

CASE Conference School Finance Update

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Public School Finance Division

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COLORADO
DEPARTMENT of EDUCATION **cde**

Together We Can

Vision

All students in Colorado will become educated and productive citizens capable of succeeding in a globally competitive workforce.

Mission

The mission of CDE is to shape, support, and safeguard a statewide education system that prepares all students for success in a globally competitive world.

2

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Goals



3

Successful students

Prepare students to thrive in their education and in a globally competitive workforce.

- Ensure every student is on track to graduate postsecondary and workforce ready.
- Increase achievement for all students and close achievement gaps.
- Ensure students graduate ready for success in postsecondary education and the workforce.
- Increase national and international competitiveness for all students.

Great teachers and leaders

Ensure effective educators for every student and effective leaders for every school and district.

- Increase and support the effectiveness of all educators.
- Optimize the preparation, retention, and effectiveness of new educators.
- Eliminate the educator equity gap.

Outstanding schools and districts

Build the capacity of schools and districts to meet the needs of Colorado students and their families.

- Increase school and district performance.
- Turnaround the state's lowest performing districts and schools.
- Foster innovation and expand access to a rich array of high quality school choices for students.

Best education system in the nation

Build the best education system in the nation.

- Lead the nation in policy, innovation, and positive outcomes for students.
- Operate with excellence, efficiency, and effectiveness to become the best SEA in the nation.
- Attract and retain outstanding talent to CDE.

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Expanding Student Learning



4

When we intentionally integrate...

- Coherent and rigorous academic standards
- Innovative and engaging learning options
- Supported and effective educators
- Aligned and meaningful assessments
- Statewide and district accountability

*We can personalize learning
and ignite the potential of
every student.*

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Agenda

- Fiscal Health, Accreditation, Transparency & Other Items
- 2013 Legislative Session & Funding Levels
- Looking ahead – 2014-15
- SB13-213 – Future School Finance Act

Fiscal Health, Accreditation, Transparency

FY2012 Fiscal Health Analysis

- Produced by the Office of the State Auditor
 - Presented to Legislative Audit Committee - July 15
- 48 Districts – one or more warning indicators
 - Up from 19 in 2011
- Of the increase in districts with two or more indicators, related to expenditures over revenues and spending down of fund balance
- Districts with two or more indicators are required to respond to the OSA and it is incorporated into report

FY2012-13 Accreditation Report Revisions

- Section deleted on reporting Division of Wildlife Impact Assistant grant funds
- Added question regarding the usage of the Uniform Budget Summary Sheet
 - Did the adopted budget for the ensuing fiscal year include a uniform budget summary sheet for each fund administered by the district as required in CRS 22-44-105(1)(d.5)(I-V)?
 - <http://www.cde.state.co.us/cdefinance/FinancialReportingFY2012-13.htm>
 - <http://www.cde.state.co.us/cdefinance/FinancialReportingFY2013-14.htm>

Transparency Required Documents on Web

- Annual Budgets
 - District Budget Document
 - Uniform Budget Summary Sheet
- Financial Audit
- Quarterly Financial Statements
- Salary Schedules or Policies
- Accounts Payable Check Registers
- Credit, Debit and Purchase Card Statements
- Investment Performance Reports

Compliance Timeline

- Update information within 60 days
 - Completion of report, statements, applicable information
 - For example
 - Budget Posted by August 30 if adopted June 30
- Not required to post
 - personal information relating to payroll
 - other information that is confidential or protected from public disclosure pursuant to state or federal law
 - Examples: HIPPA; IDEA; Homeless

Alternative School Finance Models

- Pilot program authorized by HB10-1183 to encourage school districts and charter schools to collect data that will be used to compare the effects of alternative school finance funding models with those of the current funding method.
- Districts/charter schools apply to participate – applications available in August
- Additional information and the application may be accessed on the CDE website:

http://www.cde.state.co.us/index_finance.htm

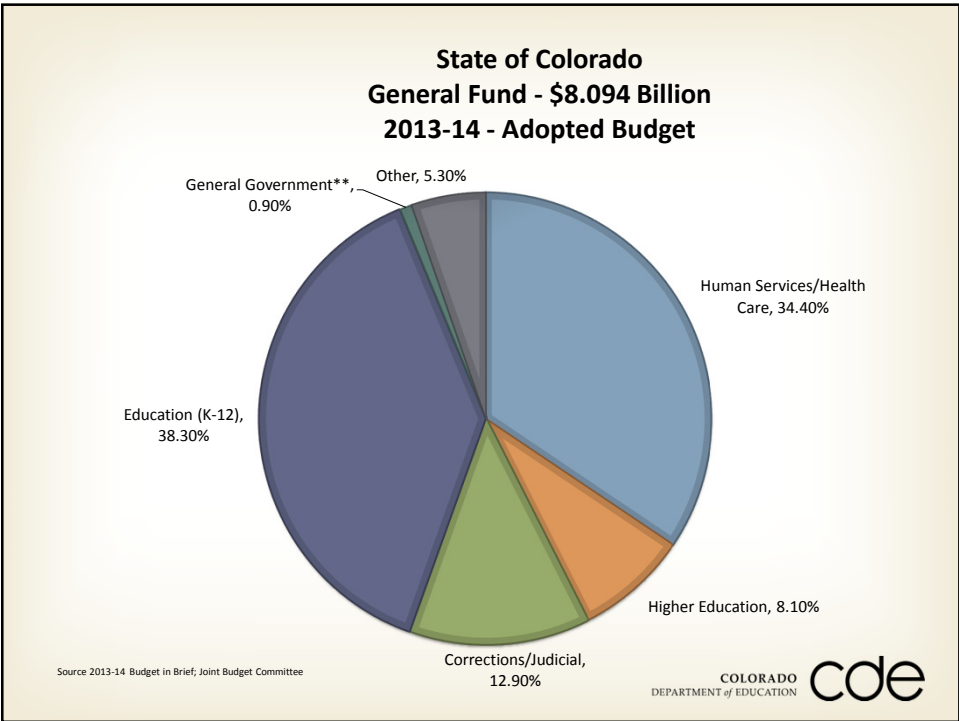
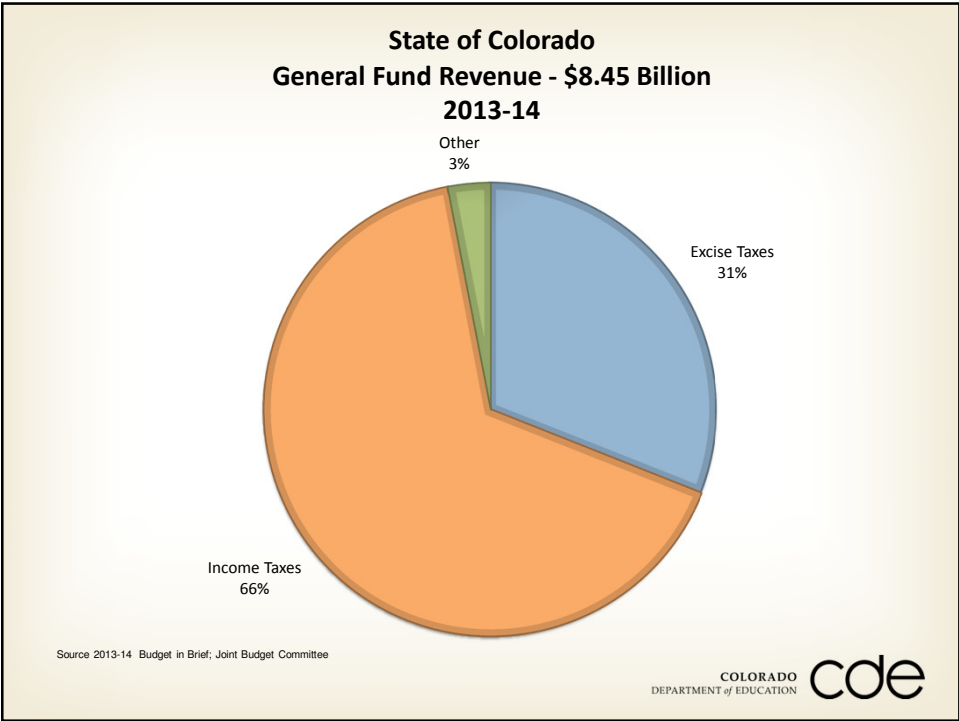
Resource for Pupil Count Audits

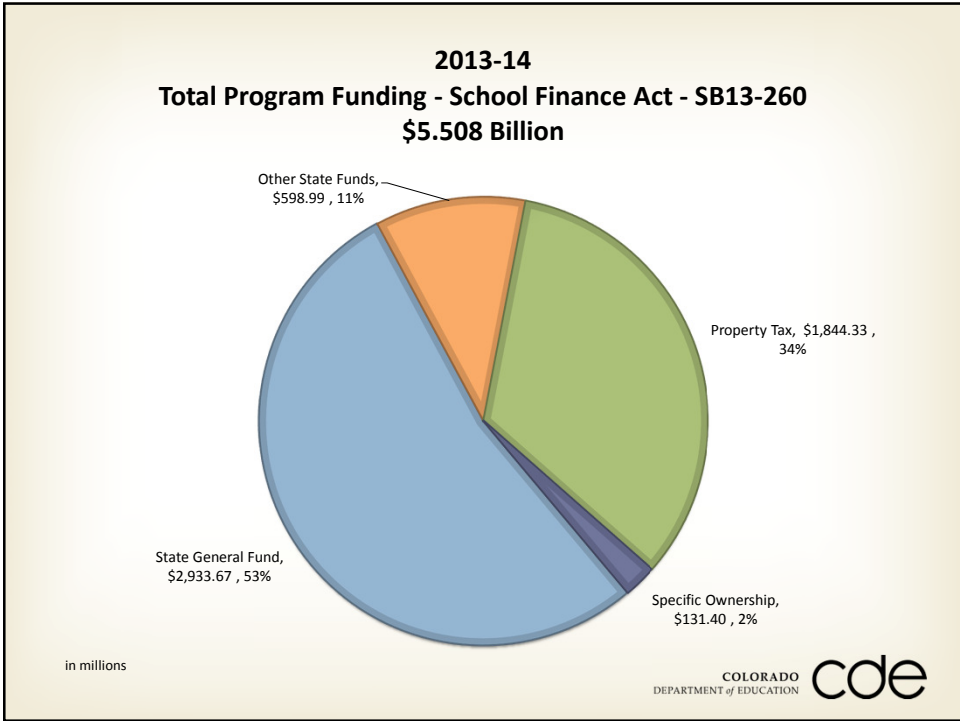
- Pupil Count Audit Team –
 - Student October Count Resource Guide
 - Totally rewritten and updated
 - Each section includes:
 - Audit Documentation Needed
 - Helpful Hints
 - References – Rules & Statutes
 - <http://www.cde.state.co.us/cdefinance/auditunit.htm>

2013 Legislative Session & Discussion of Funding Levels

2013 Legislative Session HB13-260 – Classic School Finance

- Provided funding to fund growth and inflation
- Set the starting point for 2014-15 Budget
 - Statewide average per pupil funding will increase by inflation
- Added \$1.0 million for charter school capital construction – Total of \$7.0 million
- Added 3,200 preschool slots
- Provided additional \$20 million for Special Education – Tier B students
 - Approximately doubled to funding to almost \$2,000 per student
- Provides for teacher quality pipeline





Total Program Funding Formula

Total Program Funding equals:

$$= (\text{funded pupil count} \times \text{formula per pupil funding}) + \text{at-risk funding} + \text{online \& ASCENT funding}$$

After Total Program is calculated, the Negative Factor is Applied

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Base Per Pupil Funding

- 2012-2013
 - Base Funding - \$5,843.26
 - Increase of \$208.49 from prior year
 - Inflation of 3.7%

- 2013-14
 - Base Funding - \$5,954.28
 - Increase of \$111.02 from prior year
 - Inflation of 1.9%

Formula Per Pupil Funding - Factors

Base per pupil funding is adjusted by factors

- Cost of Living
- Personnel & Non-personnel costs
- Size of district

Once Total Program is determined, the negative factor is applied

- 2010-11 – 6.35%
- 2011-12 – 12.94%
- 2012-13 – 16.09%
- 2013-14 – 15.49%

Assumptions FY2013-14 Final Budget

	Estimated Change	Total
Pupil Growth*	10,400	828,045
At-Risk Growth	6,575	306,370
Inflation Estimate	1.9%	NA
Base Per Pupil Funding	\$111.02	\$5,954.28

*Includes 3,200 additional Preschool Slots

Assumptions FY2013-14 Final Budget

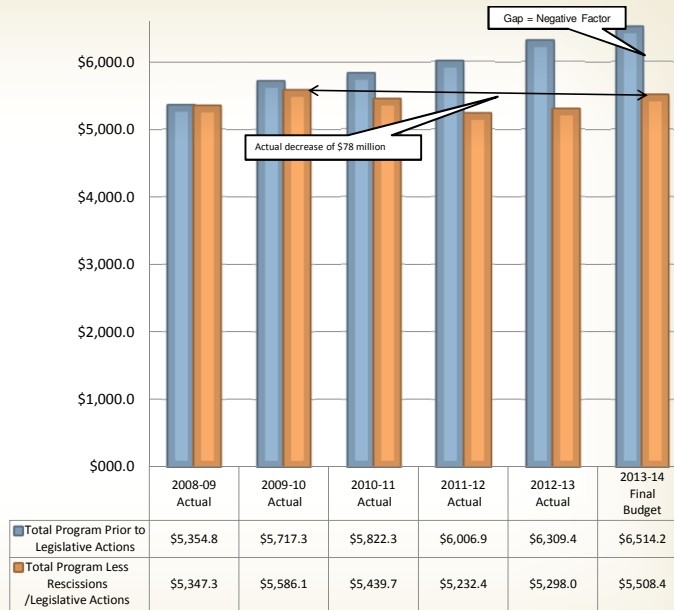
	2012-13 Actual	2013-14 Final Budget	Change
Total Program prior to Negative Factor (Growth & Inflation)	\$6,309,364,346	\$6,514,240,501	\$204,876,155
Negative Factor	(1,011,401,171)	(1,005,854,377)	5,546,793
Revised Total Program	\$5,297,963,176	\$5,508,386,124	\$210,422,948
Negative Factor Percentage	-16.09%	-15.49%	.6%
Average Per Pupil Funding	\$6,479.54	\$6,652.28	\$172.74

State of Colorado Total Program Funding

The gaps in the bars represents the negative factor. For 2013-14 it is 15.49% or 1.005 Billion.

The actual funded Total Program is about \$78 Million less than in 2009-10.

In millions



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State of Colorado Average Per Pupil Funding

Similar to Total Program, the gaps in the bars represents the effect of the negative factor.

For 2013-14, the effect is \$1,215 in the statewide average per pupil funding.



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Looking Ahead – 2014-15

SB13-260 Moving Forward

- Senate Bill 13-260 sets starting point for 2013-14 Budget
- Provides funding to move statewide average per pupil funding up by inflation
- Governor can propose adjustments
- General Assembly will set final budget

Preliminary Assumptions FY2014-15

	Estimated Change	Total
Pupil Growth*	10,422	838,467
At-Risk Growth	6,838	313,208
Inflation Estimate	2.2%	NA
Base Per Pupil Funding	\$130.99	\$6,085.27

*Estimated by Legislative Council

Preliminary Assumptions FY2014-15

	2013-14 Final Budget	2014-15 Preliminary Estimate	Change
Total Program prior to Negative Factor (Growth & Inflation)	\$6,514,240,501	\$6,744,527,660	\$230,287,159
Negative Factor	(1,005,854,377)	(1,044,101,443)	(38,247,066)
Revised Total Program	\$5,508,386,124	\$5,700,426,217	\$192,040,093
Negative Factor Percentage	-15.49%	-15.53%	-.04%
Average Per Pupil Funding	\$6,652.28	\$6,798.63	\$146.35 2.2%

2014 Legislative Session

November, 2013	Governor Submits Budget Request for 2014-15 THIS IS ONLY A PROPOSAL!
Late November/December 2013	Joint Budget Committee Hearings with Department The JBC hears about the 2014-15 Budget Request from the Department and seeks any information
January 2014	Governor Submits <i>Supplemental</i> Budget Request for 2013-14 Adjusts the Current Year Budget for actual Pupil Counts, AVs, etc. Governor Submits <i>Budget Amendments</i> for next budget year Revised estimates for next year's students, AVs, etc based on actual
Spring 2014	JBC Develops State Budget – Figure Setting & Long Bill – pass by GA SB13-260 sets starting point – inflation on statewide average
Spring 2014	School Finance Bill Introduced and passed Adjusts the Long Bill numbers

Discussion of SB13-213

This is only a brief outline of inclusions in SB13-213

There are many provisions and caveats!

Ballot Initiative for SB13-213

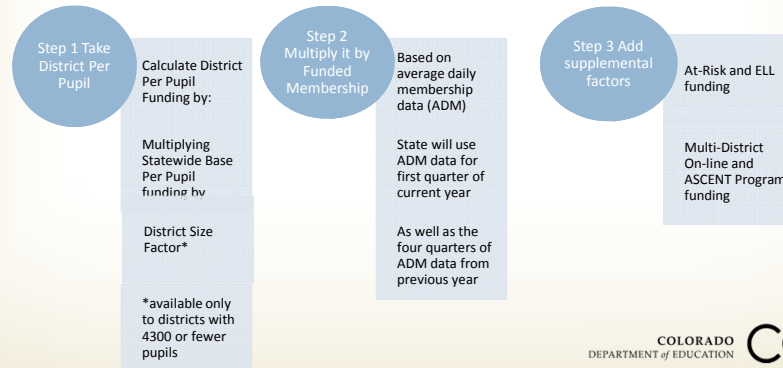
- In order for SB13-213 to go into effect, ballot measure in November must pass
- Initiative - raises the income tax rates in two pieces
 - federal taxable income below \$75,000 at first tiered rate, and over \$75,000 higher rate
- 43% of state excise, sales, and income taxes would be transferred to the State Education Fund each year
 - No requirement for the general assembly to appropriate the entire amount
- Removes the requirement that base per pupil funding and categorical funding increase by the rate of inflation each year

SB13-213 – New School Finance Act

- Rewrites how schools are allocated funds. More emphasis is placed on:
 - Funding for At-Risk and English as a Second Language students
 - Funding for all 3 & 4 year olds that qualify for preschool using eligibility criteria for the Colorado Preschool Program
 - Provides funding for full-day kindergarten and funds all secondary students as 1 full FTE
 - Increases funding for Special Education and Gifted & Talented
 - Changes the way students are counts from the one-day count to Average Daily Membership
 - Changes the calculations for the state portion of funding vs. the local share of funding
 - Many more pieces are included in the bill, however these are some of the major changes

Total Program Funding – SB13-213

- Based on a per pupil formula
- Supplemented with funding for such factors as at-risk students, English language learners (ELL), multi-district online students, and ASCENT program students



State & Local Share of Total Program

- CDE will utilize most current valuations in property, median family income, and membership calculations
 - 1st year by July, 2015
 - Recalculate July, 2020
 - Every six years after that
- Based on these factors, CDE will determine number of mills each district is expected to levy
 - Total Program Mill Levy
- The target share ratio is local share at 40% and state share at 60%

State & Local Share of Total Program

State Share

- Calculated by subtracting local share from the cost of total program (TP)
- State Share =
TP – Local Share

Local Share

- Contribution from local property taxes (total program mill levy) and specific ownership taxes
- Based on a district's assessed value per pupil and a district's percentage of at-risk students
- Local Share = Property tax +
Specific Ownership tax

Local Share of Total Program

- If a district is expected to raise their mill levy for Total Program, a district may choose not to do this
- By not passing a ballot initiative to increase Total Program mills, a district may not receive the full benefit of the new formula
 - Community decisions

Local Mill Levy Overrides

- There are 4 areas for which a district may seek a mill levy override:
 1. Operating Moneys
 2. Early Childhood Education
 3. Technology & Building Maintenance Operation
 4. Cost of Living

- Districts that do not receive per pupil supplemental payments must levy the full Total Program Mill Levy before seeking any additional overrides
 - (Floor & At-Risk Supplemental)

Operating Mill Levy Overrides

Operating Mill Levy Capped at Greater of: (Existing levies count towards cap)

<p>A) \$200,000</p>	<p>B) 25% of total program plus the amount of Investment Moneys the district receives for the applicable budget year</p>	<p>C) 25% of total program for 2014-2015 prior to negative factor, plus supplement payments, plus mill levy override from cost of living adjustment, plus Investment Moneys, plus the amount of district categorical buy-out, plus any state categorical funding</p>
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Other Mill Levy Overrides

- Early Childhood Education
 - No statutory cap
 - Develop early childhood education program using evidenced-based research

- Technology & Building Maintenance & Operation
 - No statutory cap
 - For technology and the maintenance and operation of buildings

Other Mill Levy Overrides

- Cost of Living
 - Provides funding for cost of living expenses for district employees
 - Cap - amount equal to the portion of the district's total program for the 2014-2015 budget year determined by the cost of living factor, calculated before the negative factor
 - Cap may increase annually beginning 2016-2017 to account for inflation

Mill Levy Equalization Fund

- Helps equalize mill levies
- Eligible districts:
 - 10,000 or fewer students
 - Passes either Total Program Mill Levy or Override Mill Levy of at least 2.5 mills on or after November 1, 2013
 - Ballot question increases mills, not amount
- Amount calculated by comparing 2.5 mills on statewide assessed values on per pupil basis to district 2.5 mills on per pupil basis
- Apply to Department for the funding on annual basis
 - Subject to available appropriations

Mill Levy Election Support Fund

- Help school districts pay county clerks who charge for the administration of mill levy elections
- Reimburses applicant districts that must pay mill levy election costs – apply to Department
- Only applies to levies for Total Program mill levy elections
- Subject to annual appropriation

Investment Moneys

- Designed to help districts schools and CSI with the cost of implementing educational reforms such as:
 - implementation of standards-based instructions and assessments
 - educator performance evaluations
 - those that eliminate achievement and growth gaps
- For the 2015-2016 budget year, the amount of funding for each district, each supplemental payment recipient, and each eligible CSI will be \$441 per pupil
 - excludes on-line and ASCENT Program students

Hold Harmless Moneys

- Designed to protect districts that receive less in state funding under the new Finance Act, after recalculation of local and state shares
 - State Funding = State share of Total Program + Investment \$
- Compares 2014-15 state share (current) to new State Funding
- No end date – HOWEVER
 - Subject to annual appropriation
 - Calculated each year and will be reduced over time

Per Pupil & At-Risk Supplemental

- Ensures that the per pupil revenue (PPR) for each district and CSI is at least 95% of the state average PPR
- A district or CSI that has a PPR less than 95% of the statewide average will receive supplemental funding to increase PPR to at least 95%
- If district receives the Per Pupil Supplemental payment and have an at-risk pupil percentage equal to or greater than 10 percentage points less than the statewide at-risk pupil percentage
- Such districts receive funding equal to 23% of the given At-Risk funding
- Subject to available appropriations

Special Education Funding

- 22-20-114
 - 1) Growth Tax Revenues – amounts available that are above the amount specified in the ballot
 - If growth tax revenues, then may be available to fund Tier A students up to \$2,500
 - 2) Reallocation of categorical funding plus additional amount
 - Intent of General Assembly that amounts appropriated for English Language Development Programs and Services for Expelled and at-risk student grant programs prior to 2015-16 be used for Tier B students
 - In addition to the above, intent to add at least \$80 million to increase funding for Tier B
 - This additional funding would be from the initial ballot increase

Education Innovation Grant Program

- Competitive grant program
- Estimated to be \$100 million
- Intended to allow educators to implement innovative strategies that maximize the educational experience
- Preference given to initiatives that aim to eliminate achievement and growth gaps, reduce dropout rates, increase graduation rates, and ultimately see more student academic growth
- Innovation Grant Board to be established

Other Sections of Interest – SB13-213

- Charter School Institute & Charter Schools
- Reporting
 - Will be required to report school level expenditures
- Budgeting for At-Risk & ELL Students
- Again – many provisions in the bill – this is not all inclusive!

Average Daily Membership

- Based on 4 quarters from prior year plus 1st quarter of budget year

Anticipated Timeline for Implementation of ADM				
2013-14	2014-15	2015-16	2016-17	2017-18
No change	No change	New Formula	New Formula	New Formula
		Based on One Day Count	Based on One Day Count	Based on ADM
Begin defining membership and system needs	Continue defining membership and designing new system	Begin actually building the new system	Run parallel processes for student counts	Full Implementation of ADM – 4 quarter from prior year plus 1 st Qtr of current year

One-Time Funds as Result of Ballot Initiative

- Since tax increase may begin in January 2014, but Act is implemented in July 2015, increase creates one-time funds
- Preschool Through Twelfth Grade Education Reserve Fund – 40%
- Educator Effectiveness Reserve Fund – 15%
 - Recruit, prepare, and retain effective educators
- Education Technology Fund – 5%
 - Assist districts and schools in purchasing and maintaining technology needed to support educational reforms and programmatic enhancements
- Capital Construction – BEST – 40%
 - Can use up to 50% of funds for expanding Kindergarten & Preschool Facilities
 - Still subject to grant application process

Resources

- Legislative Council – Illustrations of Impacts of SB213
- CDE – School Finance Page
 - Links to Legislative Council Tables
 - Detailed Model

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