

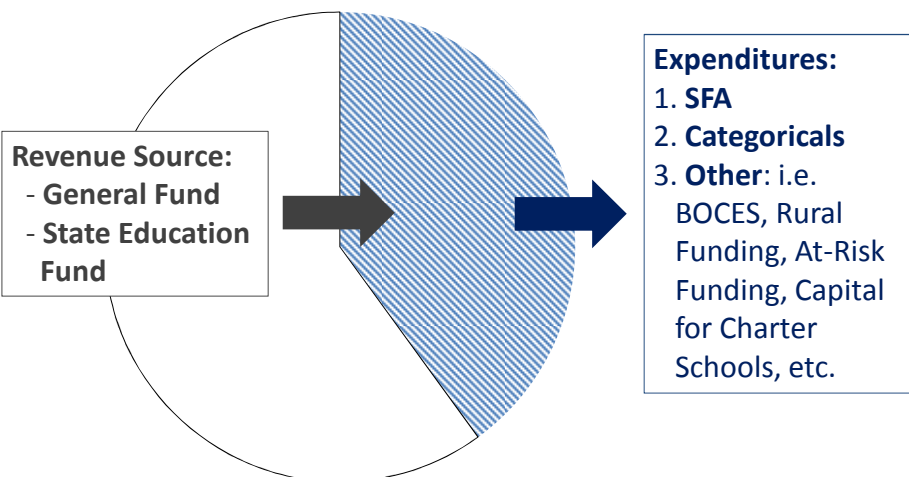
# The Conundrum of School Finance

CASBO Conference 2015

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Colorado School Finance Project

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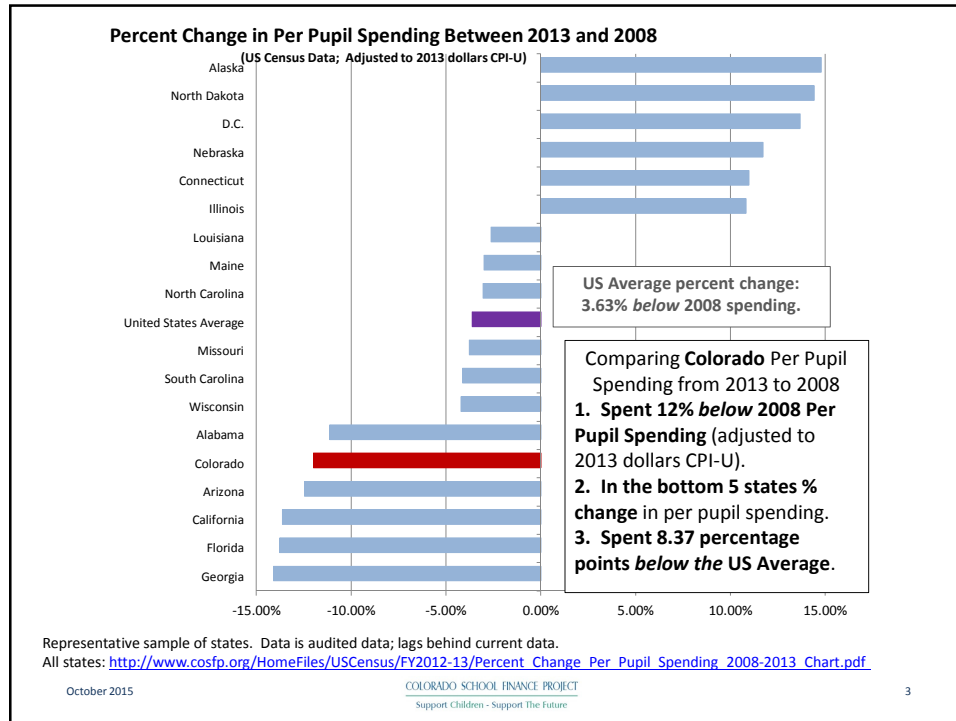
## K-12 is 40% of State Budget



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

## Negative Factor

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

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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?
- 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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## Scenarios: 2015-16 Assumptions

- **Status Quo:** Statutory NF applied = **PPR \$7,294**
- **State Shortfall**
  - Current \$220M projected shortfall reduced \$70M
  - Additional local property tax revenue
  - K-12 takes 40% cut of remaining \$150M shortfall
  - = **PPR \$7,224**
- **Additional Negative Factor**
  - K-12 same share of shortfall (40%)
  - Negative Factor increases to \$900M
  - = **PPR \$7,172**
- **If Negative Factor did not exist: PPR \$8,294**

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## Scenarios: 2016-17 Assumptions

- **Status Quo:** Statutory NF applied = **PPR \$7,505**
- **Additional Negative Factor:**
  - Negative Factor grows to \$900M
  - = **PPR: \$7,454**
- **Negative Factor & Medicaid:**
  - Growth in Negative Factor to \$950M
  - K-12 assumes 40% of the cost of the Medicaid expansion:
  - = **PPR \$7,379**
- **If Negative Factor did not exist: PPR \$8,490**

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## Scenarios: 2017-18 Assumptions

- **Status Quo:** Statutory NF applied = **PPR \$7,729**
- **Additional Negative Factor:**
  - Negative Factor grows to \$950M
  - = **PPR \$7,621**
- **Negative Factor & Medicaid:**
  - Growth in Negative Factor to \$1,000M
  - K-12 assumes 40% of the cost of the Medicaid expansion:
  - = **PPR \$7,526**
- **If Negative Factor did not exist: PPR \$8,699**

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## Questions & Concerns

- Today
- Later –  
contact me



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## Contact Information

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