

The Conundrum of School Finance

CASB Convention-2015
Planning School Budgets for the Future:
All the Moving Parts

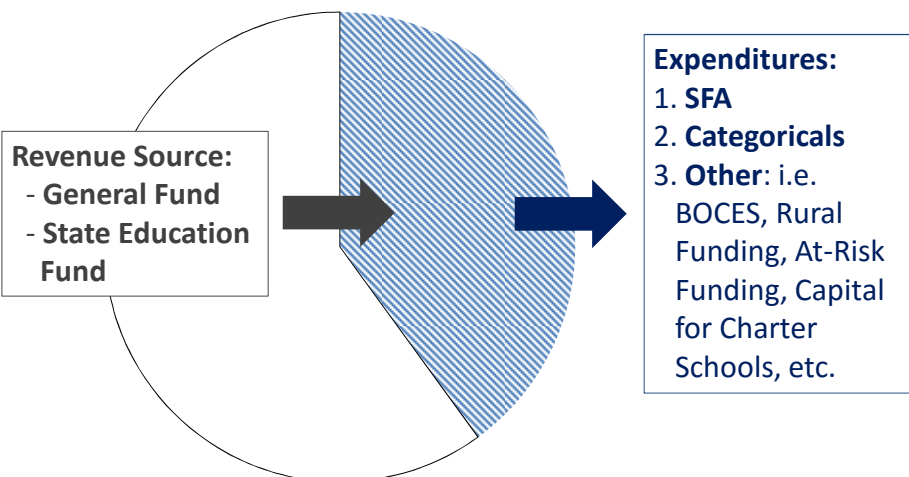
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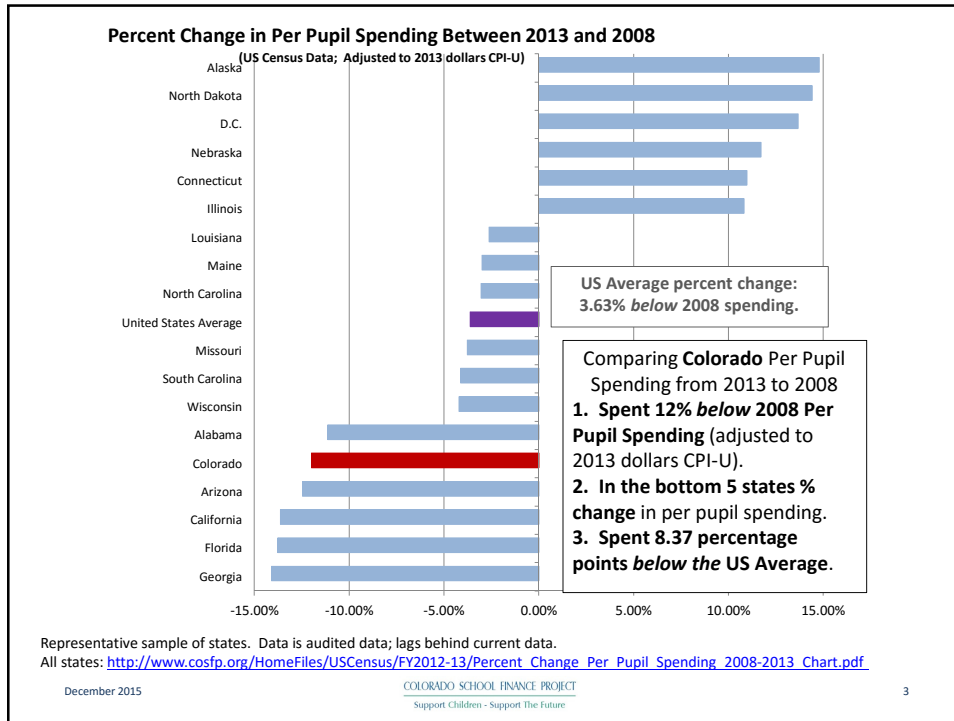
K-12 is 40% of State Budget



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Local Revenue

- 8 districts completely self-funded
 - 4 pay for categoricals via levy imposed by CDE
- Mill Levy Overrides (MLO): 2009 - 2014
 - 59 successful MLO. 56% pass rate. 51% of students

Mill levy dollar ranges from 1988 - present:

 - Range is from \$1 per pupil to over \$3,000 per pupil

Negative Factor

- Negative Factor: 2016-17: \$905M (projected)
 - 2015-16: \$855M
 - 2014-15: \$880M
 - 2013-14: \$1.004B
 - 2012-13: \$1.001B
 - 2011-12: \$774M
 - 2010-11: \$381M
 - 2009-10: \$130M
- What does this mean for school districts?
- State leaders warn increasing negative factor

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State Budget - Moving Parts

- Typical yearly adjustments - Supplemental
 - K-12 enrollment changes
 - At-Risk count
 - Inflation
 - Local Share
- Past practice
 - Mid-Year Rescissions have occurred
 - 2008-09: \$5.8M
 - State does not track Rescissions. CSFP does.

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New Pieces Impacting K-12 Funding

- One-time? –
 - Many dollars allocated out of the K-12 funding pot are not required:
 - to increase
 - to be accessible for all students
 - available if revenue and political support remain strong
- On-going? Creates state budget pressures

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228 Transfers

- Triggered: 5% growth in Personal Income 2014
- Requires General Fund transfer of \$260 million Transportation and Capitol Construction
 - Years 1 and 2: requires 2.5% transfer
 - Years 3, 4 and 5: requires 3% transfer
- Can be halved or eliminated based on TABOR refund levels.
- Anticipated to be full transfer 2015-16

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TABOR Refunds

- Required refund to taxpayers when revenues exceed Ref. C TABOR cap.
- Refunds above \$97.7M - EITC kicks in
- Refunds over \$294.6M - Income tax rate reduction kicks in.
- What it means: Increases in revenues above the cap provide no additional revenue to state.
- Temporary reduction to income tax

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State Budget Expectations

- State Ed Fund (SEF):
 - Balance is declining
 - Ending fund balance: \$100 million goal
- General Fund (GF) Contribution - If negative factor to remain constant:
 - In conjunction with growth and lower SEF funds, GF contribution needs to grow by approximately \$350 million

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Health Care Expansion

- Medicaid Expansion
 - State must pick up higher shares of cost of Medicaid expansion over the years.
 - 2015, 2016: Federal government picks up 100% of cost expansion through 2016
 - 2017: Fed picks up 95%
 - 2018: Fed picks up 94%

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De-brucing

- Many options being discussed, which would eliminate TABOR refunds forever or for a period of time. Should funds have a designated purpose or should they be up for the General Assembly to decide? Should A-23 have inflationary increase?
- This is a temporary fix – with no guarantee of what it means for K-12 funding.

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Health Care Provider Fee

- Discussions of introducing legislation again to create an enterprise from the Health Care Provider Fee. This would give about a ½ a billion dollars of room before hitting TABOR limit – unsure what means for K-12
- Thoughts are this can be done by legislature given this fee is newer than REF C established – so calculated outside of the REF C cap

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Scenario Modeling: Per Pupil Funding

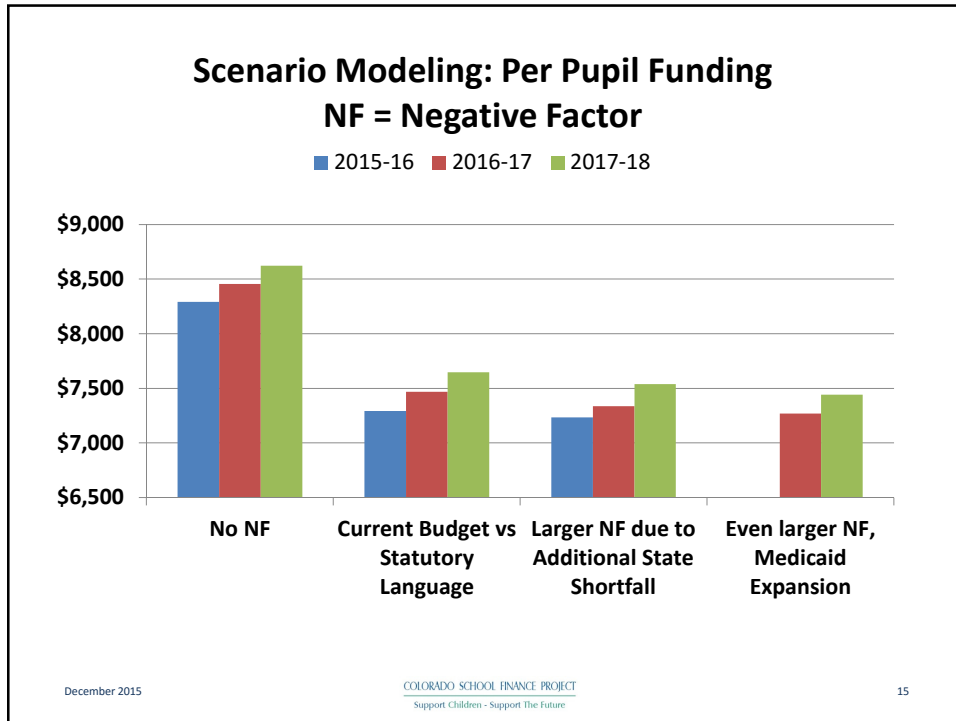
NF = Negative Factor

	No NF	Current Budget vs Statutory Language	Larger NF due to additional State Shortfall	Even larger NF, Medicaid Expansion
2015-16	\$8,294	\$7,294	\$7,236	n/a
2016-17	\$8,458	\$7,470	\$7,338	\$7,270
2017-18	\$8,625	\$7,649	\$7,541	\$7,442

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Questions & Concerns

- Today
- Later – contact me

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