



COLORADO
Department of Education

School Finance CASE

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Agenda

- **Total Program & Constitutional Constraints**
- **2016 Legislation**
- **Office of School Nutrition Update**
- **Financial Transparency Update and Demo**

Total Program Funding

**The vast majority of money for schools comes through the
Public School Finance Act of 1994**

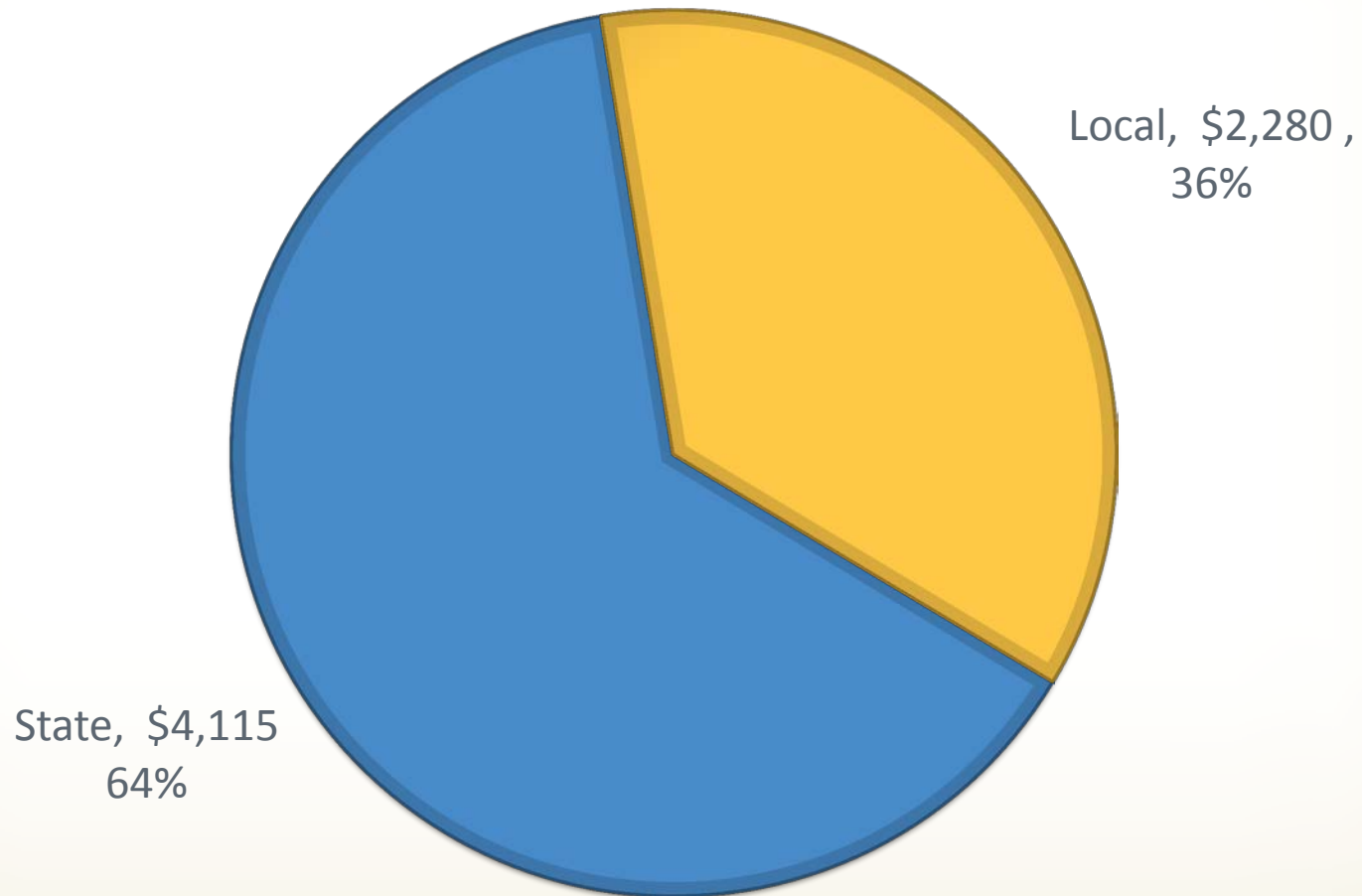
Total Program Funding = Local Funding + State Funding

**This formula attempts to equalize funding to districts
across the state.**

Local Funding always applied first.



2016-17
Total Program Funding - School Finance Act
\$6.396 Billion



in millions

Local Share Funding Sources

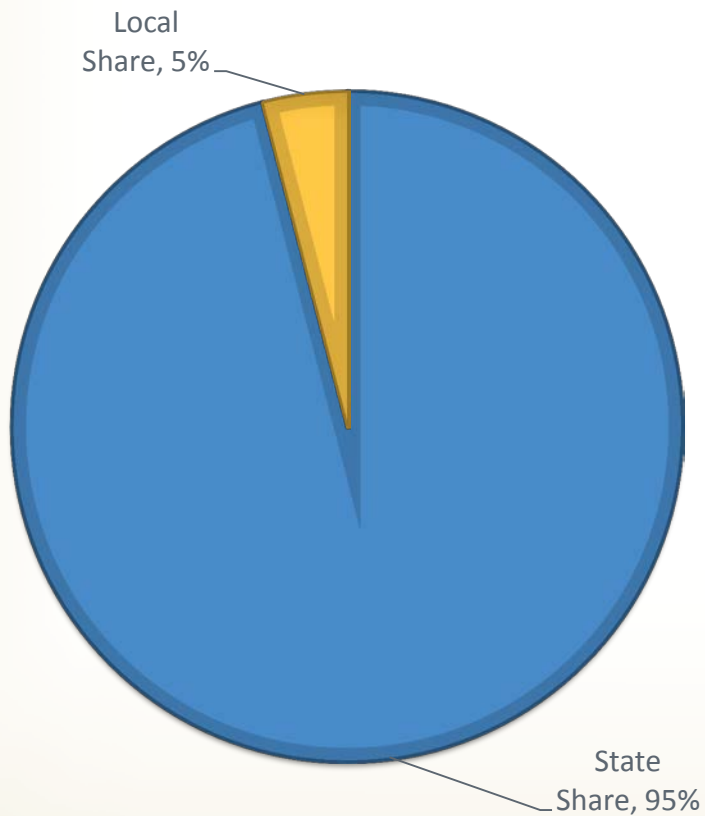
■ Local Funding

- Property Taxes – mill levies
- Specific Ownership Taxes – vehicle registration fees
- This funding provides approximately 36% of total program funding statewide
- The percentage split in specific districts varies

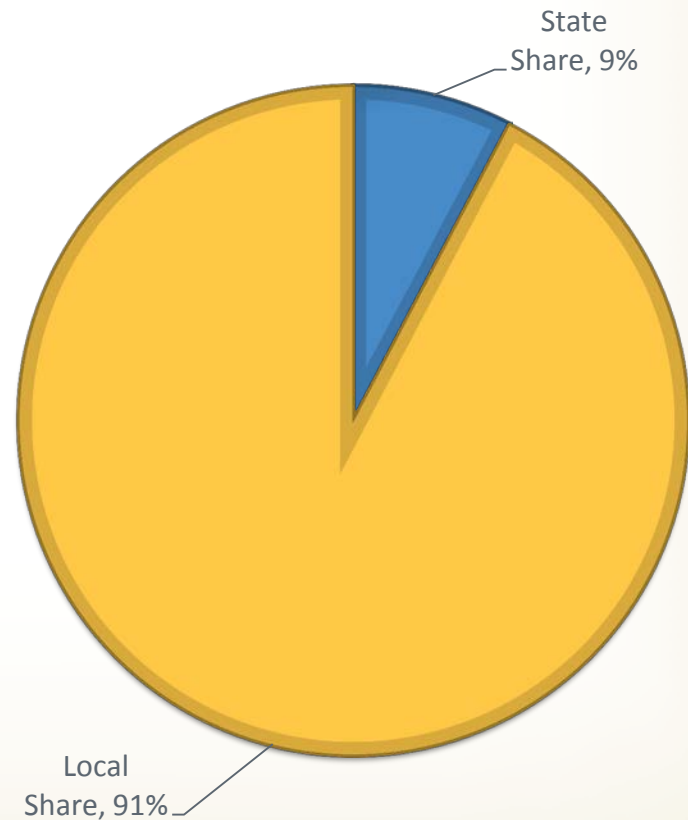


Illustration of Two Districts

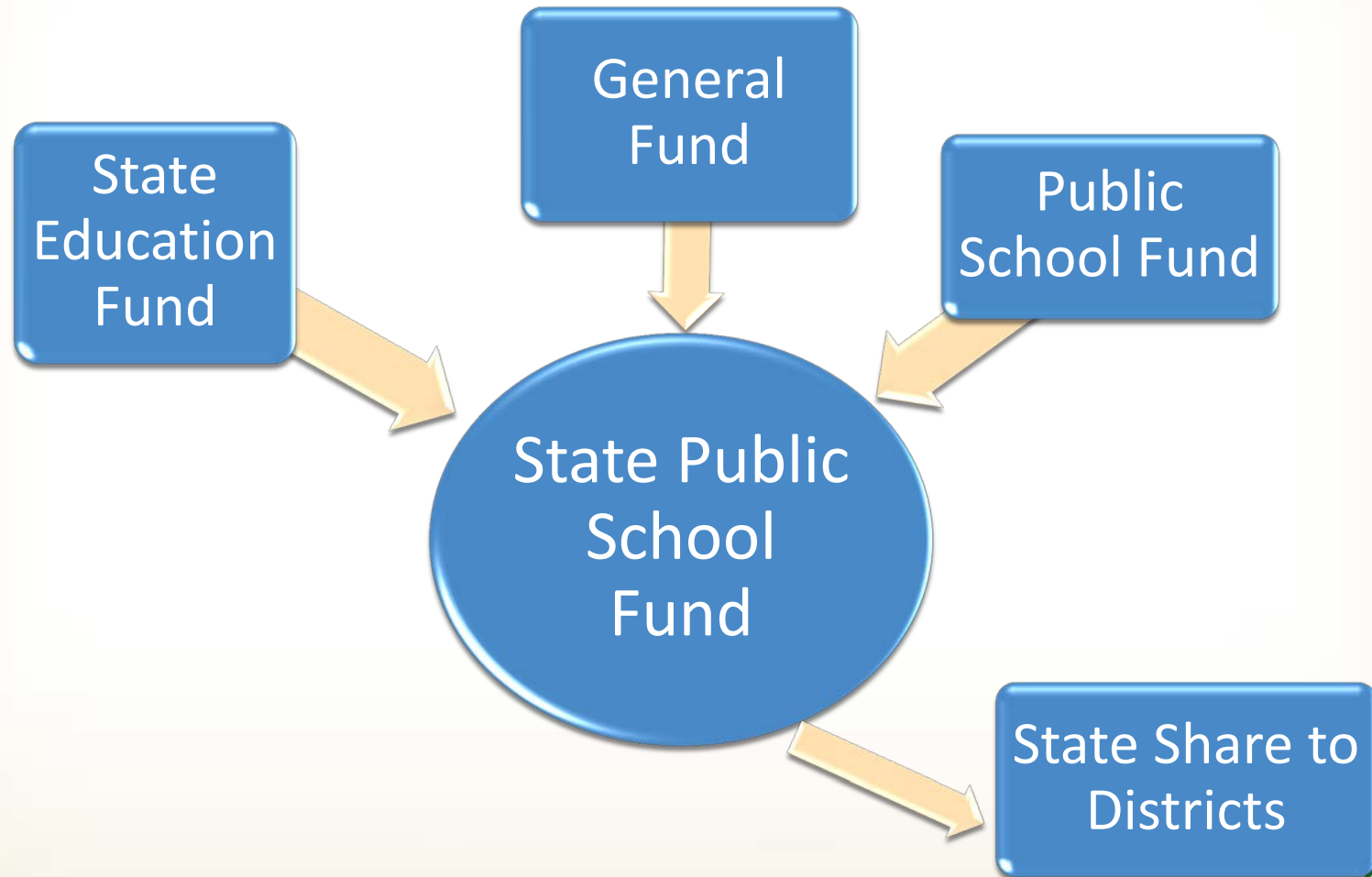
District A



District B



State Share



Gallagher Amendment - 1982

- **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

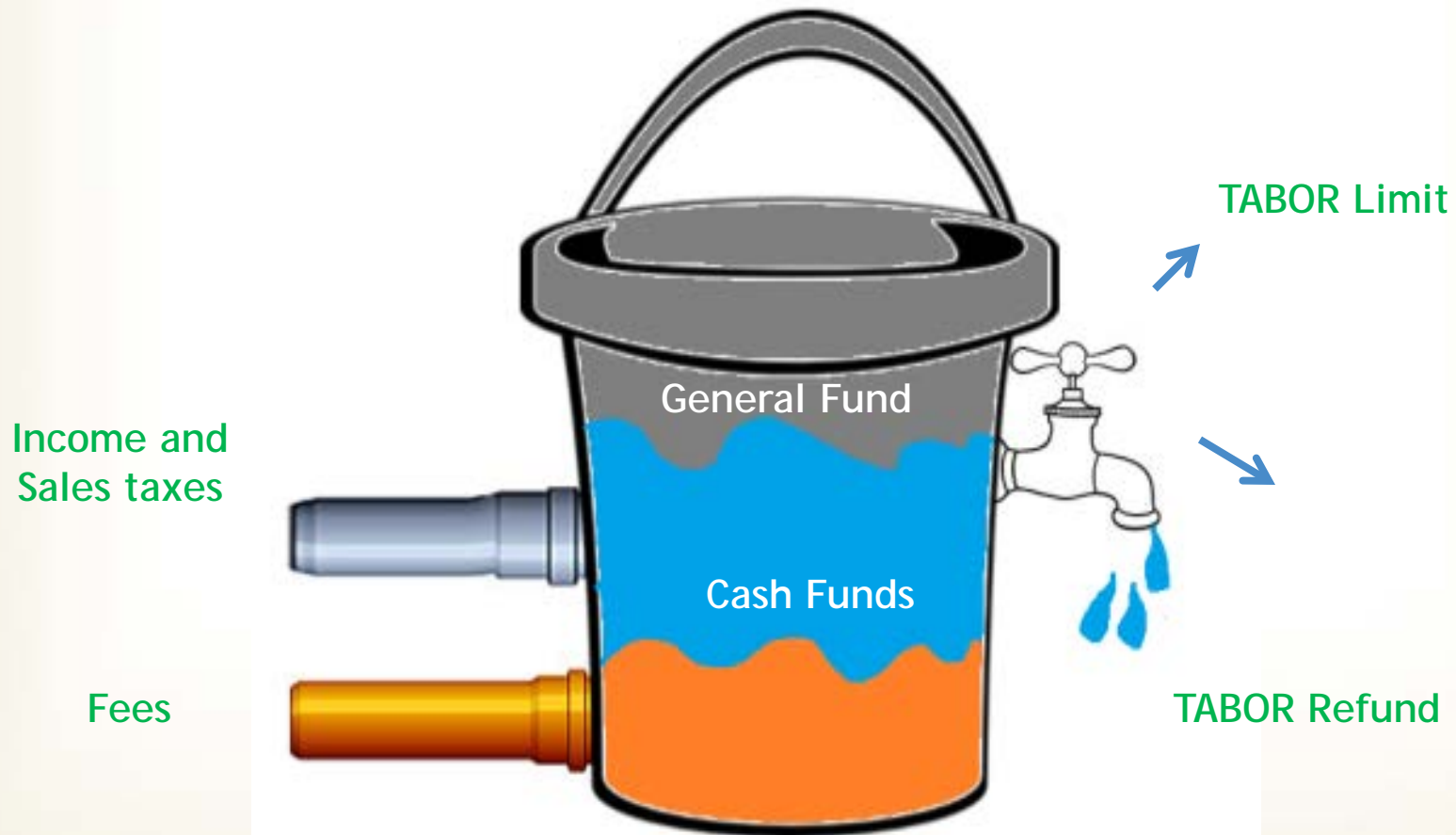
- Between 1994 and 2006, school district mill levies were decreasing since assessed values were increasing at a rate greater than what TABOR allowed – inflation plus student growth
- This continued to cause the state portion of school funding to increase putting even greater pressure on the state budget
- 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

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**

A TABOR Simile

From Office of State Planning & Budgeting



Total Program Funding Formula

Total Program Funding equals:

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

After Total Program is calculated, the Negative Factor is Applied



Base Per Pupil Funding

■ 2015-16

- Base Funding - \$6,292.39
 - Increase of \$171.39
 - Inflation of 2.8%

■ 2016-17

- Base Funding - \$6,367.90
 - Increase of \$75.51
 - Inflation of 1.2%

Formula Per Pupil Funding - Factors

- Base per pupil funding is adjusted by factors
 - Cost of Living
 - Personnel & non-personnel costs
 - Size of district
- Determine At-Risk Funding, On-line and ASCENT Funding
- Once Total Program is determined, the negative factor is applied
 - 2016-17 – 11.51%

Assumptions FY2016-17 Long Bill Plus HB16-1422

Every year, the School Finance Act is a piece of legislation that is brought forward to fund schools in the next budget year

- Fund growth and inflation
- Keep negative factor same as 2015-16 - \$830 million
 - Also requires this to remain the same in 2017-18
- Adjusts the size factor
 - 2,293 – 3,500 (Was 4,023)
 - 3,500 – 5,000 (New category)
 - Over 5,000 (Was 4,023)



Assumptions FY2016-17 Long Bill Plus HB16-1422

Other Provisions

- For those districts that do not repay categorical funds, the Commissioner shall withhold this from any other state funds
- Contingency Reserve Fund expansion for those districts that may “fall off the cliff” from absorbing the full negative factor in a year
- Creates ability for districts whose mill levies decrease as a result of increasing assessed values to retain the mill levy and deposit the revenues into a reserve fund for help with the “cliff effect”
 - For those districts that are heavily reliant on local share of property taxes
- BEST provisions on allowable grants



Assumptions FY2016-17 Long Bill Plus HB16-1422

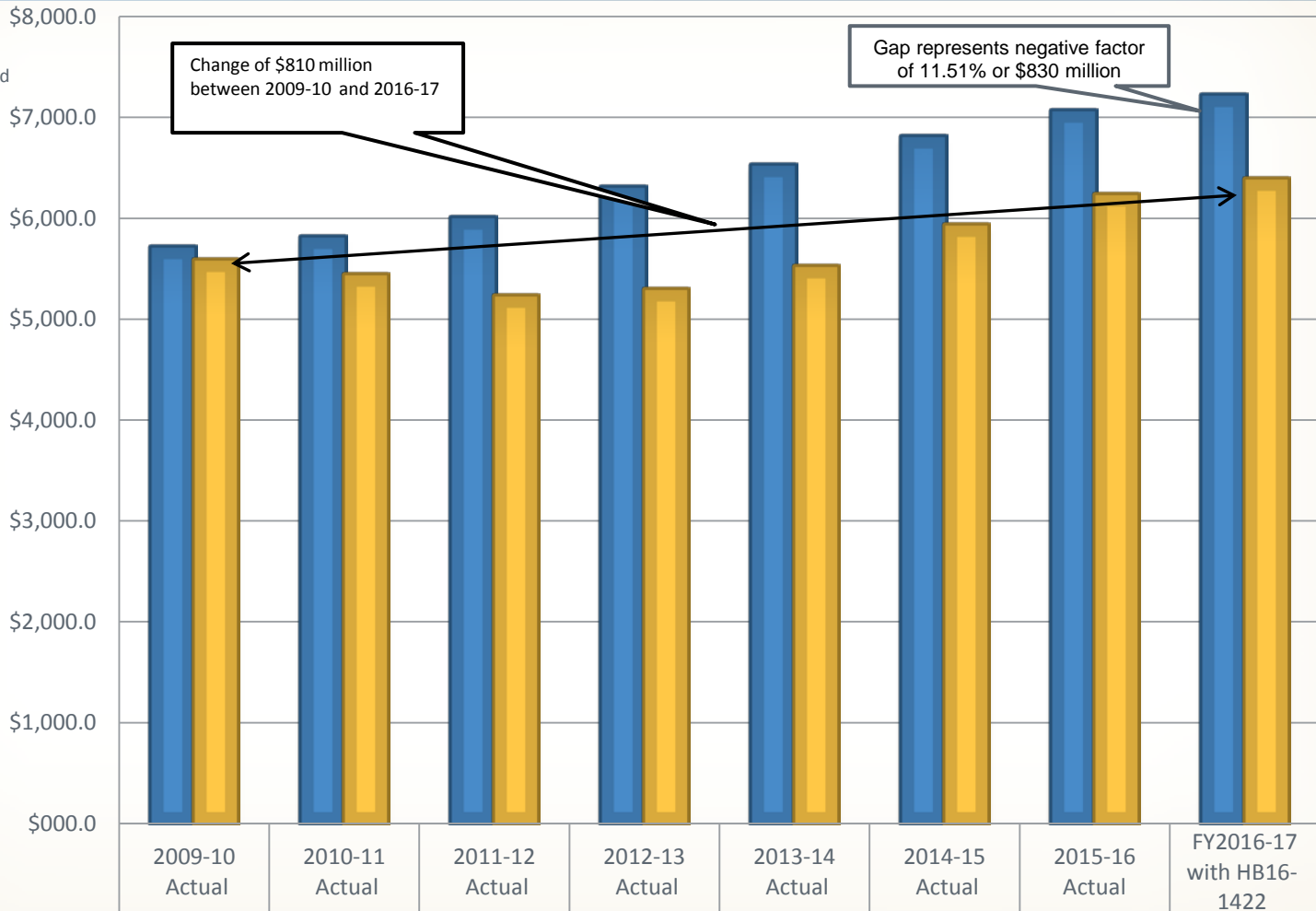
Other Provisions - Continued

- Requires charter school networks to comply with audit requirements
- Allows charter school to request revocation of exclusive chartering authority
- Requires districts to provide a list of vacant or underused buildings or lands to charter schools upon request
- Charter school itemized accounting to include list of positions and services
- Requires distribution of per pupil revenues received on such basis
- Added “maintaining” to definition of capital construction under state aid for charter schools
- Changes governing board of institute charter school to local public body
- Excludes automatic charter waivers for annual school calendar and teacher-pupil contact hours



State of Colorado

Total Program Funding



■ Total Program Prior to Legislative Actions	\$5,717.3	\$5,822.3	\$6,006.5	\$6,309.4	\$6,531.2	\$6,813.6	\$7,070.3	\$7,226.6
■ Total Program Less Rescissions / Legislative Actions	\$5,586.1	\$5,439.7	\$5,232.4	\$5,298.0	\$5,526.9	\$5,933.4	\$6,239.6	\$6,395.6



Mill Levy Overrides

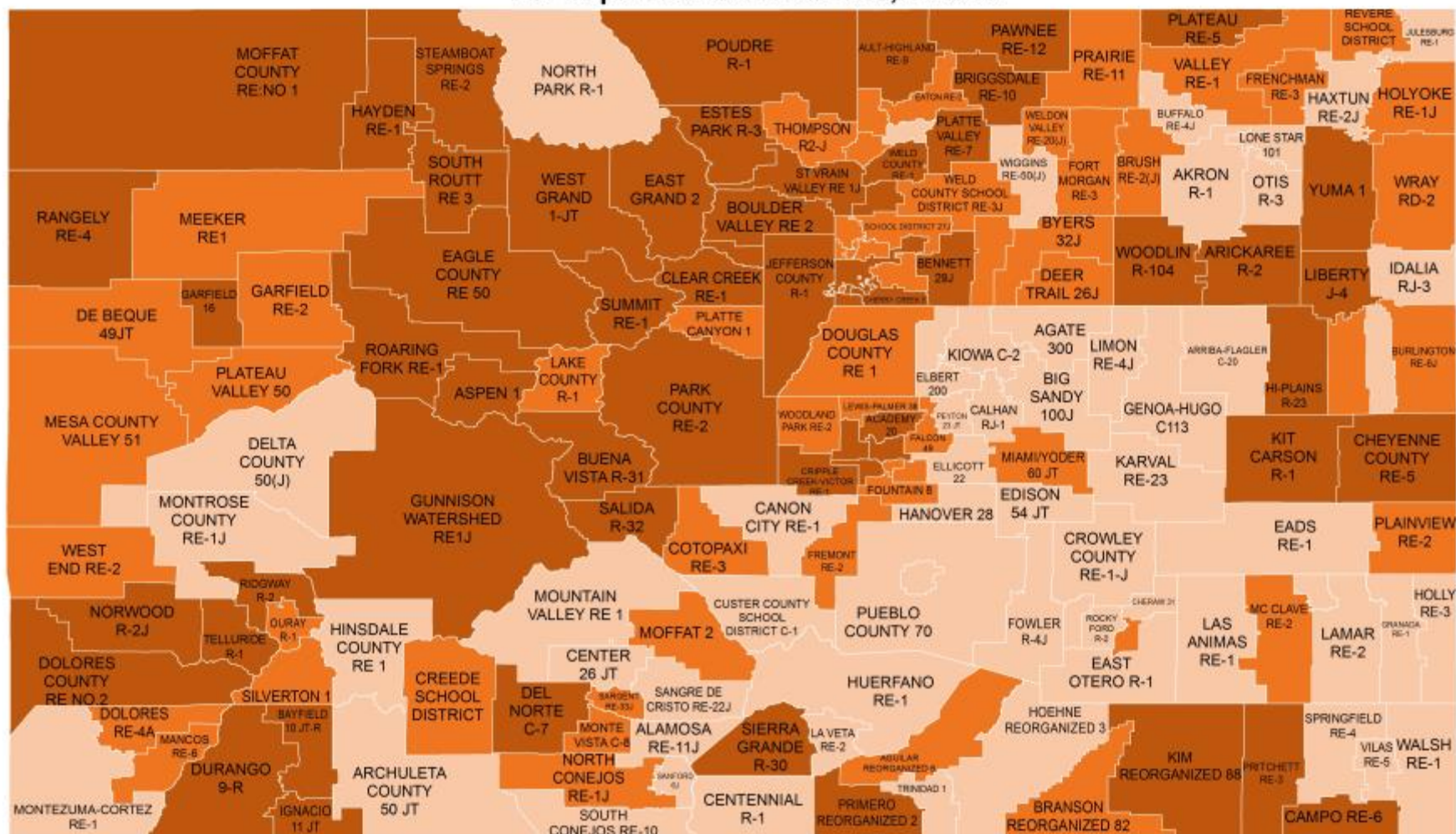
- ***Voter approved override*** - revenues cannot exceed greater of 25% of its Total Program or \$200,000 (30% for small rural) – 118 districts
- ***Special Building and Technology Fund*** levy up to ten mills for not longer than three years - land, buildings, facilities, security, technology – 1 district
- ***Full-day Kindergarten Fund*** levy for excess full-day kindergarten program costs – 2 districts
- ***Transportation Fund*** levy a mill to generate revenues to pay for excess transportation costs – 8 districts



Mill Levy Overrides Report

- Required beginning in FY14-15 by CRS 22-2-113.8
- Report shows additional local property tax revenues each district is authorized to collect, actually collected, distributed to charter schools, distributed to non-charter schools and retained by district
- Addendums show capital construction and facilities funding, technology funding, and any other funding that the school districts distributes to charter schools of the district
 - Requested for 17 districts
- <http://www.cde.state.co.us/cdefinance/milllevyoverriderevenuereport>

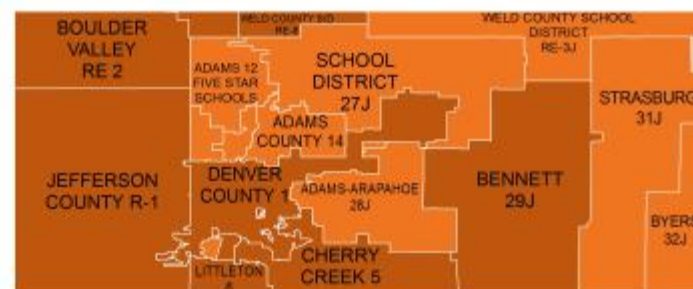
Per Pupil Override Revenues, 2015-16



Legend

Per Pupil Override Revenues

- No override or zero
- 2. Override at \$1000 or less per pupil
- 3. Override greater than \$1000 per pupil



Categorical Program Revenue

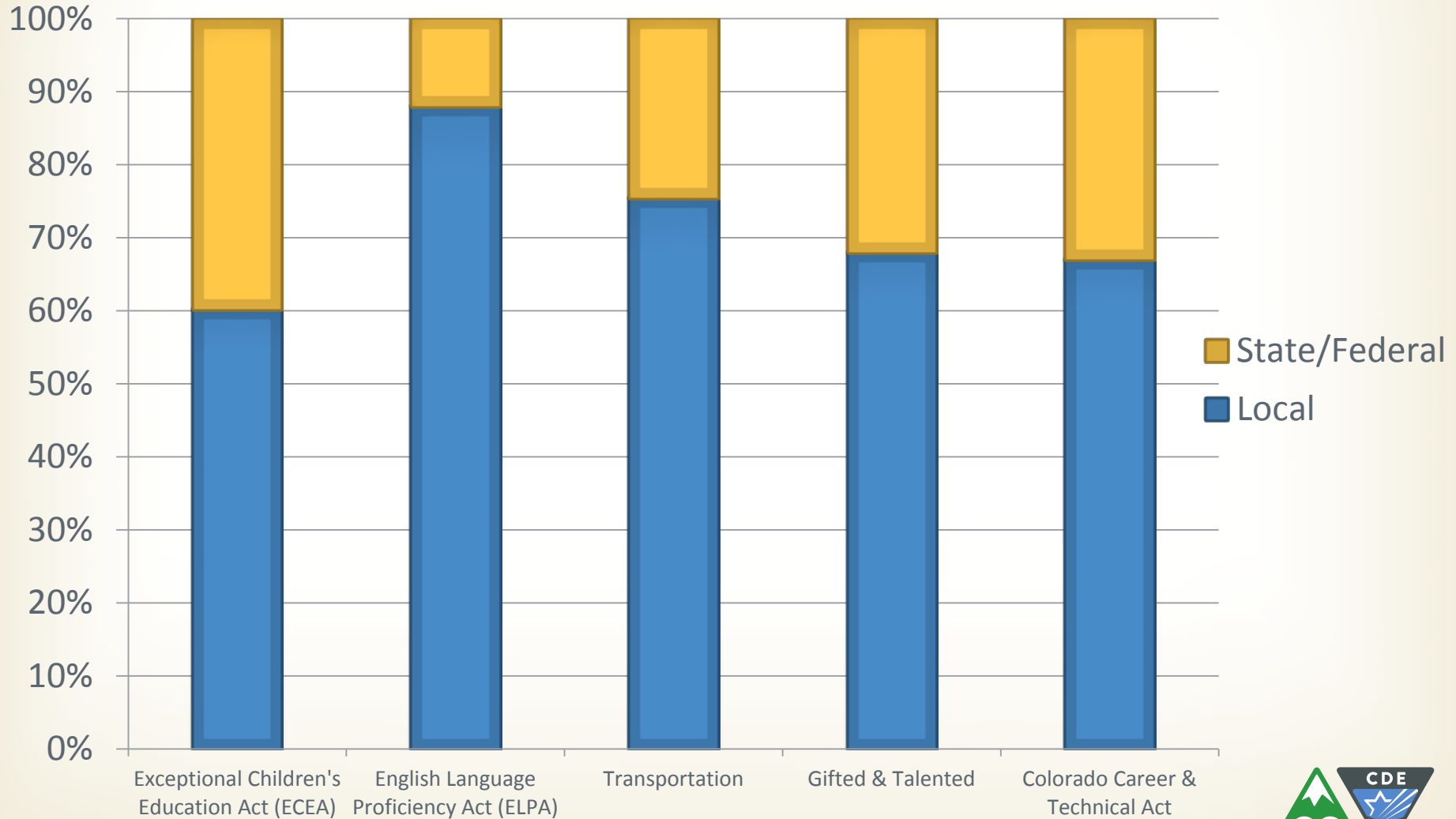
- Funding provided for specific programs that serve particular groups of students or student needs
 - English Language Proficiency Act (ELPA)
 - Gifted and Talented Education
 - Special Education
 - Transportation
 - Vocational Education
 - Small attendance centers

These sources of revenue do not cover the full cost of these programs.

Districts spent over \$1.4 billion on these programs. The state estimate of the “gap in funding” in 2013-14 was over \$900 million statewide.



2013-14 Estimated Categorical Gap



Other Legislation

- **HB16-1354 – Debt Free Schools Act**

- Ability for districts to pass mill levy for capital construction and maintenance without borrowing money

- **HB16-1423 – Data Privacy Bill**

- Requires actions to increase transparency and security of PII and imposes requirements on commercial entities

- **SB16-072 – Increases the Cap on BEST**

- From \$80 Million in FY15-16 to \$120 million in FY19-20 and thereafter

- **SB16-208 – Charter School Funding**

- If a district charter school converts to an institute charter school, or vice versa, the funding is still calculated using the applicable formula before the conversion



Upcoming FPP Meetings

Dates:

- November 4, 2016
- March 3, 2017
- April 7, 2017
- May 5, 2017
- June 23, 2017

Locations:

- Jeffco
- Swink
- Mesa Valley (Grand Junction)
- Durango
- Centennial BOCES (Greeley)
- San Luis Valley BOCES (Alamosa)
- Pikes Peak BOCES (Colorado Springs)
- Steamboat Springs
- East Central BOCES



School Nutrition Updates

- **Administrative Reviews**

- New Procurement Review tool
- New Resource Management assessment process - increased in comprehensive reviews

- **Local Meal Charge Written Policies**

- Provide at start of school and upon transfer to the school in 2017

- **Unpaid Meal Charges: Clarified Delinquent and Bad Debt**

- **SBE Rulemaking for Healthy Beverages on August 10th**

- **USDA Final Rules Issued**

- Smart Snacks (all food/beverages), Community Eligibility Provision (CEP), Local School Wellness Policy, Administrative Reviews

Financial December FY14-15: Top Issues

- Financial Transparency Webpage Non-Compliance (126)
- Expenditures in excess of appropriated amounts (60)
- Coding Issues (48)
- Fund Balance Deficit (45)
- Charter School Issues (35)
- CPP/E-Care Threshold (31)
- Single Audit Recommendations (29)
- 15% Non-Appropriated of General Fund (25)
- Accreditation Report Issues (17)
- Food Service Net Cash (10)

Financial Transparency

■ ESSA Proposed Regulations on Per-Pupil Expenditures

- Annually report per-pupil expenditures on State and LEA report cards, disaggregated by source of funds (federal funds, state and local funds including Impact Aid funds, private funds)
 - FY17-18 data reported by December 31, 2018
- Develop a single, statewide procedure to calculate and report LEA-level per-pupil expenditures
- Develop a separate single, statewide procedure to calculate and report school-level per-pupil expenditures
- Provide a description of the uniform procedures for calculating per-pupil expenditures

Financial Transparency

■ CDE Comments to Proposed Rule § 200.35

- Unreasonable timeline
- Burden on small rural LEAs
- Burden on LEAs to report per-pupil expenditures disaggregated by source of funds at LEA and school-level
- Unclear definition of private sources of funds
- Unreasonable requirements for uniform, single statewide procedures to calculate school-level current expenditures per-pupil
- Unclear preschool expenditures and membership requirements

Questions