



COLORADO
Department of Education

CASE

School Finance Update

July 2018

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 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

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



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

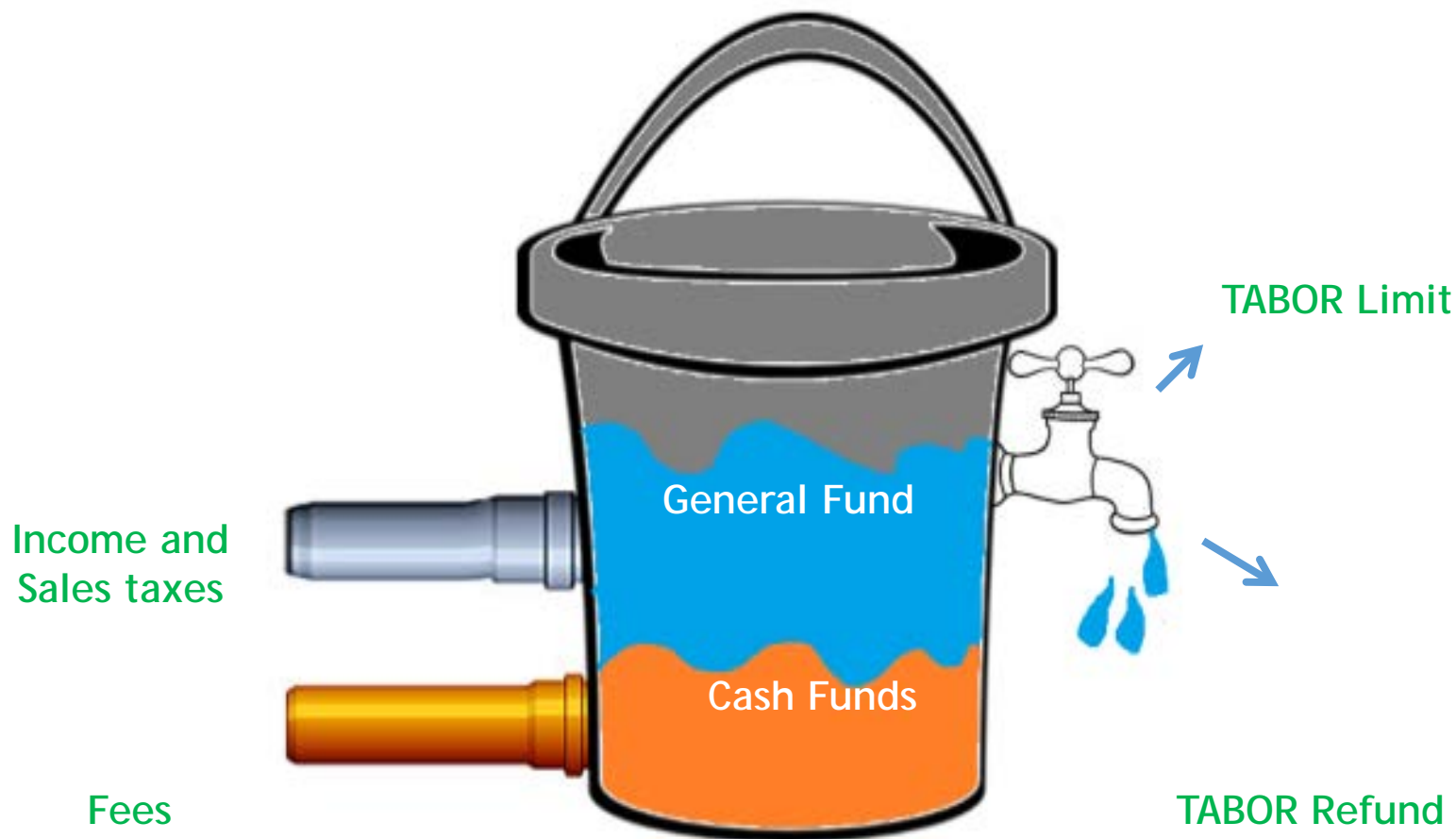
Senate Bill 07-199 froze mill levies for districts at the 2006-07 levels

- Total program mill levies cannot go higher than 27 mills – some districts may have levies lower than this



A TABOR Simile

From Office of State Planning & Budgeting



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

Total Program Funding



Timeline

- 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 and Beyond: Audit

Total Program Funding Formula

Total Program Funding

Equals (funded pupil count
times per pupil funding formula)
plus at-risk funding
plus online & ASCENT funding

Budget Stabilization Factor is applied after total program is calculated



Factors that adjust base per pupil funding

Per Pupil Funding Formula adjusts 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.

Local Share Funding Sources

Local Funding -36%

- Property Taxes – mill levies
- Specific Ownership Taxes – vehicle registration fees

State Share - 64%

- Funding from the state provided to each school district whose Local Share is insufficient to fully fund its Total Program
- The percentage split in specific districts varies

- **HB18-1379 School Finance for FY2018-19**

- Increase in estimated funded pupils by 5,624.2 from FY17-18 pupil counts
- Increase in local share of \$35.3M from FY17-18
- Inflation rate of 3.4%
- Decrease Budget Stabilization Factor to \$672.4M - 8.68% (\$155.9M from FY17-18 appropriation)
- Statewide Average Per Pupil Funding is \$8,137 (increase of \$475 from FY17-18)
- Total Program is \$7.08B

School Finance Historical Recap

2016-17

- Budget Stabilization Factor = \$828.3M
- Average Per Pupil Funding = \$7,420
- Total Program = \$6.37B

2017-18 Supplemental

- Budget Stabilization Factor = \$822.4M (-5.9M)
- Average Per Pupil Funding = \$7,662 (+\$242)
- Total Program = \$6.63B (+250M)

2018-19

- Budget Stabilization Factor = \$672.4M (-\$150M)
- Average Per Pupil Funding = \$8,131 (+\$475)
- Total Program = \$7.08B (+450M)

Large Rural and Small Rural Funding

- For FY 2018-19, the school finance bill distributes \$30 million to rural districts
- Includes CSI schools whose accounting district is a large or small rural district
- Large rural districts share 55% of the appropriation, and small rural districts share 45% of the appropriation
- Based upon district's funded pupil count for the FY 2017-18

Other Provisions in School Finance Bill

- ELPA funding allocated proportional to NEP/LEP and FEP Monitor 1 and 2 students
 - Allows for full distribution of appropriation
- 1,000 additional ECARE slots
- 500 ASCENT slots (vs. 411.5 in FY2017-18)
 - Additional ECARE and ASCENT slots are proportionally distributed for the funding projections
 - Actual slots will be allocated by CDE's program units
 - Projected distributions will be adjusted with the December/January true-up process

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.



Other Revenues

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



Per-Pupil Expenditure Reporting



Financial Transparency for Colorado Schools

- Locations:
 - <https://coloradok12financialtransparency.com>
 - CDE main website
 - Financial transparency website
- Version 2 implemented June 29th
 - Two years of financial data
 - Total Program Mills: Other Mills, Bond Redemption Mills

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.

Reporting is optional for FY2017-18 data and required for FY2018-19



Small Rural School District Update

- Feds are moving in a direction of requiring all districts to tie expenditures to their unique schools
 - This includes small rural districts in Colorado
 - Beginning with FY18-19 Financial Data
 - CDE will continue to try and minimize the impact to small rural school districts
 - Analysis of small rural with one school, versus multiple schools
 - How many three digit location codes being used?
 - Is there a natural/intuitive 1:1 match up between location code and unique school code?
 - CDE outreach - summer 2018

Other Updates



- 5 year HAS
- Assess PERA benefit on gross salary for members after 7/1/19
- Direct distribution of \$225M every year
- Automatic adjustments to contribution rate, COLA, and direct distribution with blended total contribution is <98% and >120%
- 3-year COLA freeze
- COLA at 1.5 percent (2.0 percent now)
- 64 retirement age with 30 years of service/65 with 5 years
- Employee contribution increases: July 2019 – 0.75%, July 2020 – 0.75%, July 2021 – 0.5%
- Employer contribution increase: July 2019 – 0.25%

Capital Construction (BEST) Update

Awarded 319 grants in 135 districts, 409 schools, for 180,000 students

\$807 Million in Revenue:

- 70% State Land Proceeds
- 18% Marijuana Excise Tax
- 4.5% Colorado Lottery

Facility Insight Assessment - 2017-2021

- Grant applicants are prioritized for assessment
- Start from state borders to Front Range

HB18-1070 Additional Capital Construction Funding



School Transportation Update

Federal Motor Carrier Safety Administration Rules effective February 2020

- Entry Level CDL Training
 - Training Provider Registry (TPR)
 - Theory and Behind the Wheel – Includes nighttime driving
 - Self-Certification – Trainer qualifications
 - Electronic reporting/subject to audit
- Drug and Alcohol Clearinghouse
 - No change to testing procedures
 - Pre-employment and Annual Requirements
 - Electronic reporting

Potential federal legislation and/or rules related to seat belts



School Auditing Update

More Frequent Audits

- Less time spent by district and CDE staff in completion of audits
- Easier to locate supporting documentation
- Fewer audit adjustments and exceptions
- “Real time” feedback and guidance

BEST Practices - Load Documents in Real Time

- Transportation backup documents before finalizing CDE-40 in August
- Pupil and at-risk documents after finalizing in November



Findings from Administrative Reviews

- Inadequate quantities of food (breakfast & lunch)
- Food Safety – health inspections
- Free and Reduced meal benefits incorrectly approved
- Foods sold a la carte not meeting nutritional standards (cafeteria, vending machines, school stores, food fundraisers)
- Procurement Concerns

Unpaid Meal Charges

- All SFAs need to have a written policy or procedure in place to address unpaid meal charges by July 1, 2017

Discussion and Questions

