

The Conundrum of School Finance

CSFP – Grand Junction Planning School Budgets for the Future

April 21, 2016

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Director, CSFP Board of Directors

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Who are We?

- Colorado School Finance Project (CSFP)
 - Established in 1995
 - 2015 became a Non-Profit
 - Governed by a Board of Directors
 - Supported by contributions
 - School Boards / Districts
 - Educational organizations: CASE, DBO's, CEA, BOCES and Rural Alliance

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What We Do

- Our Mission is: *to compile, collect and distribute research-based, non-partisan information and data on topics related to school finance for state and local policy makers.*
- *We provide relevant information for school districts as research, national or state data & information becomes available.*

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How We Operate

- Monthly Advisory Meetings - open to contributing districts.
 - guest speakers
 - provide information and encourage dialogue on school finance related topics
- Discussions:
 - Current topics / concerns
 - Additional research for future discussions

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Proactive or Reactive

- **Yes**
- Provide information on what is happening in other states – broaden perspective for Colorado leaders – *Proactive*
- Provide analysis on policy – *Reactive*
- Provide updated information or trend data - *Informational*

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Provide Education

- We provide information to various groups; creating awareness on school finance and budget issues.
 - Website: cosfp.org. Twitter: @COSFP
 - Gatherings such as this
 - Conferences by CASE, CASB, BOCES, Rural Alliance and others.
- Our focus: K-12 policy and resources for an adequate and equitable system

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Today's Topics

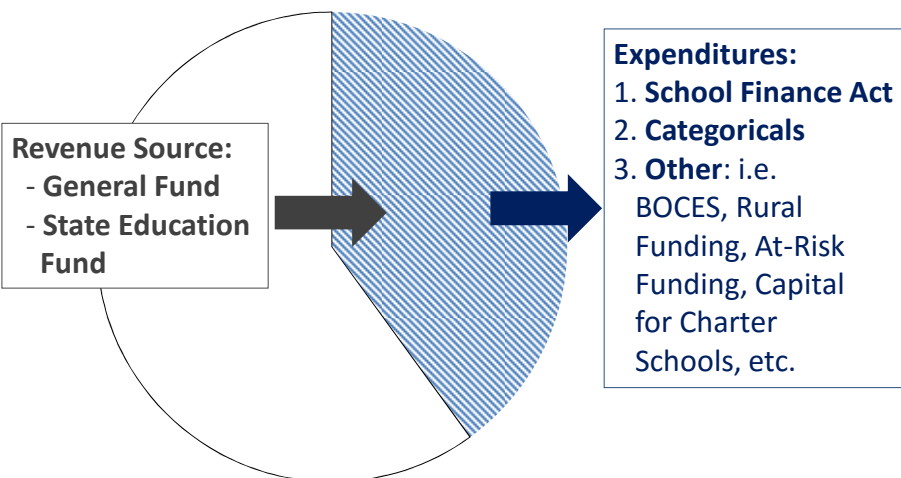
- Conundrum of school finance
- Negative factor
- State budget
- Ballot initiative - fall 2016
- Future planning
- Timing challenges – on going changes

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K-12 is 40% of State Budget



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New Pieces Impacting K-12 Funding

- One-time funding?
 - 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 funding?
 - Creates state budget pressures

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Revenue Sources

- Local Revenue – property taxes and ownership taxes.
- State taxes – general fund and Education Fund
- Federal Funds
- **Local Mill Levy Overrides**

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Mill Levies - 2 “types”

- Local Mill Levies are certified by school districts so revenue can be collected from the county for a district’s portion for the school finance formula. (Mill levies *inside* the formula) Local Share + State Share.
- School districts can ask their voters to increase local taxes by raising mill levies for district needs – general operating and capital. (Mill levies *outside* the formula: supplemental)

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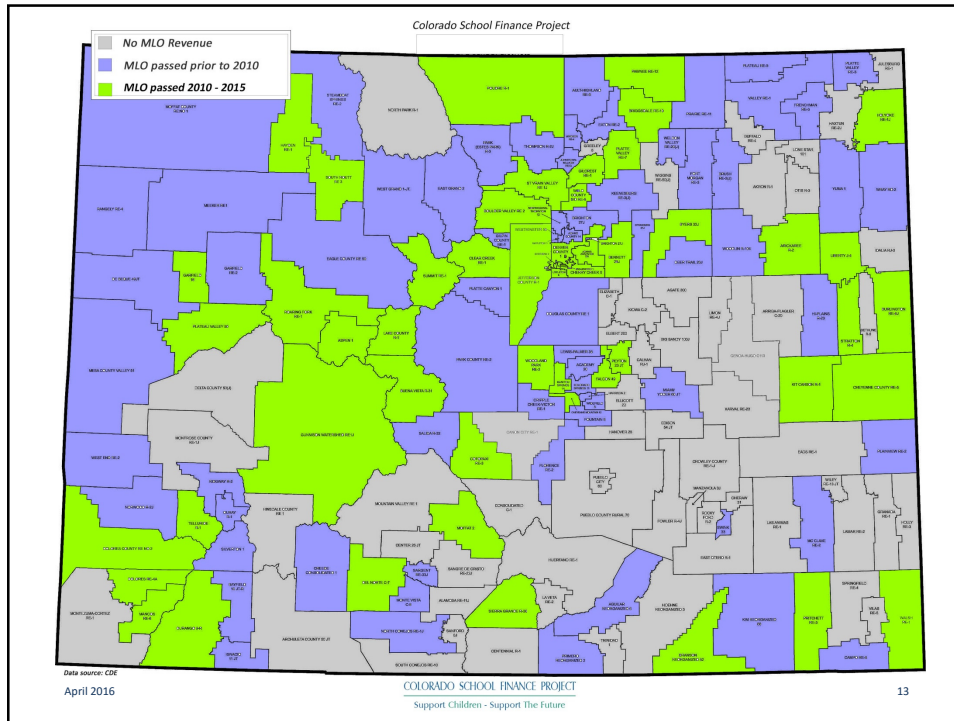
Local Revenue

- 8 districts completely self-funded
 - 4 pay for categoricals via levy imposed by CDE
 - Mill Levy Overrides (MLO): 2009 - 2015
 - 68 successful MLO. 58.8% pass rate. 51.4% of students
- Mill levy dollar ranges from 1988 - present:
- Range is from \$1 per pupil to over \$3,000 per pupil

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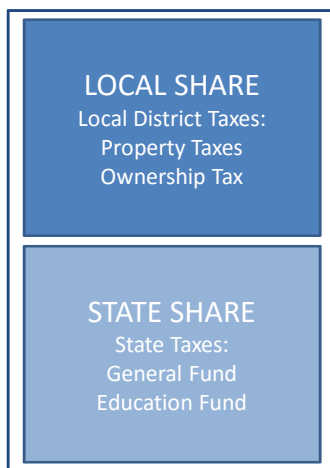
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Revenue INSIDE the School Finance Act

Local Share – District Total Program = State Share

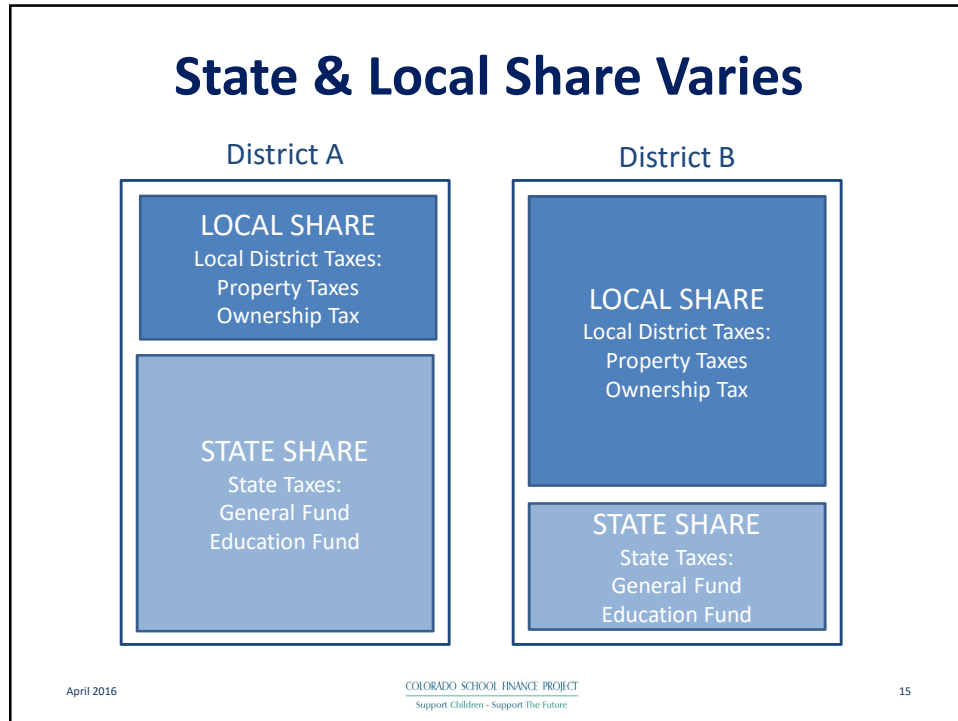


Local Share

- Property tax
- Starting point for determining state share of District Total Program
- Remains in the district

State Share

- State “backfills” to reach District Total Program.



- ## State Revenue
- K-12 has historically been about 42%-45% of the State budget – this year will be down to 37%.
 - The reduction of state funds has been a result of the negative factor.
 - Negative factor: a mechanism for the state to take dollars away from education.
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Negative Factor

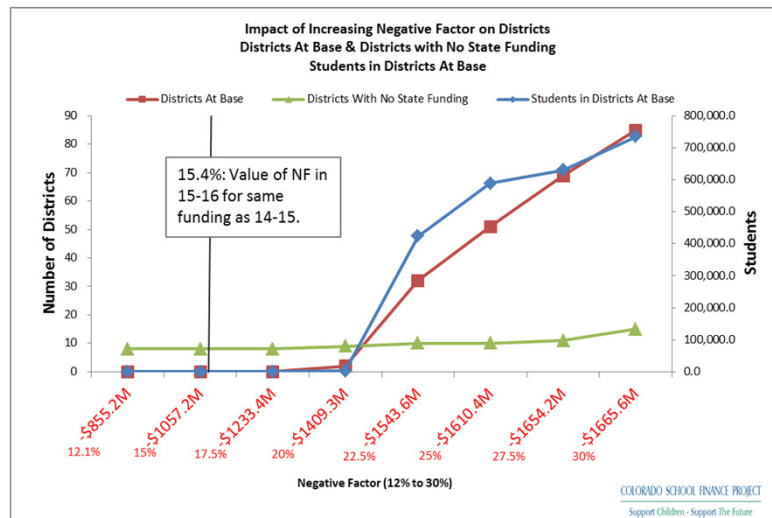
- Negative Factor: 2016-17: \$831M (projected)
 - 2015-16: \$831M
 - 2014-15: \$880M
 - 2013-14: \$1.004B
 - 2012-13: \$1.001B
 - 2011-12: \$774M
 - 2010-11: \$381M
 - 2009-10: \$130M
- What does this mean for school districts?
- State leaders warn increasing negative factor

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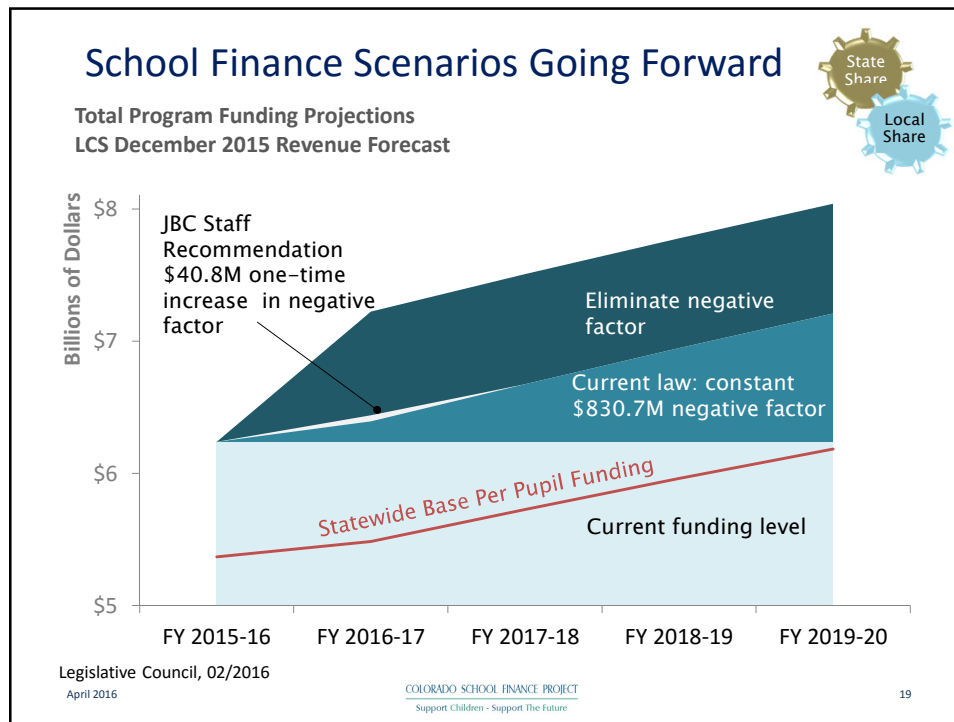
Impact of Increasing Negative Factor on Districts



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How is This Possible?

- State economy is robust
- Housing is strong
- Unemployment is low
- All the new cannabis industry revenue
- Increased valuation in residential property
- Low inflation
- Annual increase in K-12 students, but at slower rate

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Hands Tied? Or Not?

- Can retain revenue state has collected above the cap – referred or citizens measure
- Hospital Provider Fee – constitutional or not?
- Increase taxes – referred or citizens initiative
- Other ideas?

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Keep Revenue Already Collected

- Many options being discussed
 - Eliminate refunds forever or for a period of time?
 - Should funds have a designated purpose or should the General Assembly decide?
- 3 initiatives currently at the Title Board
- This is a first step in fixing the conundrum of school finance.

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Health Care Provider Fee

- Discussions: Introduce legislation again to create an enterprise from the Health Care Provider Fee.
 - Would be about ½ a billion dollars of room before hitting the revenue cap – unsure what this does 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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Urgency

- Colorado cannot:
 - Grow our way out of the problem
 - Solve the problem by mill levy overrides – not all districts have that option
 - Benefit from a growing economy with the current revenue constraints
 - Depend on the Federal government to bail out Colorado
- Time makes the problem worse – not better.

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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 more students & lower SEF funds, GF contribution needs to grow by approximately \$350 million annually

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Results of Lack of Revenue

- No full day kindergarten
- Less programs available at all levels
 - Music, arts, technology, foreign languages, higher level classes, AP opportunities, Vocational Ed classes, etc.
- Less small classroom instruction for students trying to catch up and keep up.

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Results of Lack of Revenue (cont.)

- Difficult to find educators & district leaders
- Difficult to find bus drivers, maintenance personnel, specialists or interventionist
- Maintenance of facilities – falling farther behind
- Colorado isn't staying competitive when compared to other states and countries.

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What's in the Future?

- 2016 local and statewide elections
- ESSA –Every Student Succeeds Act
- Equity – Adequacy Gap
- State and National data/trend analysis
- Resources needed for students to meet the state and federal accountability requirements

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Questions & Concerns

- Today
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