COLORADO
Department of Education

CASBO
School Finance Update

April 19, 2017

School Finance Update

Total Program Funding Formula

Total Program Funding

Equals (funded pupil count

times formula per pupil funding*)

plus at-risk funding

plus 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

Assumptions for FY2017-18 Funding Calculations

- Inflation: 2.8%
- Enrollment:
  - Decrease of 3,665 pupils (0.42%)
  - Decrease of 4,669 at-risk pupils (1.5%)
- Residential Assessment Rate:
  - December 20, 2016 – Legislative Council Economic Forecast anticipated a reduction from 7.96% to 6.85% ($169.7 million reduction in local share)
  - January 13, 2017 – Division of Property Taxation Preliminary Study projects a reduction to 6.56% - but on a larger base ($135.1 million reduction in local share)
  - April 17, 2017 - Division of Property Taxation Final Study estimates a reduction to 7.20%

FY2017-18 Funding – Assumption Modifications

- 2016-17 Original Appropriation
  - Base Funding - $6,367.90
  - Negative factor - $830.7M
  - Average Per Pupil Funding - $7,424.66
- 2017-18 Governor's Budget Request
  - Base Funding - $6,539.83 (+$171.93)
  - Negative factor - $876.1M (+$45.4M)
  - Average Per Pupil Funding - $7,606.68 (+$182.02)
- 2017-18 Budget Amendment Request
  - Base Funding - $6,546.20 (+$178.30)
  - Negative factor - $876.1M (+$45.4M)
  - Average Per Pupil Funding - $7,607.03 (+$182.37)
- 2017-18 Long Bill
  - Negative factor – $828.3M (-$2.4M with a placeholder for +$48.8M)
  - Average Per Pupil Funding +$242 or +$185 with placeholder
- 2017-18 School Finance Act – *To Be Determined*

Analysis of Full Negative Factor

- 2017-18 Governor's Budget Request
  - Negative factor proposed at $876.1M (11.70%)
  - Average Per Pupil Funding - $7,606.68
  - Range from $7,182.69 to $16,091.15

- 2017-18 Result of Full Negative Factor
  - Negative factor would be $1.8B (24.08%)
  - Average per pupil funding - $6,677.80
  - Backfill required to bring PPR to base - $119.9M
  - Range from $6,539.83 to $13,823.63
  - 132 districts above base funding

ESSA Per-Pupil Expenditure Reporting

ESSA Per-Pupil Expenditure Reporting

ESSA requires state report card to include:

> the per-pupil expenditures of Federal, State, and local funds, including actual personnel expenditures and actual nonpersonnel expenditures of Federal, State, and local funds, disaggregated by source of funds, for each local education agency and each school in the State for the preceding fiscal year.

Regulations were officially rescinded on March 27th

> Reporting is effective for FY2016-17 data to be reported by December 31, 2017.

ESSA Per-Pupil Expenditure Reporting

FPP Subcommittee Recommendations:

- Use regulations as guidelines
- Report data available through Finance December Data Pipeline. Although school-level expenditure reporting to CDE is not required, most non-small rural districts reported school-level expenditure data to CDE.
- Submit data when available (Spring 2018).
- Include current operating expenditures, exclude community services, adult education and debt service and eliminate flow-through coding.
- Report state and local funds, including Impact Aid and excluding private sources as outlined in regulations. Additionally, report private sources separately below the line.
- Districts determine expenditures reported at school-level. Allocate remaining central expenditures proportionally to the school-level based upon student membership.

District Responsibilities ESSA PPE Reporting

- Districts will continue to submit Finance December Data Pipeline data
- Districts determine what expenditures are coded to the school-level
- Districts determine if school-level expenditures are included in Data Pipeline submission

- CDE will continue to prepare the State Report Card and LEA Report Cards

Budget Law Discussion

Budget Law and Financial Accreditation

- Provide clarification of School District Budget Law within the FPP Handbook and Financial Accreditation form allowing budgeting of ending fund balance beyond the 15% non-appropriated
- Ensures cohesive, internally consistent application of the whole statute so all provisions work together
- Allows for greater transparency in presentation of budgeted fund balance, including quarterly and CAFR presentations; understandable to the lay person
- Allows for meaningful presentation of budget versus actual audited financial statements (see other states)
- Reflects realities of current accounting, reporting and bond rating trends; removes confusion in explaining the actual budgeted expenditures

Familiar Statutory Requirements

- Budget and appropriation resolution adopted prior to the beginning of the fiscal year. §22-44-103, -104, -110
- Mandatory budget report contents. §22-44-105(1)
  - (b) Summary of revenues and expenditures by pupil
  - (c) Expenditures by fund and by pupil in three columns
    - (II) Amount budgeted for the current fiscal year,
    - (III) Amount estimated for the current fiscal year, AND
    - (IV) Amount budgeted for the ensuing fiscal year
  - (c.5) Ensure compliance with TABOR
  - (c.7) Summarize revenue by source & expenditures by function, fund, and object
  - (d.5) Uniform summary sheet
- Use of beginning fund balance resolution, if any. §22-44-105(1.5)(a) and (c)
- Balanced relations. §22-44-105

Uniform Summary Sheet Requirements

- §22-44-105(1)(d.5) provides the elements of the uniform summary sheet by fund
- (I) beginning fund balance and the anticipated ending fund balance
- (II) revenues by source
- (III) transfers/allocations to and from a fund
- (IV) anticipated expenditures by program and object
- (V) amount of reserves in the fund

- Statute allows for a budget of anticipated ending fund balance AND reserves

Anticipated Ending Fund Balance

- The budget law, circa 1963, does not incorporate competing new world provisions: GASB 54, TABOR, financial transparency guidance, charter schools, bond ratings, etc.
- If appropriate for your district, budget ending fund balance in GASB 54 categories (visible on CDE-18)
  - Nonspendable
  - Restricted, ensuring compliance with TABOR
  - Committed – includes §22-44-106 (cannot be expended)
  - Assigned
  - Unassigned
- 15% Committed, §22-44-106, limits the amount to 15% and the amount cannot be expended and becomes a portion of the subsequent year's beginning fund balance (not allowed in a use of beginning fund balance resolution)

Anticipated Ending Fund Balance

- The budget law requires a budget for the anticipated ending fund balance. §22-44-105(1)(d.5)(I)
- The accounting and reporting law requires a quarterly financial report, including a comparison of the expected year-end fund balances with the amount budgeted for that fiscal year. §22-45-102(1)(b)(IV)

- Use of a portion of beginning fund balance resolution. §22-44-105(1.5)(c) allows for an additional use resolution at any time during the fiscal year

Statutory ending fund balance - restricted

- 1963: non-appropriated operating reserve limited to 15%
- 1992: TABOR 3% emergency reserve, statute did not specify if the amount should be appropriated or not
- 1992: TABOR multi-year obligations (assume non-appropriated)
- 1992: Colorado Preschool Program (CPP), any moneys remaining at the end of any budget year shall be used in subsequent budget years
- Assume these examples would be non-appropriated for budgetary purposes and would be classified as restricted fund balances for GASB 54 purposes

Budget interpretation and CDE-18

- Beginning fund balance
- *Plus* revenues
- *Plus/minus* transfers/allocations
- Less expenditures, may or may not include Contingency (object 0840) & Reserves (program 9xxx)
- Equals ending fund balance, Reserves(object 6xxx) & Reserves (program 9xxx)
  - Delineate components of ending fund balance and ensure compliance with TABOR for CDE-18 reporting

- If the ending fund balance is *less than* the beginning fund balance: a Use of a Portion of Beginning Fund Balance Resolution is required

School District Alternatives

Description	Alternative I	Alternative II	Alternative III
Beginning fund balance	$ 33,024,540	$ 33,024,540	$ 33,024,540
Plus Revenues	212,367,451	212,367,451	212,367,451
Transfers/Allocations in (out)	3,897,922	3,897,922	3,897,922
Less Expenditures	228,926,734	228,926,734	228,926,734
Less Appropriated reserves (0840)	20,363,179	4,000,000	0
Equals Ending fund balance (6xxx)	$ 0	$ 16,363,179	$ 20,363,179
Appropriation	$ 249,289,913	$ 232,926,734	$ 228,926,734
TABOR and other restricted	*Notes*	5,110,321	5,110,321
Committed	*Notes*	1,826,000	1,826,000
Assigned	*Notes*	3,066,560	3,066,560
Unassigned	*Notes*	6,360,298	10,360,298
Total ending fund balance budget		$ 16,363,179	$ 20,363,179
Requires use of a portion of beginning fund balance resolution			

Discussion

and

Questions