

School Finance 101 Part II

September 19, 2022

School Finance 101 Part II

Overview

- Total Program
 - Per Pupil Funding
 - Funded Pupil Count
- Voter Approved Mill Levies
- Financial Transparency
- Colorado Tax Policy

School Finance Total Program Funding

Total Program Funding

Equals Funded Pupil Count

times Per Pupil Funding formula)

plus At-Risk funding (recently changed) plus Multi-District Online

plus Extended High School funding

then...Budget Stabilization Factor is applied

Total Program Funding Components

- Local: Property Taxes & *Portion* of Specific Ownership Taxes “applied”
- State Equalization: “backfills” the remaining
- At State Level: 60% State 40% Local. % *Varies widely by District.*

PSFU website Resource: Funding Calculation [Worksheet](#) Rows 292-298

FY23 K12 Education ESTIMATED Funding

Total Program at the State Level

- Local Share
 - Property Taxes \$3.13B
 - Specific Own Taxes \$.22B
- State Share \$5.39B
- Total Program Full Funding \$8.74B
- Budget Stabilization \$- .32B
- Total Program Actual Funding \$8.42B

Plus

- State Categoricals \$321M

Categorical Funding

English Lang. Proficiency Act (ELPA)

Gifted & Talented

Small Attendance Centers

Special Education (ECEA)

Transportation

Vocational Education

PSFU website Resource: Funding Calculation [Worksheet](#) Rows 56-64

Total Program Factors

Factors that adjust Base Per Pupil Funding

Factors adjust for:

- **Cost of living:** Determined by a legislative study every two years. A higher cost of living equals a higher factor.
- **Personnel and non-personnel costs:** Personnel costs factor vary by school district based on enrollment. For all districts, employee salaries and benefits represent the largest single expense. As such, the formula directs funding based on these costs.
- **Size of district:** Similar to the personnel costs factor, the size factor is unique to each district and is determined using enrollment. Small districts have larger size factors than districts with higher enrollment.
- **At-Risk:** Students eligible for Free & Reduced Lunch (*Working Group looking at this factor*)
- English Language Learners Factor:
- **Review Calculation [Worksheet](#) Rows 117-128 for PPF without At-Risk**

Per-Pupil Revenue

Sample District Per Pupil Funding(PPF)

Base Funding	\$7,478.16
Cost of Living Factor	1.208
District Size Factor	1.0297
Personnel Cost Factor	90.34%
Non-personnel Costs	<u>9.66%</u>
Subtotal	\$9,147
At Risk Factor	723
ELL Factor	732
Budget Stab Factor	<u>- 389</u>
PPF	<u>\$10,213</u>

*Interim School Finance Comm in-process



Funded Pupil Count

- **Based on October 1 pupil count date**
 - Colorado is a single count State
 - Program Enrollment, Schedule, Attendance
 - Full-time vs. part-time students
 - Full-Time = 1.0
 - Part-Time = 0.5
- **Funded pupil count**
 - Greater of the current year's pupil count OR Best average over the last two to five years
 - **Review Calculation [Worksheet](#) Rows 84-105**

Funded Pupil Count

Sample District Per Pupil Funding(PPF)

DISTRICT: Sample	Current CDE Funding Summary	Revised District Projection
FY23 October FTE Count	4,358.0	4,358.0
FY22 October FTE Count	4,360.5	4,360.5
FY21 October FTE Count	4,455.0	4,455.0
FY20 October FTE Count	4,676.5	4,676.5
FY19 October FTE Count	4,622.0	4,622.0
AVERAGED FUNDED PUPIL COUNT	4,494.4	4,494.4
FY23 Full Day Kindergarten Factor	0.9	0.9
FY23 CPP Pupil Count	129.0	129.0
FY23 CHARTER INSTITUTE PUPIL COUNT	0.0	0.0
FY23 FUNDED PUPIL COUNT	4,624.3	4,624.3
ASCENT Pupil Count	0.0	0.0
FY23 CHARTER INSTITUTE ONLINE PUPIL COUNT	0.0	0.0
FY23 On-line Pupil Count - enter line V4	0.0	0.0
TOTAL FUNDED PUPIL COUNT	4,624.3	4,624.3
DISTRICT FUNDED PUPIL COUNT	4,624.3	4,624.3
INSTITUTE FUNDED PUPIL COUNT	0.0	0.0



PPF changes through the year

November 2022	Governor Submits Budget Request for FY24 THIS IS ONLY A PROPOSAL/PLACEHOLDER!
December 2022	Joint Budget Committee Hearings with Department The JBC hears about the Budget Request for FY24 from the Department and seeks additional information
December/January 2023	FY23 Local Property tax and Student count are finalized Governor Submits <i>Supplementals</i> for FY23 Adjusts current year's actual pupil counts, AVs, etc., Governor Submits <i>Budget Amendments</i> for FY24 Revises estimates for next year's pupil counts, AVs, etc.
Spring 2023	JBC Develops State Budget for FY24 Through Figure Setting General Assembly Passes the Long Bill based on current law
Spring - Only Estimate 2023	School Finance Bill for FY24 Is Introduced and Passed Adjusts the Appropriation included in the Long Bill

Timeline of School Finance Payments

- **July-November: Projections**
 - Based on Legislative Council funding projections and will include rescissions
- **September-December: Student October Count data collection**
 - October 1 (on or about): Pupil Enrollment Count Date
 - Mid-November: Duplicate Count Process
 - Early December: Data Finalized/Upload Supporting Documentation
- **December-January: “True Up”**
 - Pupil count and Assessed Valuations updated for the second half of the year payments
 - Rescissions updated
- **February-March: Supplemental Appropriations, if Applicable**



Voter Approved Mill Levy Override

Mill Levy Overrides

District Voter Approved Tax increases

C.R.S. 22-54-108

- Maximum General Fund MLOs – 25% or 30%(small rural) of Total Program-Allowable for Capital or Operating
- Governing Documents
 - Election Question
 - MLO Spending Plan
 - Charter School Allocations
- PSFU website Resource: [Mill Levy Table](#) comes from Mill Levy Certification process in December

Other Voter Approved Mill Levies

Bond Fund

Property Tax to pay voter approved debt

Special Building & Technology Fund

Limited to purchase and install of instructional and information technology & Building Capital
3 Years & 10 Mills Maximum

Transportation Fund

For excess transportation costs

Supplemental Cap Const., Technology & Maint.

Capital Construction

New & Existing Technology

Maintenance Needs

Financial Transparency

Financial Transparency

The Best School District: Financial Transparency Standard Template



Required Financial Transparency

Colorado Revised Statutes, 22-44-304
(Commencing July 1, 2022)

- ◆ District Adopted Budget - Including Uniform Budget Summary (current and prior two years)
- ◆ District Financial Audit (current and prior two years)
- ◆ Salary Schedules or Policies (current and prior two years)
- ◆ Financial Data File for FY21-22* (current and prior two years: FY19-20 and FY20-21)
- ◆ List of Waivers Received by the School District
- ◆ Standardized Description and Rational for Each Automatic Waiver
- ◆ Federal Form 990, 990-EZ, or 990-PF and any associated schedules
- ◆ Plan for Distributing Additional Mill Levy Revenue or Statement of Intent to Distribute
- ◆ Other District-Specific Financial Information

All documents above must be posted or updated within 60 days (30 days for waiver information) after completion or receipt of the applicable report, statement or document

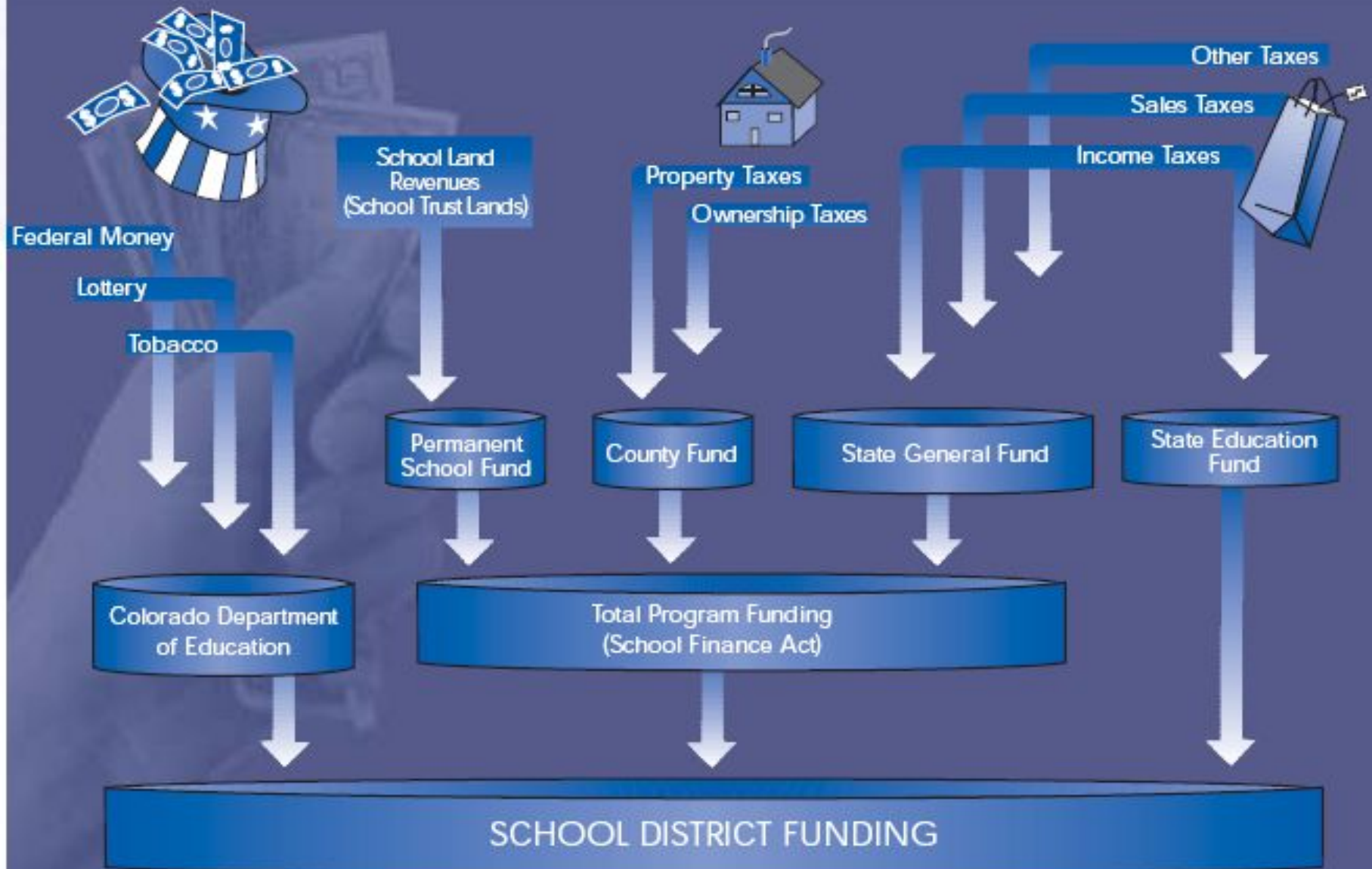
*Financial Data File for FY21-22 is required to be posted no later than March 1st, 2023

- ◆ Link to Financial Transparency Website View:
<https://www.cde.state.co.us/schoolview/financialtransparency/homepage>

PSFU website Resource: [Financial Transparency](#)

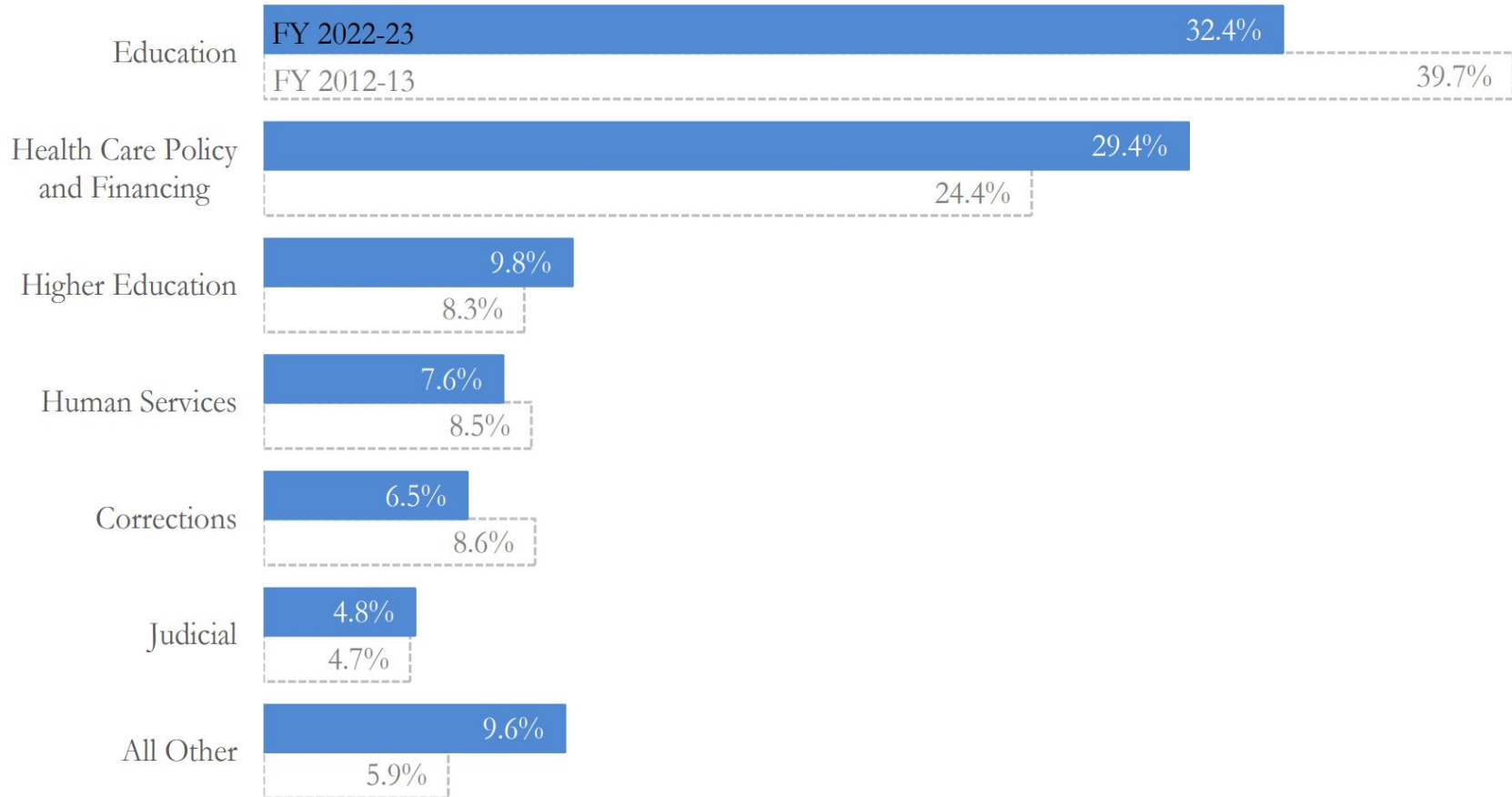
Colorado Macro-Economics

COLORADO SOURCES OF SCHOOL FUNDING



Colorado FY 22-23 Budget

GENERAL FUND Operating Appropriations by Department



School Finance Historical Recap

- **2019-20**
 - Budget Stabilization Factor = \$572.4M (-\$100M)
 - Total Program = \$7.6B (+\$520M)
- **2020-21 School Finance Act (HB20-1418)**
 - Budget Stabilization Factor = \$1.174B (+\$601.1M)
 - Total Program = \$7.2B (-\$367.6M)
- **2020-21 School Finance Mid-Year Supplemental**
 - Budget Stabilization Factor = \$1.052B (-\$121.4M)
 - Total Program = \$7.24B (+/- \$0)
- **2021-22 School Finance Act (HB22-1186) Mid-Year Supplemental**
 - Budget Stabilization Factor = \$503.3M (-\$548.7M)
 - Total Program = \$7.99B (+\$750.0M)
- **2022-23 School Finance Act (HB22-1390)**
 - Budget Stabilization Factor = \$321.2M (-\$182M)
 - Total Program = \$8.422B (+\$432M)

Colorado State Income Tax Reduction Initiative

Colorado State Income Tax Rate Reduction Initiative (2022)

The **Colorado State Income Tax Rate Reduction Initiative** is on the [ballot](#) in [Colorado](#) as an [initiated state statute](#) on [November 8, 2022](#).

A **"yes"** vote supports decreasing the state income tax rate from 4.55% to 4.40% (including for domestic and foreign C corporations) for tax years commencing on or after January 1, 2022.

A **"no"** vote opposes decreasing the state income tax rate to 4.40%, thereby leaving in place the current rate of 4.55%.

**Colorado
State Income
Tax Rate
Reduction
Initiative**

CDE Takes no position regarding ballot initiatives

TABOR & GALLAGHER

- **TABOR 1992 or Article X, Section 20 of the Colorado Constitution**
 - Limits Government Growth to Inflation Plus Growth
 - Spending and Revenue Limits
 - State and Local Grants are NOT exempt
 - Entrepreneurial Revenue is NOT exempt
 - 177/178 School Districts are De-Tabored (a.k.a De-Bruced)
- **Gallagher Amendment 1982 Repealed 2020**
 - Adjusted Residential Assessment Rates down to keep the Commercial 55%/Residential 45% tax ratio
 - 1982 CAR 29% RAR 21% 2020 CAR 29% RAR 7.15%
 - **SB22 -238** Adjusts *temporarily* until FY24
 - Total Program is not affected
 - If you have a MLO that is a fixed mill amount, revenue will be lower.

Gallagher Changes (SB 22-238)

For the 2023 property tax year:

- **Section 1** of the bill reduces the valuation for assessment of nonresidential property, excluding agricultural and renewable energy production nonresidential property, from 29% of the actual value of the property to 27.9% of the actual value of the property;
- **Section 2** reduces the valuation for assessment of residential property, including multi-family residential property, to 6.765% of the actual value of the property; and

For the 2024 property tax year:

- **Section 1** continues the valuation for assessment of real and personal property that is classified as agricultural property or renewable energy production property at 26.4% of the actual value of the property;
- **Section 2** establishes the valuation for assessment for all residential real property other than multi-family residential real property as a percentage of the actual value of the property based on there being a specific modification determined by the property tax administrator; and
- **Section 2** also establishes the valuation for assessment for multi-family residential real property as 6.8% of the actual value of the property.

Property Taxes - How they Work Prior to SB22-238

Actual Values



×

Assessment Rate

7.2% Residential *
29% Nonresidential
87.5% Oil and Gas

=

Assessed Values



Assessed Values



×

Local
Mill Levy

=

Taxes
Owed

Questions Contact

Glenn Gustafson, CPA

Former CFO, District 11

Gustafson_g@cde.state.co.us

719 650 1960

Mark Rydberg

Former CFO, Steamboat Springs, Summit, Moffat County Re-1

rydberg_m@cde.state.co.us

720 402 6658

Join ListServ by emailing: Richardson_m@cde.state.co.us