



46th ANNUAL CASE
EDUCATION LEADERSHIP CONVENTION

Summit Seminar
PRESENTED BY



Making Sense of the School Finance Landscape

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Wednesday, July 29
1:45 pm – 4:45 pm
DoubleTree Hotel, Columbine A



#CASE2015 July 29-31, 2015 Breckenridge, Colorado

Goals of the Day

- **Learn / Understand**
 - **Colorado Conundrum** where **additional revenue does not mean additional available funds for the General Fund.**
 - **State's current approach to budgeting for PK-12.**
 - **Impact of various budgeting scenarios** on PK-12 funding in 2015-16, 2016-17, and 2017-18.
 - **Potential impacts on district financial planning**
- **Provide documents and materials** to use with stakeholders.

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State of the State

- Economy booming
- Unemployment very low
- Earnings increasing
- Strong housing market
- State population increasing
- Constitutional and statutory conflicts
 - TABOR, A23, Gallagher, SB228
- Implications looming for K-12?

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School Finance Act/State Budget

- State's contribution to SFA in 2000 was 43%, today is 41% (includes SEF)
- Populations and inflation continue to increase
- State moved from ability to pay to willingness to pay – a predetermined amount
- School finance calculated on statewide average
- PPR annually impacted

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School Finance/State Budget

- Annual Reductions in Per Pupil Funding
 - Rescissions: Typically made mid-year in supplemental process
 - Negative Factor: A reduction from the A-23 formula
 - CDE Overhead Rescission: Dollars taken off the top of every PPR to support CDE

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Building Excellent Schools Today (BEST)

- Legislation passed in 2008
- Statewide Facility Condition Assessment State Report FY09-10
 - **Over \$13.9B in facility need** throughout the state
 - **2018 forecast: \$17.8B**

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School Districts Trying to Cope

- **Making cuts over multiple years**
 - People
 - Programs
 - Pay
- **One-time vs permanent reduction**
- **Elections**
 - Mill Levy Overrides
 - Bonds
- **Grants**

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Districts with Voter Approved Overrides FY 2014 – part 1

- Voter Approved Overrides: \$826,485,682
- District Summary:
 - 112 Districts with MLO 62.9%
 - 66 Districts with no MLO 37.1%
 - 178 Total School Districts
- Membership Summary:
 - 889,006 Total Membership
 - 778,676 Students w/Voter Approved Overrides: 87.6%
 - 110,330 Students w/o Voter Approved Overrides: 12.4%

Data source: CDE

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Districts with Voter Approved Overrides FY 2014 – part 2

- MLO passed since Nov 1999
 - 55 MLO passed Nov 2010 - 2014
 - 112 MLO passed Nov 1999 - 2009
 - 167 Total MLO Passed
 - (If districts passed multiple elections, each election counted)
- Voter Approved Overrides
 - Range: \$34 - \$4,167
 - Mean: \$1,168.27
 - Median: \$1,044.73

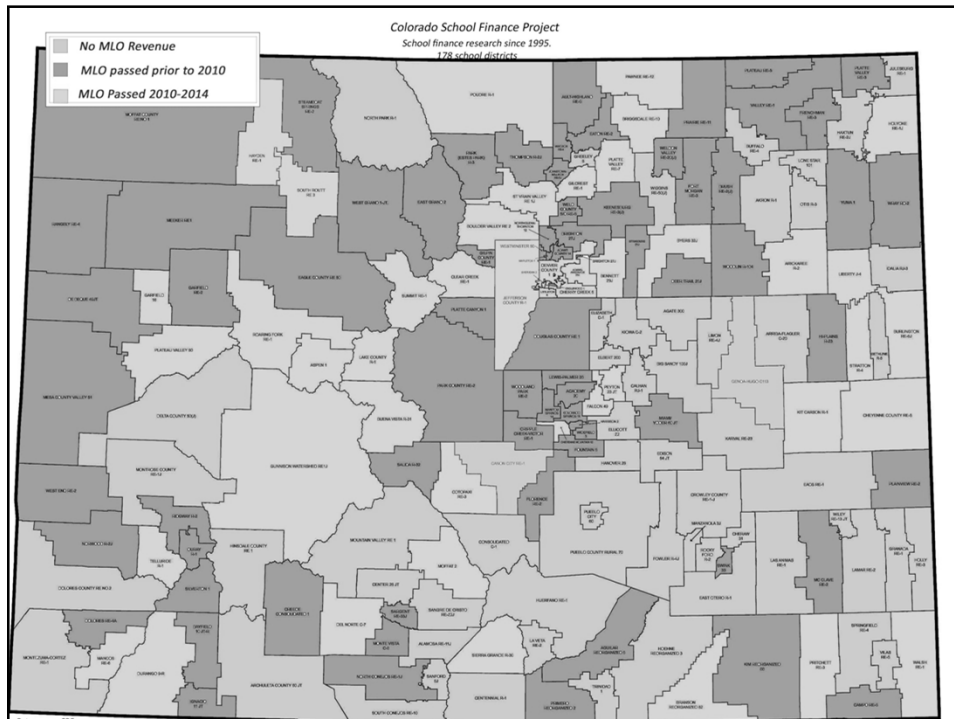
Data source: CDE

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Steady Enrollment Growth Student Count, Free & Reduced Lunch, English Learners 1994-95 - 2014-15 selected years				
	1994-95	2000-01	2003-04	2014-15
Membership	612,053	693,633	757,668	889,006
Free Lunch	141,741	143,498	180,755	369,760
% Free Lunch	23.2%	20.7%	23.9%	41.6%
Reduced Lunch	-	-	47,955	64,418
% Reduced Lunch	-	-	6.3%	7.3%
English Learners	-	-	91,751	126,840
% EL	-	-	12.1%	14.3%

(includes NEP, LEP, FEP monitor year 1 and 2)
Data source: CDE

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- ## Negative Factor – By Year
- 2016-17 & 2017-18 expected to continue
 - 2015-16 **\$855.1M** (estimated - \$25M buy down)
 - 2014-15 **\$880M** (\$100M buy down)
 - 2013-14 **\$1.004B**
 - 2012-13 **\$1.001B**
 - 2011-12 **\$774M**
 - 2010-11 **\$381M** (Negative Factor & Mid-year rescission)
- Data source: Legislative Council
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Mid-Year Rescissions – By Year

- 2010-11 **\$381M** (Negative Factor & Mid-year rescission)
- 2009-10 **\$130.0M**
- 2008-09 **\$7.5M**
- 2002-03 **\$784.0M**
- 2001-02 **\$1.7M**

Data Source: Legislative Council, CDE

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228 Transfers

- Implications:
 - Triggered by a 5% growth in personal income in 2014. Requires 2.5% of GF to go to transportation in first two years and 3% in final three years. Can be halved or eliminated based on certain TABOR refund levels.

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TABOR Refunds

- Implications:

Required refunds to taxpayers when revenues exceed Ref. C TABOR Cap. If refunds above \$97.7 million Earned Income Tax Credit (EITC) kicks in. Over \$294.6 million income tax rate reduction. Effectively means that increases in revenues above cap provide no additional revenues to state.

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Medicaid Expansion

- Implications:

State must pick up higher shares of cost of Medicaid expansion over the years. The federal government picks up 100% of the cost of expansion through 2016, 95% in 2017, and 94% in 2018 – about \$120 million per year on-going

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Rescissions

- Implications:
 - Based on projected funding for 2015-16, rescission may be necessary to balance budget according to current forecasts.
 - 5 rescissions since 2001

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Negative Factor

- Implications:
 - Statutory language exists to keep the negative factor at \$855 million going forward. Modeling assumes this figure may need to change due to budget pressures.

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State Considerations

- State Education Fund (SEF) balance is declining. Ending balance targets have been set by the state.
- If negative factor is to remain constant, then in conjunction with growth and lower SEF funds, General Fund contribution will need to grow.

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Other considerations:

- Changes to the Hospital Provider fee, a decision on Dwyer in the plaintiffs favor, or a de-Brucing effort would cause a level of change that would make current modeling moot.

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Scenarios

- Scenarios are based on conversations with multiple stakeholders around the state.
- They are meant to show the impact on the to K-12 funding due to various pressures on the state budget.

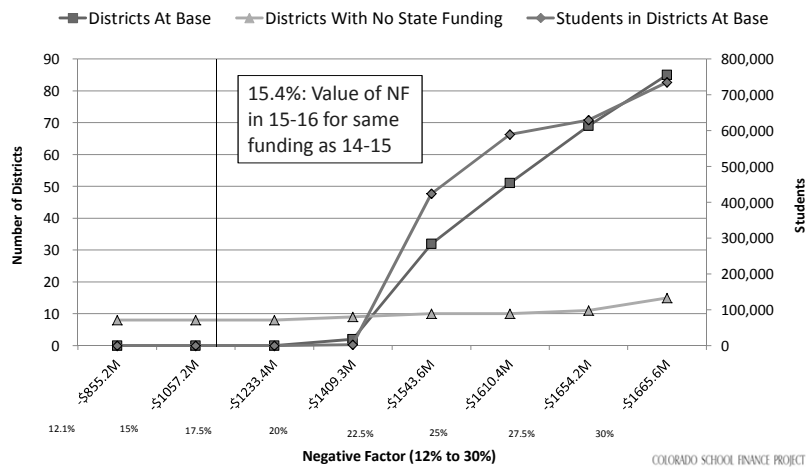
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Impact of Increase in Negative Factor Districts At Base & No State Funding Students in Districts At Base



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Questions & Concerns

- Today
- Later –
contact me



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