



COLORADO

Department of Education

CASE

School Finance Update

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

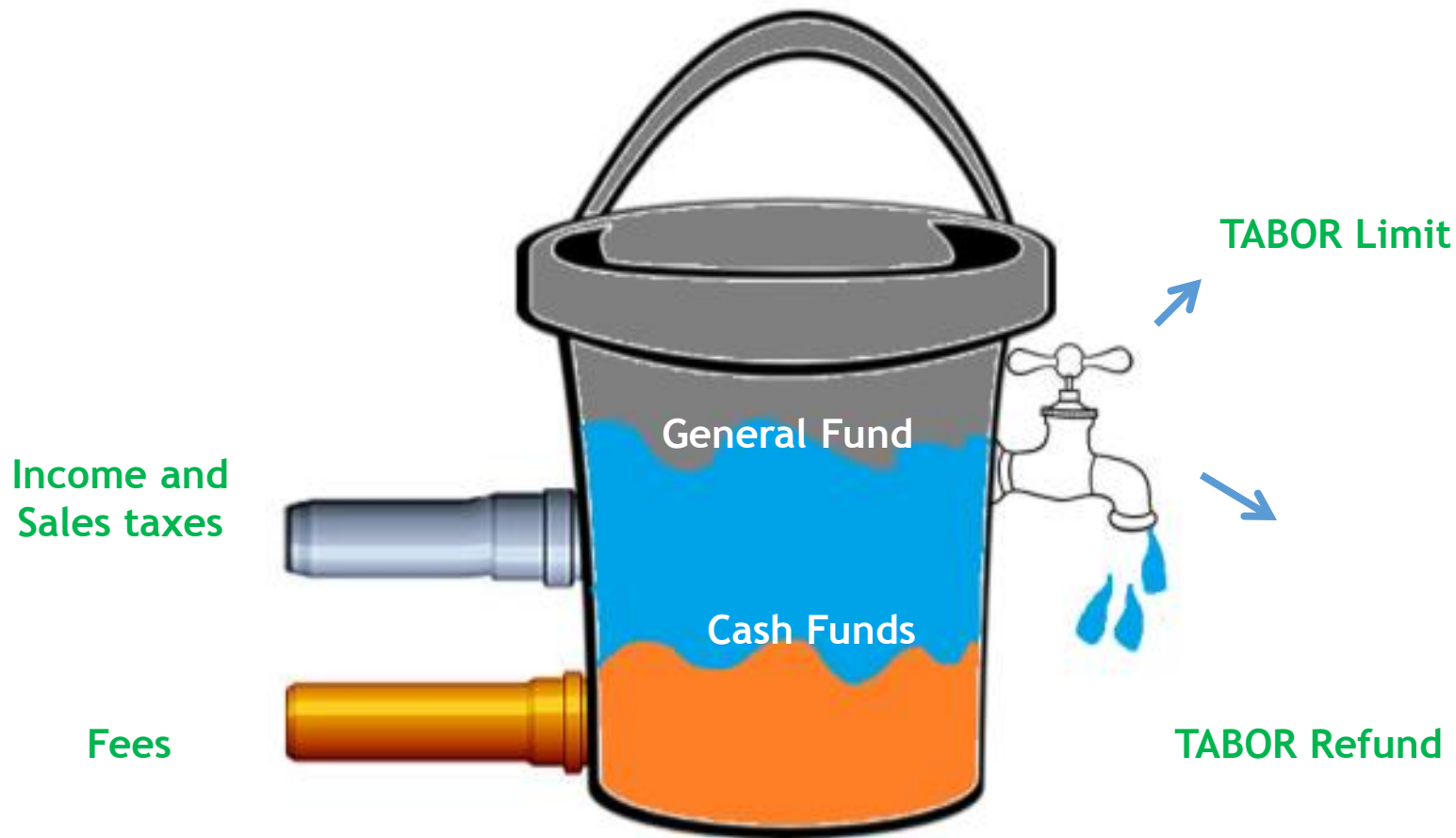
- Between 1994 and 2006, school district mill levies were decreasing since assessed values were increasing at a rate greater than what TABOR allowed - inflation plus student growth
- This continued to cause the state portion of school funding to increase putting even greater pressure on the state budget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

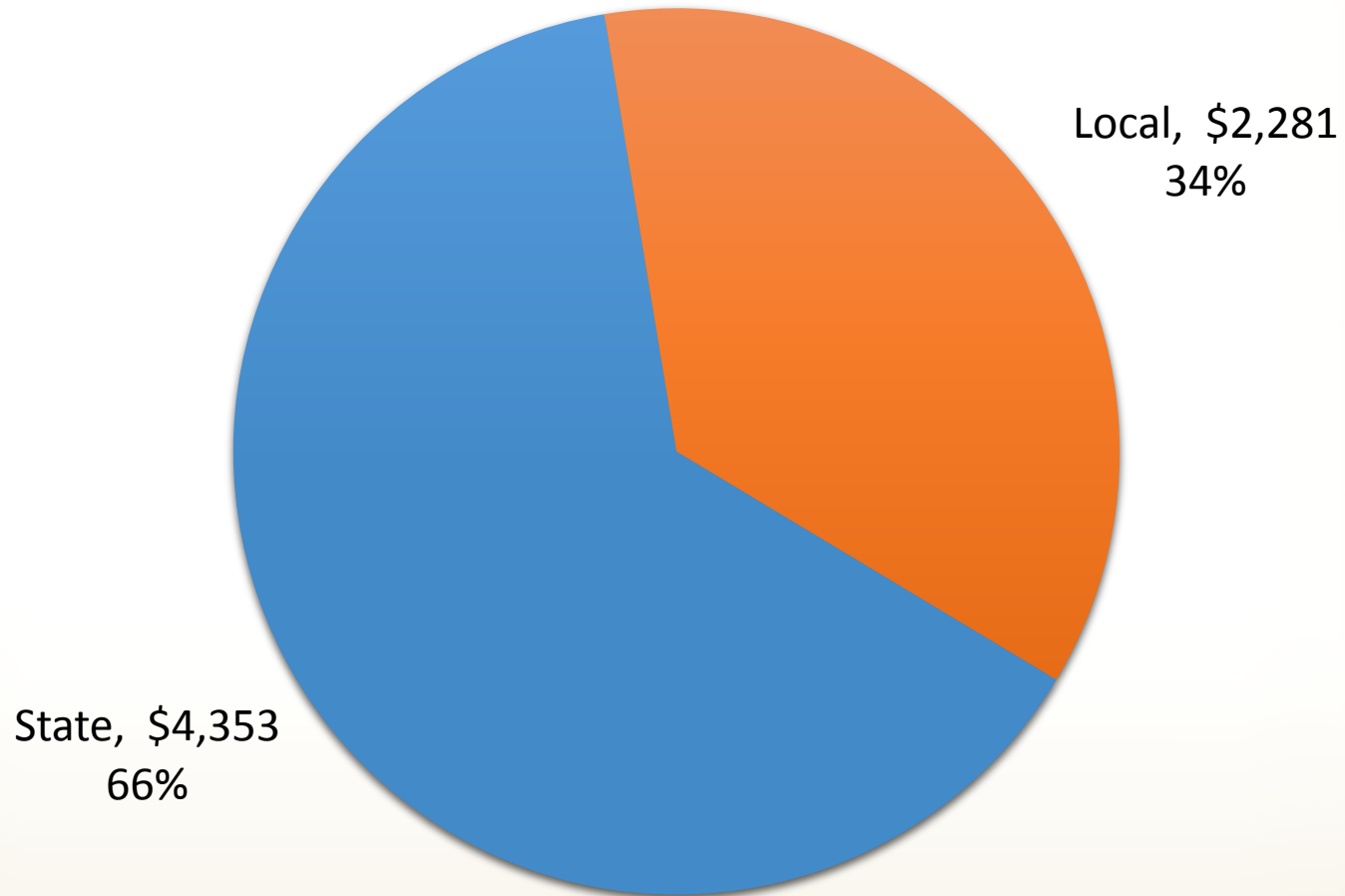
plus online & ASCENT funding

* 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

- 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.

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

Financial Transparency for Colorado Schools

<https://coloradok12financialtransparency.com>



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 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 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

Discussion *and* Questions