



COLORADO
Department of Education

School Finance Update
CASE Winter Leadership Conference

February 1, 2017

Article X, Section 3 - Gallagher Amendment

- Intended to set the ratio of property taxes raised from both residential vs. business properties
 - Split - 45% residential vs. 55% business - statewide
 - Residential assessment rate - resets every two years potentially
 - 7.96% since 2003 (Was 21% in 1985)
 - Under TABOR, this rate cannot rise without a vote of the people
- Has had the impact of lower property taxes contributing to school funding - the Total Program
- State share for K-12 education has increased to 64% from 44% while the local share has decreased from 56% to 36%

TABOR Amendment - 1992

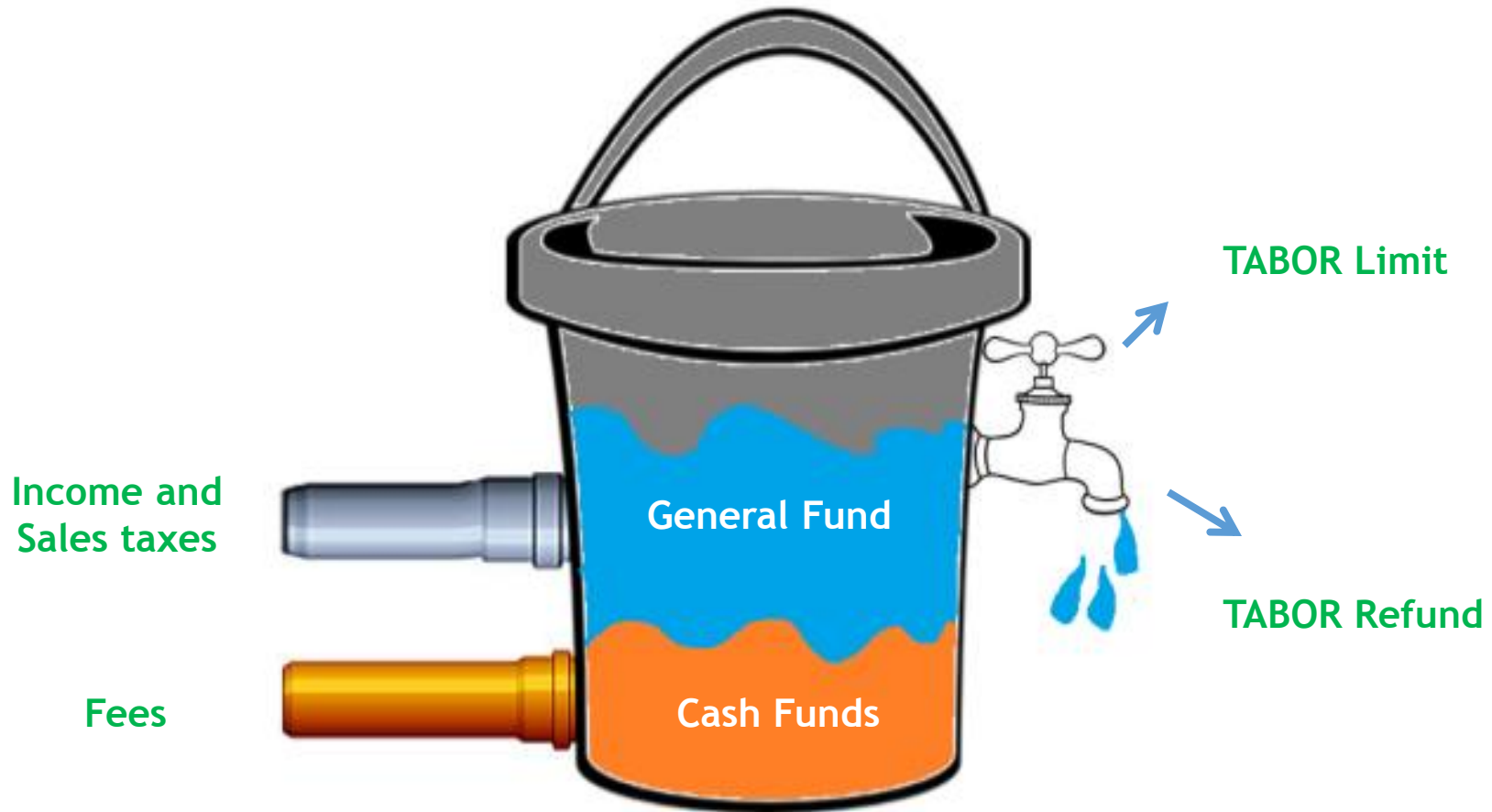
- Impact of the TABOR amendment on school finance
 - Sets limits on the amounts of revenues that can be collected and retained by state and local governments including schools districts
 - Limits local property tax revenue growth
 - Requires voter approval for an increase in mill levies, or assessment rates
- Most districts have received voter approval to retain excess revenues - the State has not
 - When revenues exceed the limit, refunds must be given

TABOR Amendment - 1992

- Between 1994 and 2006, school district mill levies were decreasing since assessed values were increasing at a rate greater than what TABOR allowed - inflation plus student growth
- This continued to cause the state portion of school funding to increase putting even greater pressure on the state budget
- Senate Bill 07-199 froze mill levies for districts at the 2006-07 levels
 - Total program mill levies cannot go higher than 27 mills - some districts may have levies lower than this

A TABOR Simile

From Office of State Planning & Budgeting



Amendment 23 - 2000

- Requires base per pupil funding to increase by inflation each year in addition to categorical funding
 - Categorical funding is provided for programs such as exceptional students, transportation and English language learners
- An additional one percent was included for 10 years to attempt to make up losses in funding in prior years
- The State Education Fund was created which transfers one-third of one percent of federal taxable income from the State's General Fund
- Creates additional pressures on the state budget with these requirements

Total Program Funding Formula

Total Program Funding

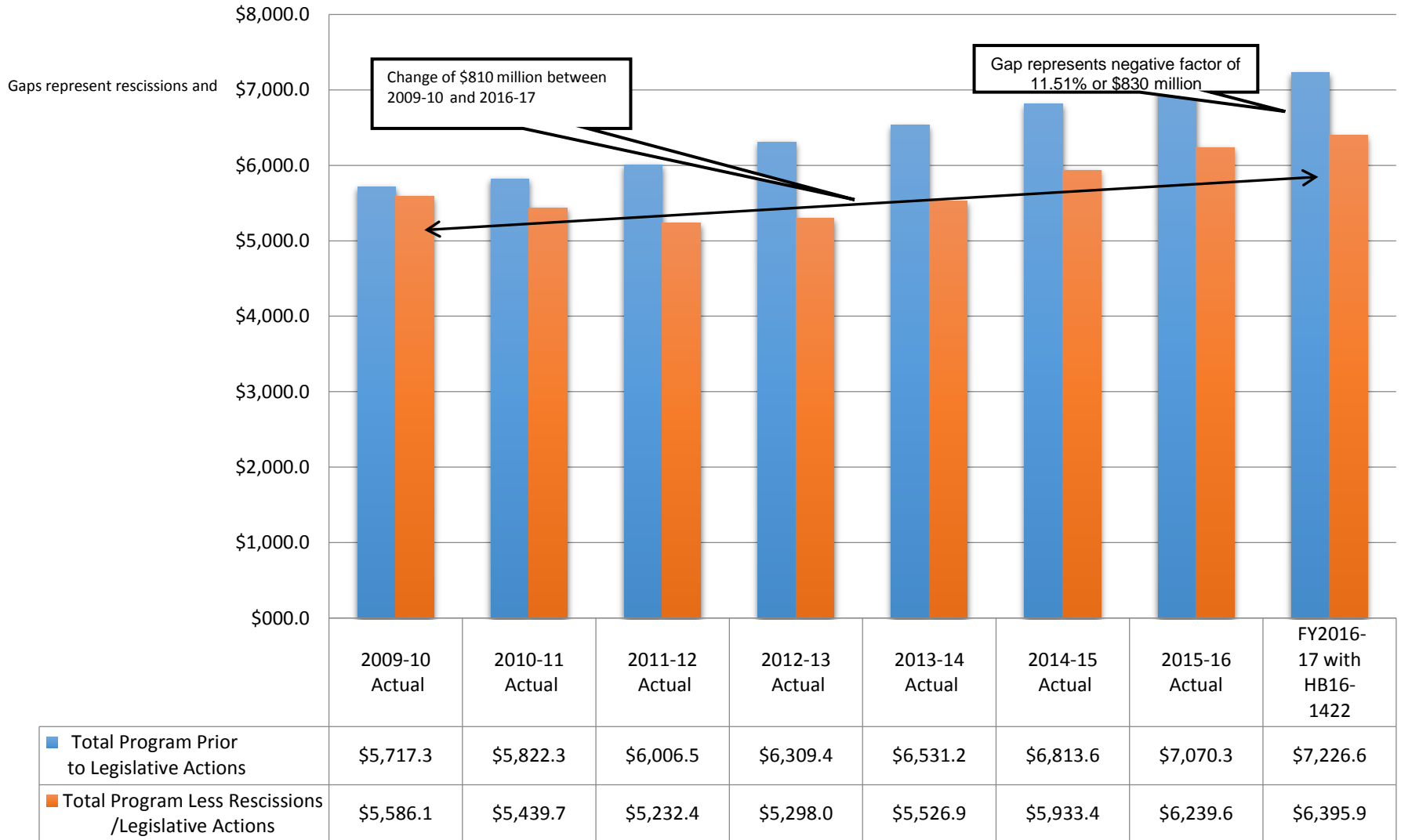
= (funded pupil count
x formula per pupil funding*)
+ at-risk funding + online & ASCENT funding

* Formula adjusts for:

- Cost of Living
- Personnel & non-personnel costs
- Size of district

Negative Factor is applied after total program is calculated

Total Program Funding



November 1 Budget Request

- 2016-17 Original Appropriation
 - Base Funding - \$6,367.90
 - Increase of \$75.51
 - Inflation of 1.2%
 - Negative factor is \$830.7 M (11.51%)
 - Average Per Pupil Funding - \$7,424.66
- 2017-18 Governor's Budget Request
 - Base Funding - \$6,539.83
 - Increase of \$171.93
 - Inflation of 2.7%
 - Negative factor proposed at \$876.1 M (11.70%)
 - Average Per Pupil Funding - \$7,606.68

Supplemental/Budget Amendment

Adjustments made for:

- Significant reduction in the forecast for local property taxes for FY2017-18
 - December 20, 2016 - Legislative Council Economic Forecast anticipated a residential assessment rate reduction from 7.96% to 6.85% (\$169.7 million reduction in local share)
 - January 13, 2017 - Division of Property Taxation Preliminary Residential Assessment Rate Study projects a residential assessment rate reduction to 6.56% - but on a larger base (\$135.1 million reduction in local share)
- Enrollment
 - FY2016-17 = Decrease of 2,646 pupils (0.31%) and 4,029 at-risk pupils (1.3%)
 - FY2017-18 = Decrease 3,665 pupils (0.42%) and 4,669 at-risk pupils (1.5%)

Supplemental/Budget Amendment

FY 2016-17 Supplemental

- Reduction in Local Share: \$23.1M
- Enrollment: \$25.5 M

FY 2017-18 Budget Amendment

- Reduction in Local Share: \$135.1 M
- Enrollment: \$34.8 M
- With no changes, the negative factor would increase from \$876.1 M in the Nov 1 Budget Request by \$106.2 M to \$982.3 M (\$122.70 per student)
- Governor's Intent:
 - Maintain negative factor at the \$876.1 M from November 1 Request
 - Maintain State Education Fund balance of \$93.1 M

Supplemental Budget Request

- 2016-17 Original Appropriation
 - Base Funding - \$6,367.90
 - Increase of \$75.51
 - Inflation of 1.2%
 - Negative factor is \$830.7 M (11.51%)
 - Average Per Pupil Funding - \$7,424.66
- 2016-17 Supplemental Request
 - Base Funding - \$6,367.90
 - Increase of \$75.51
 - Inflation of 1.2%
 - Negative factor is proposed at \$828.28 M (\$2.42 M lower)
 - Average Per Pupil Funding - \$7,420.66

Budget Amendment Request

- 2017-18 Governor's Budget Request
 - Base Funding - \$6,539.83
 - Increase of \$171.93
 - Inflation of 2.7%
 - Negative factor proposed at \$876.1 M (11.70%)
 - Average Per Pupil Funding - \$7,606.68
- 2017-18 Budget Amendment Request
 - Base Funding - \$6,546.20
 - Increase of \$178.30
 - Inflation of 2.8%
 - Negative factor proposed at \$876.1 M (same as Nov 1)
 - Average Per Pupil Funding - \$7,607.03

Governor's Proposal to Address Shortfall

- Reduce the Senior Homestead Exemption by Half
 - Senior Homestead Exemption was passed by voters in 2000 and authorized the Legislature to modify the exemption
 - Exemption has been modified twice (to reduce and to eliminate the exemption) in order to balance the budget
 - Proposed change to allow qualifying seniors to claim an exemption on the first \$100,000 in value on their homes vs. the first \$200,000 in value in FY 2017-18
 - Proposal reduces General Fund expenditures by \$68.1 M
- Increase the Special Sales Tax on Recreational Marijuana
 - Maximum allowed retail sales tax rate is 15%
 - Current rate of 10% is scheduled to drop to 8% on July 1, 2017
 - Proposed increase to 12% in FY 2017-18
 - Proposal anticipates generating \$41.9 M
- Recommend Structural Reforms to the rules that control school finance

Analysis of Full Negative Factor

- 2017-18 Governor's Budget Request
 - Negative factor proposed at \$876.1 M (11.70%)
 - Average Per Pupil Funding - \$7,606.68
 - Range from \$7,182.69 to \$16,091.15
- 2017-18 Full Negative Factor
 - Negative factor proposed at \$1.8 B (24.08%)
 - Average per pupil funding - \$6,677.80
 - Backfill to bring PPR to base - \$119.9 M
 - Range from \$6,539.83 to \$13,823.63
 - 132 districts above base funding

JBC Proposal – Statewide Mill Levy

- JBC staff concluded disparities in local total program mill levies are reducing local revenues available for schools finance and increasing pressure on the state budget. These disparities raise concerns about the equity of the school finance system for Colorado’s taxpayers and school districts.
- Staff recommends that the General Assembly act to address the current inequities in the school finance property tax system. Specifically, staff recommends that the General Assembly refer a statewide measure to the voters that would:
 - Return the state to a uniform (statewide) mill levy for school finance property taxes such that each school district’s total program mill levy would be the lesser of the statewide mill levy or the mill levy necessary to fully fund the district’s total program with local revenues.
 - Allow mill levies in districts that are fully locally funded (at less than the statewide mill levy) to “float” on an annual basis below the uniform mill levy to continue to fully fund the district without requiring state funds.

School Level Expenditure Reporting

State Requirement:

- [HB14-1292](#) and [HB15-1321](#)
- Website view translates district- and school-level expenditures into a format that is readable and comparable by a layperson
- Effective for FY2015-16 data to be reported by July 1, 2017
- LEPs post financial data on their websites to be used for website view
- Small rural districts without charter schools are only required to report district-level expenditures

Federal Requirement:

- ESSA Regulations on Per-Pupil Expenditures
- Effective for FY 2017-18 data to be reported by June 30, 2019

School Level Expenditure Reporting - ESSA

ESSA Regulations on Per-Pupil Expenditures

- Annually report per-pupil expenditures on State and LEA report cards, disaggregated by source of funds (federal funds and state and local funds combined - including Impact Aid funds but excluding private funds) for each LEA and for each school
 - Report amount of expenditures for each LEA that were not included in school-level per-pupil expenditure data
- Develop a single, statewide procedure to calculate and report LEA-level per-pupil expenditures
- Develop a separate single, statewide procedure to calculate school-level per-pupil expenditures