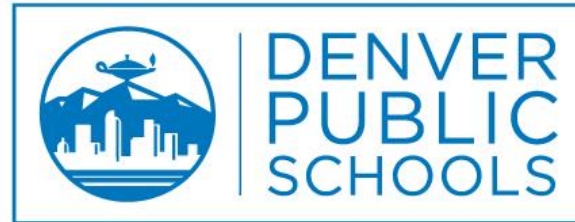
- Since 1980, Gallagher and TABOR have resulted in the implied share of a homeowner's value invested in DPS has reduced more than 78% from 1.46% to 0.32%

CHANGES TO FEDERAL FUNDING OUTLOOK

FY 2013-14 to Proposed FY 2017-18



- FY 2017-18 proposed budget for federal funds to decrease YoY by 13%
 - \$5.2M planned grant cliff reduction for Teacher Incentive Fund (TIF)
 - FY 2017-18 budget does not include new grants that may be awarded this year
 - Reduction in Title I and II allocations due to decreasing poverty levels in Denver
 - Other grant cliff reductions include TIG, YCC, 21st Century, Gear-Up



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FY 2017-18 BUDGET

FY2017-18 PROPOSED BUDGET ASSUMPTIONS

Budget Input	Assumption
Enrollment	Per Pupil Revenue: \$7,829 Funded Pupil Count: 86,840 (K=.5) per Planning & Analysis forecast Total Projected Enrollment: 95,128 (ECE & K = 1.00) FRL 67.1% (including charters)
Student Based Budget Changes	SBB Base allocation increased due to account for COLA increases and a higher FY2017-18 benefit expense Increased to provide an equivalent purchasing power for previous weights Added additional weights for Direct Certify students, 2016 MLO allocations and additional expenses that were previously budgeted including Military Ed, TLC, Math Fellows and Newcomer Centers SBB Allocations updated to account for changes in Enrollment and student demographics
Compensation Increases	Competitive compensation increase budgeted for all employees dependent on final state budget All ProComp-eligible DCTA members receiving additional incentives as earned DPS is also contributing an additional .5% to cover the increasing SAED rate to PERA, for total FY17-18 SAED rate of 5.25%
Other Revenue Factors	Total Program increase of 1.86% and CPI of 2.8% 11% growth in Denver Assessed Valuation, with no change to Assessment Rate Donations and ECE Tuition revenue increased to more accurately reflect projected revenue amounts

CHANGES TO SBB

- DPS added a new weight that funds an additional \$80 per student that are Direct Certified for Free Student Lunch
- Added additional funding in SBB associated with the following 2016 MLO initiatives:
 - Whole Child
 - Teacher Leadership & Collaboration
 - Technology
 - Dual enrollment
- Allocated costs associated with Math Fellows and Military Education that were centrally funded to SBB
- Consolidated ECE into General Fund from multi-funds (19 & 29) to enable greater transparency and management for principals

	YoY Increase
SBB Enrollment & Purchasing Power	\$4,566,661
New SBB Funding	
2016 MLO	
While Child	\$7,615,656
Early Lit	\$2,401,663
Tech	\$3,574,808
Dual Enrollment	\$1,760,034
TLC	\$14,622,375
Total 2016 MLO	\$29,974,536
Direct Certification Weight	\$1,561,120
Total New SBB Funding	\$31,535,656
Previously Centrally Budgeted now in SBB	
Math Fellows	\$13,506,958
Military	\$2,447,652
Newcomer Centers	\$1,149,461
ECE	\$25,579,352
Total Previously Centrall Budgeted now in SBB	\$42,683,423
Total Incremental Funding in SBB	\$78,785,740

- All in, DPS is increasing SBB by over 16%, or more than \$78M from FY16-17 to FY17-18

DISTRICT WIDE USE OF FUNDS

The 6 Cost Centers are as follows:

Principal Managed: includes all Principal managed & SBB expenditures and ProComp

Centrally Budgeted School Expenditures & School Support: includes expenses not managed by principals but predominately consists of school based employees that support schools & students directly; i.e. Textbooks, Career Tech Ed, Paid Leaves for Teachers, Principal Performance Compensation, Library Services, Unassigned Teachers, Student Board of Education, Portfolio Management, HR (Recruitment, Teacher Leadership management), FACE, Pupil Records, Assessments, CELT

Center Programs & SEO Services: excludes school based expenses like Mild Moderate teachers, Psychologists, and Social Workers. All Center Programs and Severe Needs are included

Operations: includes Facility related expenses for Utilities, Custodial, Maintenance, Property & Workers Compensation Insurance and other operational costs such as Transportation, Technology Services, and others.

Central: includes Office of Superintendent, Instructional Superintendent team, Legal, Communications, Finance, Planning & Analysis, Accounting, Purchasing, Payables, Payroll, Labor Relations, Grants, Board of Education, Chief Operating Officer

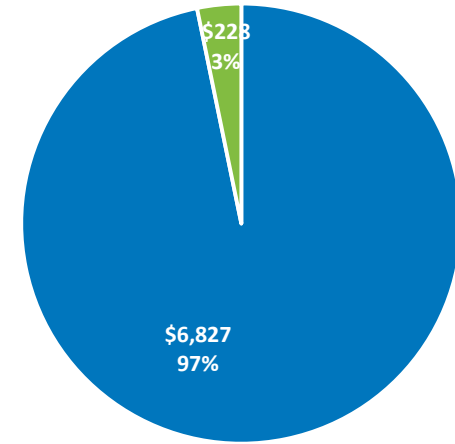
DISTRICT WIDE USE OF FUNDS

Cost Center (in millions)	Total FY17-18 Budget	% of Total Budget	K-12 Per Student Expenditure
<u>School Support</u>			
Principal Managed Resources	\$ 476	62%	7,063
Operations	\$ 118	15%	1,745
Centrally Budgeted School Expenditures & School Supports	\$ 115	15%	1,708
Center Programs & SEO Services	\$ 31	4%	463
<u>Central</u>	\$ 33	4%	497
Grand Total	\$773	100%	11,476
K-12 Projected Students	67,335		

- 96% of expenditures support students with 4% funding Central/Headquarters
 - Nearly all funds directly support students through principal managed, centrally budgeted school expenditures & school supports and center programs & other SEO costs
 - By allocating the vast majority of the 2016 Mill Levy Override directly to schools, central administration decreased from 5% in FY16-17 down to 4% in FY 17-18
- DPS plans to spend ~\$11.5k per K-12 student in 2017-18
- Includes all K-12 district managed General Fund and ProComp expenditures
 - Excludes all Charter expenses and ECE expenditures
 - Excludes all Federal & Private Grants, Capital/Bond, Food Service, and Other Funds
 - All Charter portions of Central, Center Programs and Operations adjusted

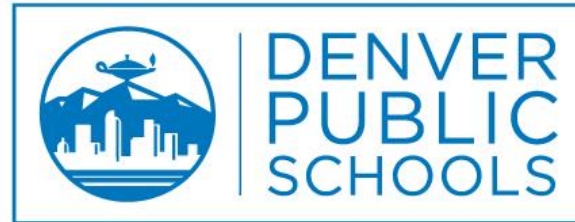
SCHOOL USE OF FUNDS PER STUDENT

Category	\$ Per Student	Percent
Instructional	\$ 3,848	54%
Leadership & Community Support	\$ 986	14%
Art & PE	\$ 502	7%
Student Supports	\$ 472	7%
Teacher PD	\$ 410	6%
Mild Moderate	\$ 353	5%
Instructional Tutoring / Intervention	\$ 296	4%
Library & Tech	\$ 196	3%
Total	\$ 7,063	100%



■ Compensation ■ Non-Salary

- Of the \$7,063 per student managed by school leaders (demonstrated on previous slide), Principals use 97% of their school student based allocation to fund staff
- Schools use the principal managed budget overwhelmingly to fund instructional staff (generally classroom teachers ~ 50%)
- Leadership & Community include the principal, administrative staff, community liaisons and other expenses for the general administration of the building
- Student Supports include Whole Child qualifying expenses such as psych, social work, nurse, counselors and other eligible expenses
- Summary is an average of all DPS District Managed Schools; Charters excluded



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5 YEAR FORECAST

FY 17-18 Adopted Budget

5 YEAR FORECAST ASSUMPTIONS

Total Enrollment	FY 17-18	FY 18-19	FY 19-20	FY 20-21	FY 21-22
District Enrollment	67,335	66,718	66,307	65,836	64,873
Charter Enrollment	20,051	21,392	22,532	23,732	24,932
Total District Enrollment	87,386	88,110	88,839	89,568	89,805

	FY 17-18	FY 18-19	FY 19-20	FY 20-21	FY 21-22
District Enrollment	77.1%	75.7%	74.6%	73.5%	72.2%
Charter Enrollment	22.9%	24.3%	25.4%	26.5%	27.8%

	FY 17-18	FY 18-19	FY 19-20	FY 20-21	FY 21-22
CPI	2.8%	2.9%	2.3%	2.3%	2.3%

	FY17-18	FY18-19	FY19-20	FY20-21	FY 21-22
At Risk Students	47,930	46,851	45,797	44,767	43,759
Total At Risk Funding	\$ 58,724	\$ 57,617	\$ 56,261	\$ 54,994	\$ 53,990
Percentage of At-Risk Students (Free)	57.8%	56.1%	54.4%	52.7%	51.3%
Percentage of FRL	65%	63%	62%	60%	59%

- Statewide Negative Factor increase of \$75M in FY17-18 (\$7.5M impact to DPS)
- Does not incorporate any potential backfills for reductions in federal funding
- Enrollment Projections from Planning & Analysis
- SBB Increases based on Enrollment Trends, COLA impact on Average Teacher Salary (inclusive of turnover savings and benefits), and CPI

5 YEAR FORECAST

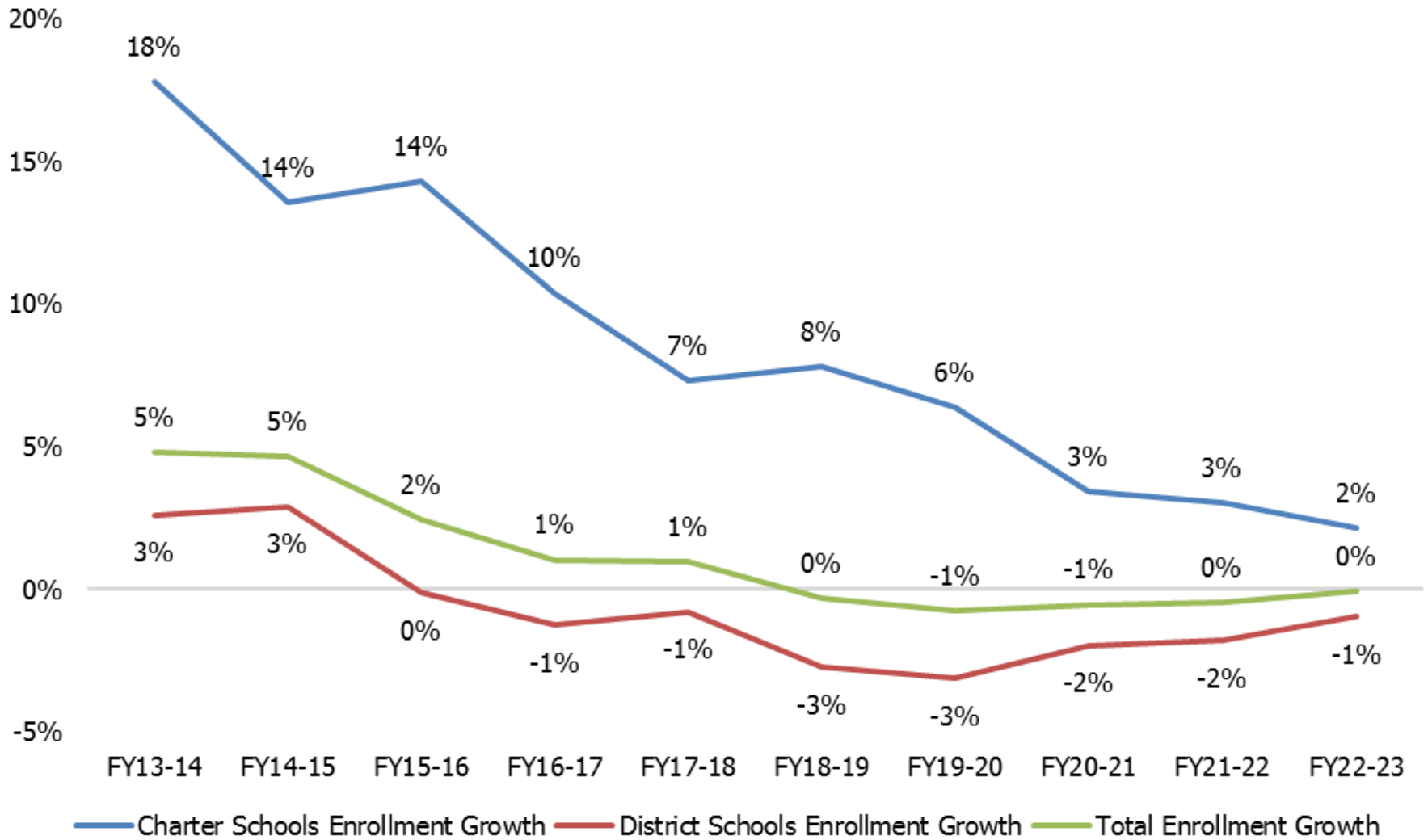
	FY17-18	FY18-19	FY19-20	FY20-21	FY21-22
Revenue					
Total Program Revenue Baseline ¹	\$929,096	\$968,304	\$998,651	\$1,025,313	\$1,052,815
Change in Formula Revenue	\$24,890	\$25,905	\$21,958	\$22,623	\$20,013
Change in 2012 & 2016 MLO	\$5,216	\$4,443	\$4,703	\$4,880	\$4,228
Tuition & Other Revenue Increases	\$9,102	\$0	\$0	\$0	\$0
Total Program Revenue	\$968,304	\$998,651	\$1,025,313	\$1,052,815	\$1,077,056
Expense					
Expense Baseline ²	\$913,476	\$974,519	\$1,005,770	\$1,031,527	\$1,057,985
Enrollment and Purchasing Power Expense Changes	\$24,184	\$26,045	\$23,632	\$23,681	\$21,574
Teacher Leadership & 2016 MLO programs	\$34,798	\$2,777	\$1,802	\$2,321	\$833
Mill Levy Equalization	\$1,132	\$1,381	\$373	\$406	\$429
Grant Cliffs	\$0	\$2,060	(\$50)	\$50	\$0
Footprint Expansion (4 new schools)	\$940	\$0	\$0	\$0	\$0
Centrally Managed Programs	(\$11)	(\$1,012)	\$0	\$0	\$0
Total Expense	\$974,519	\$1,005,770	\$1,031,527	\$1,057,985	\$1,080,821
Net Change in Fund Balance	(\$6,215)	(\$7,119)	(\$6,214)	(\$5,170)	(\$3,764)
Fund Balance	\$117,921	\$110,802	\$104,588	\$99,419	\$95,655
10% of Revenue	\$96,830	\$99,865	\$102,531	\$105,282	\$107,706
Fund Balance remaining to 10% of Revenue	\$21,091	\$10,937	\$2,057	(\$5,863)	(\$12,051)

¹ Includes all General Fund revenue sources (Program Funding, Specific Ownership Taxes, ECE Tuition and Mill Levy Overrides)

² Special Projects expenditures forecasted to match revenue based on historical trends, FY17-18 Budget includes \$2.8 use of fund balance

ENROLLMENT TRENDS

Denver Public Schools Historical & Projected Enrollment Growth



GOVERNOR'S BUDGET

- Governor's budget request for 2018-19 released November 1st (Proposal)
- Increases funding for K-12 Education by enrollment and inflation (\$273M) and a reduction in the "Budget Stabilization Factor (Negative Factor) of \$70M
 - Of the \$343M total increase, \$243M comes from higher Local Share (Property Taxes)
- Also increases categorical expenses by inflation
- Reduction in Negative Factor likely tied to proposed PERA changes
 - Proposed PERA changes increases the contribution rates for both employees and employers

PROPOSED PERA CHANGES

In an effort to help improve PERA's risk profile and funding status, Colorado PERA is preparing to make a recommendation to the State Legislature in the 2018 legislative session that will impact all PERA membership. The recommended changes include:

1. Increase member and working retiree contribution rates by 3%, from 8% to 11%
 - Impact of over \$20M from DPS and Charter School employee take-home pay
2. Increase employer contribution rates by 2%
 - Increase of ~\$12M to district expenditures, and ~\$1.5M to charter schools
3. Redefining PERA-includable salary from net pay to gross pay, including payments made to employees for health insurance coverage & benefit programs
 - DPS pays over \$52M annually in flex benefits to employees which would now be subject to the employee and employer contribution rates
 - Impact of over \$5M from employees net pay
 - Increase of \$4M to district expenditures
4. Additional reductions to benefit payouts for current and future retirees, including:
 - Reducing the Annual Increase from a cap of 2% to a cap of 1.5%
 - Suspending the Annual Increase for 2 years
 - Change Annual Increase waiting period from 1 year to 3 years
 - Increasing the Highest Average Salary calculation used for annual benefit eligibility calculation from 3 years to 5 years