

School Finance Update

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- February 1, 2018

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
 - 7.20%
 - 7.96% from 2003 to 2017 and 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%

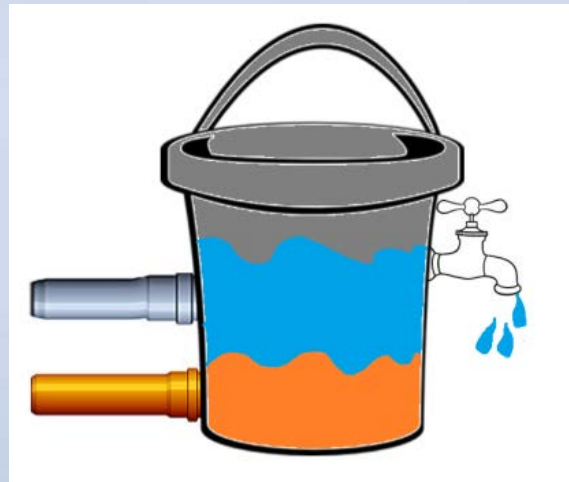
TABOR Amendment - 1992

- Sets limits on the amounts of revenues that can be collected and retained by state and local governments including schools districts
- When revenues exceed the limit, refunds must be given
- 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)
- State portion of school funding continued to increase causing more 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 the Office of State Planning and Budgeting

Income and
Sales taxes

Fees



TABOR Limit

TABOR Refund

Amendment 23 - 2000

- Requires base per pupil funding to increase by inflation each year in addition to categorical funding
 - Categorical program 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

Total District Revenues and Expenditures – FY 2016-17

Total Revenue: \$10.2 Billion

Local: 43.7%

State: 50.6%

Federal: 5.7%

Most revenue to districts are provided through the School Finance Act of 1994: \$6.3 Billion or 61.8%

Total Expenditures: \$9.6 Billion

School Funding – Total Program

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

Local Share is now 36%

Total Program Funding Formula

= (Funded Pupil Count x Formula Per Pupil Funding*)

* Formula Adjusts for:

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

+ Funding for At-Risk + Multi-District Online + Extended High School Pupil Enrollment

Budget Stabilization Factor is applied after total program is calculated

2018 Legislative Session

November 2017	Governor Submits Budget Request for 2018-19 THIS IS ONLY A PROPOSAL!
December 2017	Joint Budget Committee Hearings with Department The JBC hears about the 2018-19 Budget Request from the Department and seeks additional information
January 2018	Governor Submits <i>Supplemental</i> Budget Request for 2017-18 Adjusts current year budget for actual pupil counts, AVs, etc. Governor Submits <i>Budget Amendments</i> for 2018-19 Revised estimates for next year's pupil counts, AVs, etc. based on current year actuals
Spring 2018	JBC Develops State Budget Through Figure Setting and Long Bill Passed by General Assembly – HB17-296 sets starting point
Spring 2019	School Finance Bill Introduced and Passed Adjusts the Long Bill figures

School Finance Starting Point

- 2016-17 Original Appropriation
 - Base Funding = \$6,367.90
 - Negative factor = \$830.7M
 - Average Per Pupil Funding = \$7,424.66
- 2017-18 School Finance Act
 - Base Funding = \$6,546.20 (+\$178.30)
 - Budget Stabilization Factor = \$828.3M (-\$2.4M)
 - Average Per Pupil Funding = \$7,662.18 (+\$237.52)

FY 2017-18 Supplemental Adjustments

- Decrease in actual funded pupils by 918 (0.1%)
- Decrease in actual funded at-risk pupils by 6,993 (2.3%)
- Increase in local share by \$96.9M over current appropriation due to increase in assessed values (despite reduction of residential assessment rate)
- Inflation rate of 2.8%
- Decrease Budget Stabilization Factor to \$815.4M (\$12.9M)
- Maintains current appropriation level for Total Program at \$6.635B

FY 2017-18 Supplemental Budget Request

- 2017-18 Original Appropriation
 - Base Funding = \$6,546.20
 - Negative factor = \$828.3M
 - Average Per Pupil Funding = \$7,662.18
- 2017-18 Supplemental Request
 - Base Funding = \$6,546.20
 - Negative factor = \$815.4M (-\$12.9M from approp)
 - Average Per Pupil Funding = \$7,670.31 (+\$8.13 from approp)

FY 2018-19 Budget Amendment Adjustments

- Decrease in estimated funded pupils by 1,141 (0.13%)
- Decrease in estimated funded at-risk pupils by 7,466 (2.46%)
- Increase in local share by \$31.9M over Nov 1 request
- Inflation rate of 3.0%
- Decrease Budget Stabilization Factor to \$728.3M (\$30M over Nov 1 or \$100M over original FY17-18 approp)
- Distribute \$30M to rural school districts
- Total Program estimate is \$7.002B

FY 2018-19 Budget Amendment Request

- 2018-19 Governor's Budget Request
 - Base Funding = \$6,742.59
 - Negative factor = \$758.3M
 - Average Per Pupil Funding = \$8,005.56
- 2018-19 Budget Amendment Request
 - Base Funding = \$6,742.59
 - Negative factor = \$728.3M (-\$30M from Nov 1)
 - Average Per Pupil Funding = \$8,042.94 (+\$37.38 from Nov 1)
 - Rural School Funding = \$30M (+\$30M from Nov 1)

FY 2018-19 Categorical Program Request

- Total of \$8.9M to reflect 3.0% inflation increase
- \$6.8M allocated based upon gap in funding for:
 - SPED (\$3.9M)
 - Transportation (\$1.2M)
 - ELPA (\$1.1M)
 - CTE (\$435K)
 - GT (\$147K)
- \$2M allocated to Expelled and At-Risk Student Services Grant Program
- \$126K to Comprehensive Health Education

Other FY 2018-19 Budget Requests

- Information Management Systems request for \$2.8M for staffing and IT infrastructure upgrades
- SBE transcription request for \$140K
- Governor request for \$1.0M for Career Development Success Pilot Program
 - Additional incentive funding for participation in qualified workforce programs
- Governor request for \$8M in one-time funding from MTCF Rural Teach Recruitment and Grow Your Own Program
 - \$7.5M to rural school districts to create grow your own educator prep programs and initiate incentives
 - \$500K to create teacher marketing and awareness campaign

Financial Transparency Update

Effective June 29 version 2 of the website will feature:

- Multi-year comparisons of data (FY16-17 and FY15-16)
- A breakdown of property taxes in the local revenues section of the website
- A calculation of overall unallocated districtwide per student spending (for improved comparability and for ESSA per pupil expenditure reporting)
- Selective rich text copy/paste functionality for narratives
- In-line support content within the Data Approval Tool

2018 CASE Winter Leadership Conference, *Excellence by Association*

ESSA requires:

the per-pupil expenditures (PPE) of Federal, State, and local funds, including actual personnel expenditures and actual non-personnel 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 27, 2017

Reporting is effective for FY2017-18, may be delayed until FY2018-19

If reporting is delayed, the FY2017-18 report card must include a description of steps taken to ensure reporting of per-pupil expenditures for FY2018-19



Responsibilities for 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

Continuous Process Improvement Efforts

- Office of Capital Construction
 - Facility Insight Inspectors
- Office of Grants Fiscal Management
 - Lean Process Review
- Office of School Finance
 - Survey to Provide Data File for Financial Transparency Website
 - School Audit Process Changes/Resource Guide Advisory Committee
 - At-Risk Carry Over Waivers
- Office of School Transportation
 - Incorporation of Charter Schools in STAR Reviews
- Office of School Nutrition
 - Refine Administrative Review Processes

Request for Feedback