

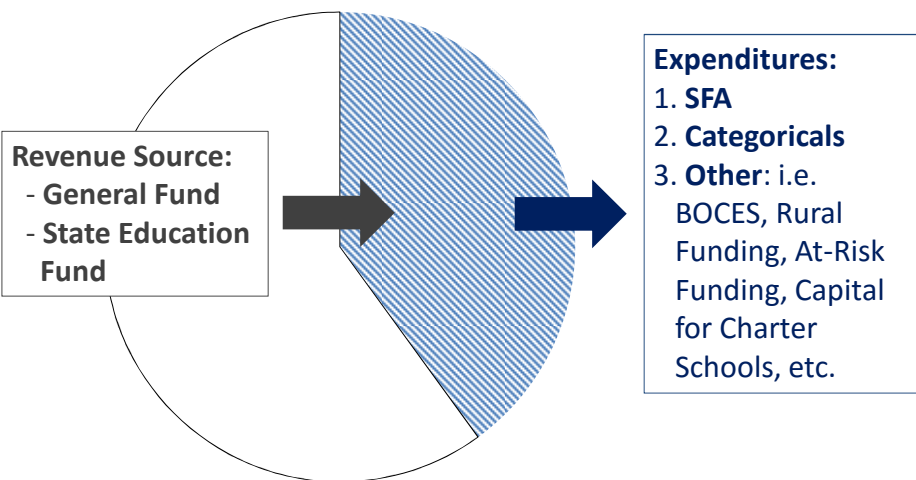
# The Conundrum of School Finance

Great Futures Action Summit  
March 4, 2016

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Colorado School Finance Project

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## K-12 is 40% of State Budget



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## Revenue Sources

1. Local Revenue – property taxes and ownership taxes.
2. State taxes – general fund and Education Fund
3. Federal Funds
4. 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)

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## Revenue INSIDE the School Finance Act

Local Share – District Total Program = State Share

**LOCAL SHARE**

Local District Taxes:  
Property Taxes  
Ownership Tax

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**STATE SHARE**

State Taxes:  
General Fund  
Education Fund

**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.

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## State & Local Share Varies

District A

**LOCAL SHARE**

Local District Taxes:  
Property Taxes  
Ownership Tax

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**STATE SHARE**

State Taxes:  
General Fund  
Education Fund

District B

**LOCAL SHARE**

Local District Taxes:  
Property Taxes  
Ownership Tax

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**STATE SHARE**

State Taxes:  
General Fund  
Education Fund

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## **Local Revenue: OUTSIDE the School Finance Act**

- Local School Board, via election, asks voters to increase local taxes by raising mill levies for district needs.
- Money remains under district control.
- General Operating (Mill Levy Override), Capital (Bond)

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## **Local Override Revenues - Historical**

- Provide additional revenue for school districts to implement local initiatives
- Not to support state expectations
- Concerns arise regarding equity

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## **Local Revenue OUTSIDE the School Finance Act**

- Varies greatly between districts
- Local Mill Levy Override – some districts have many, some 1, some none
- Capital (Bond) – some districts have many, some 1, some none
- Other types: Transportation, Full-day Kindergarten, Technology (2-year)
- \$ amount varies widely between districts

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## **Self-Funded Districts**

- 8 districts completely self-funded
  - Four pay for categoricals via a levy imposed by CDE

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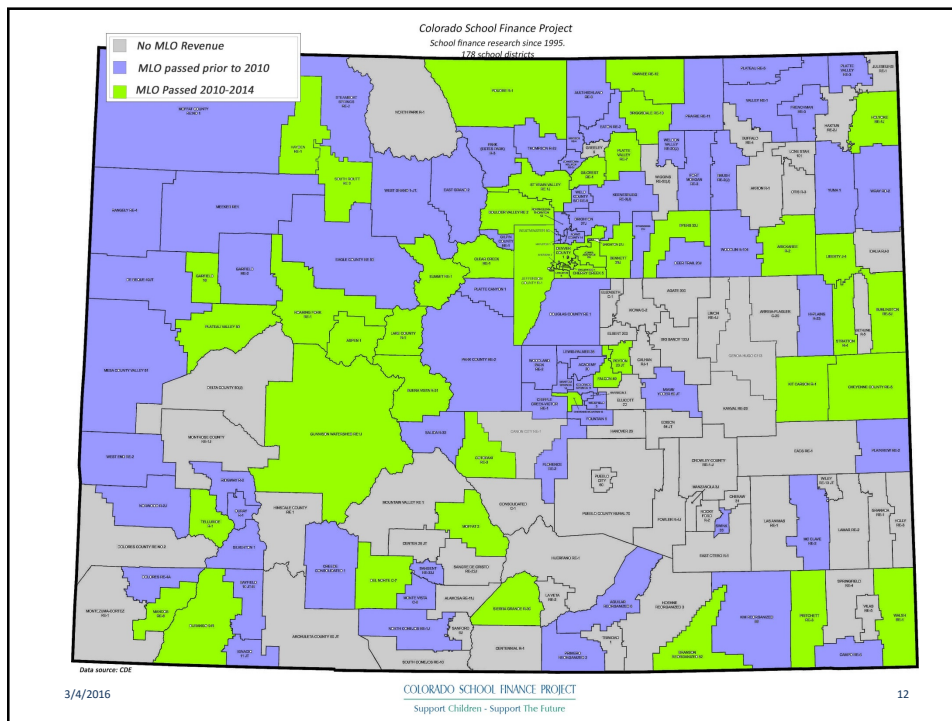
## Local Revenue – Mill Levy Override (MLO)

- 91% of students in district with MLO
- 76 districts no MLO
- Mill Levy Overrides between 2010 - 2015
  - 62 successful MLO. 59% pass rate.
- Mill levy dollar ranges from 1988 - present:
  - \$1 per pupil to over \$3,000 per pupil

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## 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. This has been a mechanism for the state to take dollars away from education.

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## Negative Factor

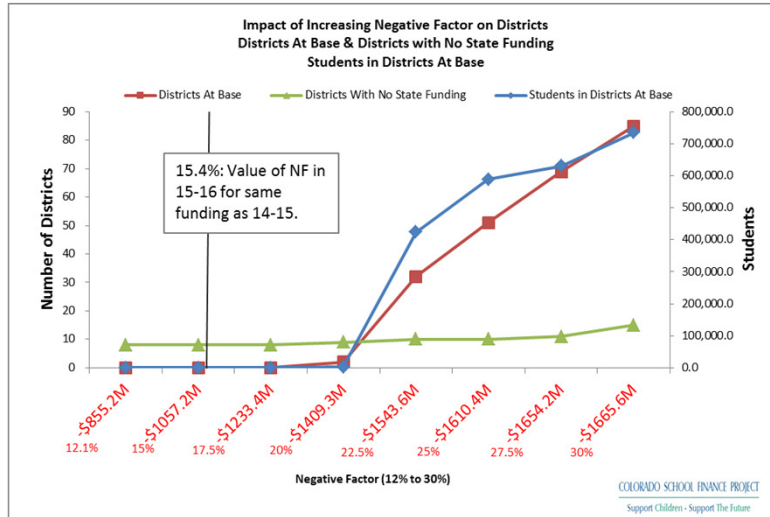
- Negative Factor: 2016-17 ?
  - 2015-16: \$831M
  - 2014-15: \$880M
  - 2013-14: \$1.004B
  - 2012-13: \$1.001B
  - 2011-12: \$774M
  - 2010-11: \$381M
  - 2009-10: \$130M
- What does this mean for school districts?
- State leaders warn increasing negative factor

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## Impact of Increasing Negative Factor on Districts



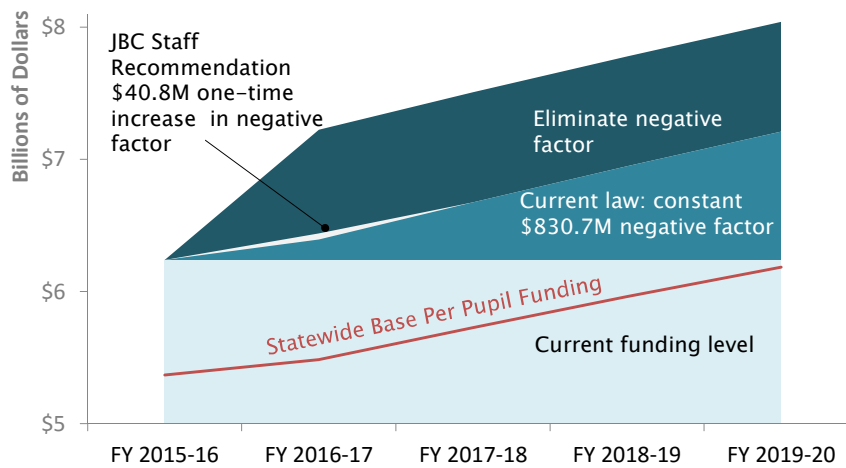
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## School Finance Scenarios Going Forward

Total Program Funding Projections  
LCS December 2015 Revenue Forecast



Legislative Council, 02/2016  
3/4/2016

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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
- Less student growth

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## Colorado Conundrum

- 1982: Gallagher
- 1992: Article 10 Section 20 – Taxpayer Bill of Rights
- 2000: Amendment 23
- 2008: Mill Levy Freeze

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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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## Urgency

- Colorado can not:
  - grow our way out of the problem
  - solve the problem by mill levy overrides – as 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 does not make the problem better – only worse

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## Questions & Concerns

- Today
- Later – contact me



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