



COLORADO
Department of Education

School Finance Overview

July 2017

Constitutional Constraints

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

- 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

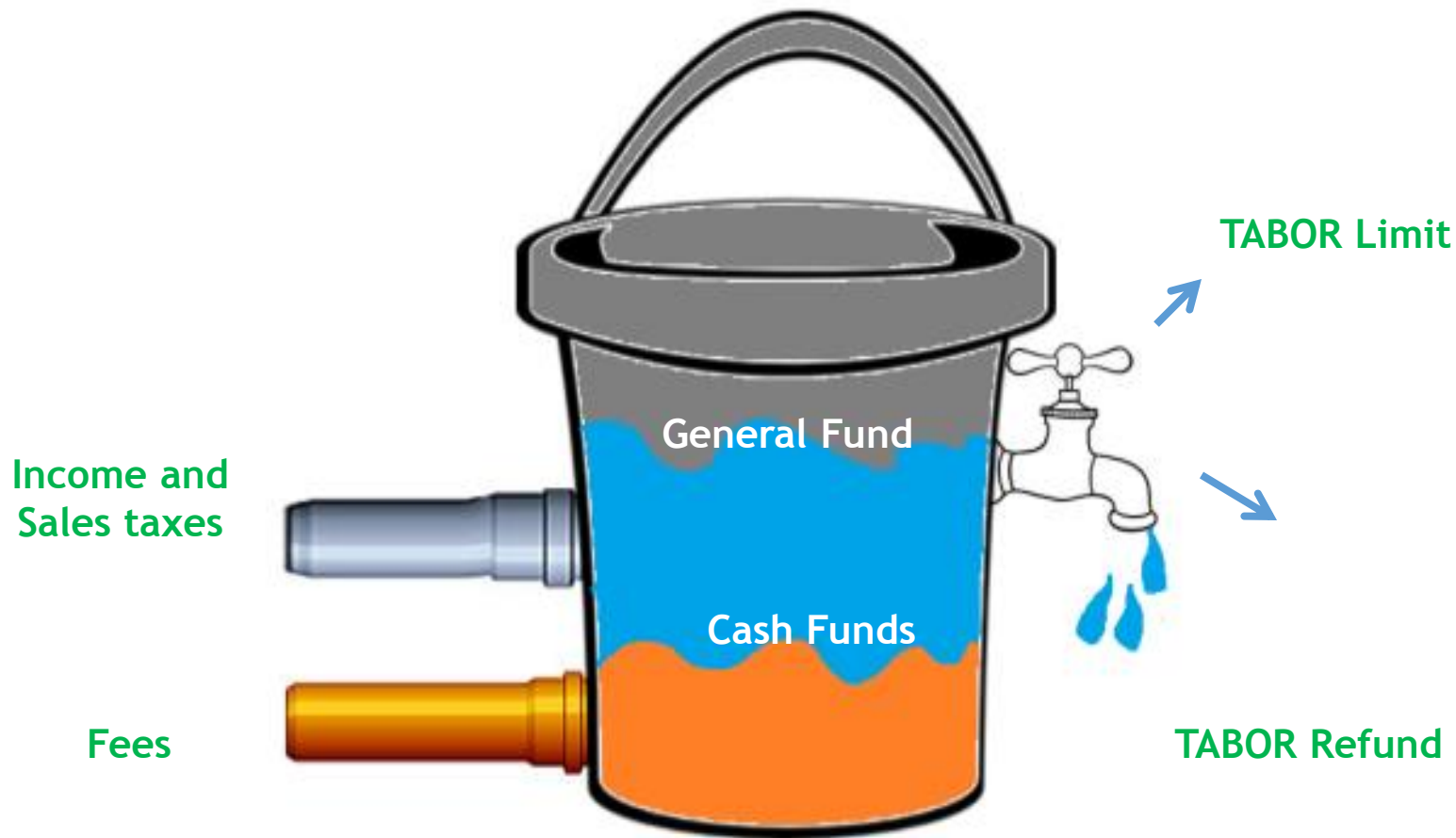
- Between 1994 and 2006, school district mill levies were decreasing since assessed values were increasing at a rate greater than what TABOR allowed - inflation plus student growth
- This continued to cause the state portion of school funding to increase putting even greater pressure on the state budget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

Total Program Funding Formula

Total Program Funding

Equals (funded pupil count

times formula per pupil funding*)

plus at-risk funding

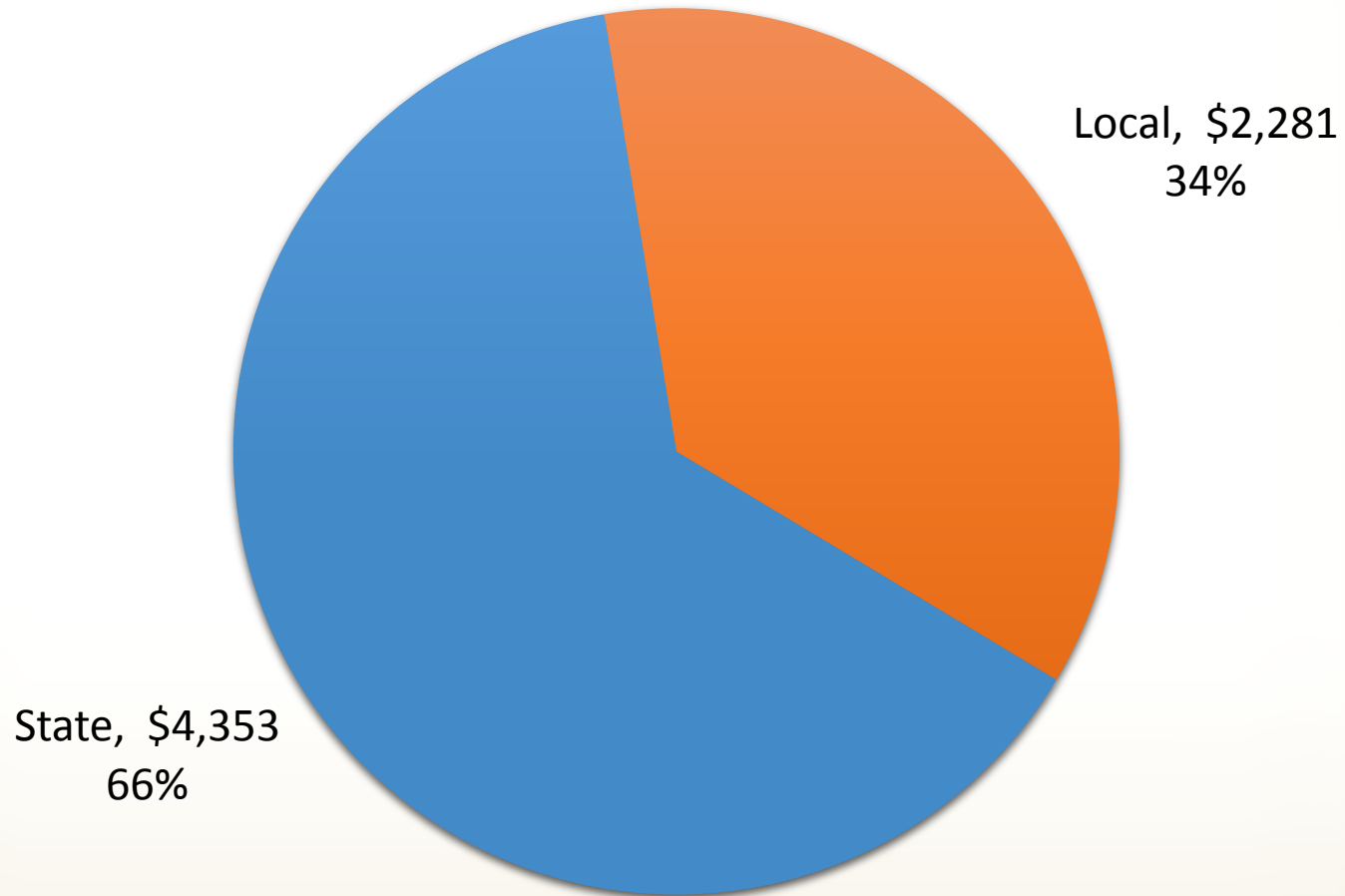
plus online & ASCENT funding

* Formula adjusts for:

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

Budget Stabilization Factor is applied after total program is calculated

2017-18
Total Program Funding - School Finance Act
\$6.634 Billion



in millions



Local Share Funding Sources

- Local Funding
 - Property Taxes - mill levies
 - Specific Ownership Taxes - vehicle registration fees
- This funding provides approximately 34% of total program funding statewide
- The percentage split in specific districts varies

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 School Finance Act
 - Base Funding - \$6,546.20 (+\$178.30)
 - Budget stabilization factor - \$828.3M (-\$2.4M)
 - Average Per Pupil Funding - \$7,662.22 (+\$237.56)

Analysis of Full Negative Factor

- 2017-18 School Finance Act
 - Base Funding - \$6,546.20 (+\$178.30)
 - Negative stabilization factor - \$828.3M (-\$2.4M)
 - Average Per Pupil Funding - \$7,662.22 (+\$237.56)
- 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

Categorical Program Revenues

- Categorical Programs:
 - 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.

- State Grants
- Federal Grants
- Mill Levy Overrides Revenues
- Other Local Revenues

Total District Revenues and Expenditures

FY16-17 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%

FY16-17 Total Expenditures: \$9.6 Billion

Discussion *and* Questions