

Overview of the State Education Fund and K-12 Public School Funding



JOINT EDUCATION COMMITTEE

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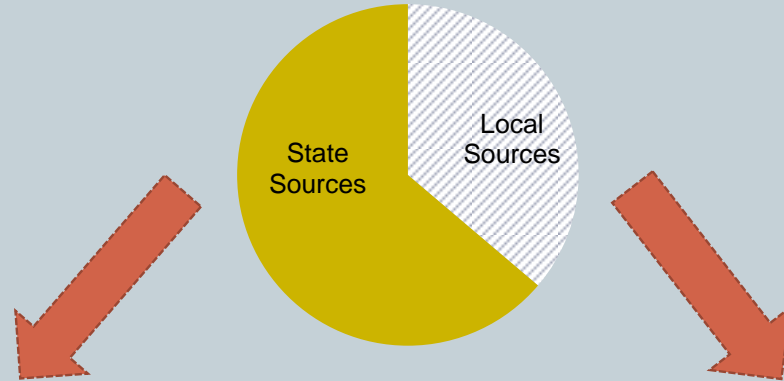
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Overview of K-12 School Finance

Sources of Funding for K-12 School Finance (\$5.9 billion in FY 2014-15)



State Sources: \$3.95 billion (67%)

General Fund: \$3.2 billion (81%)

State Education Fund: \$667 million (17%)

State Public School Fund: \$99 million (2%)

Local Sources: \$1.98 billion (33%)

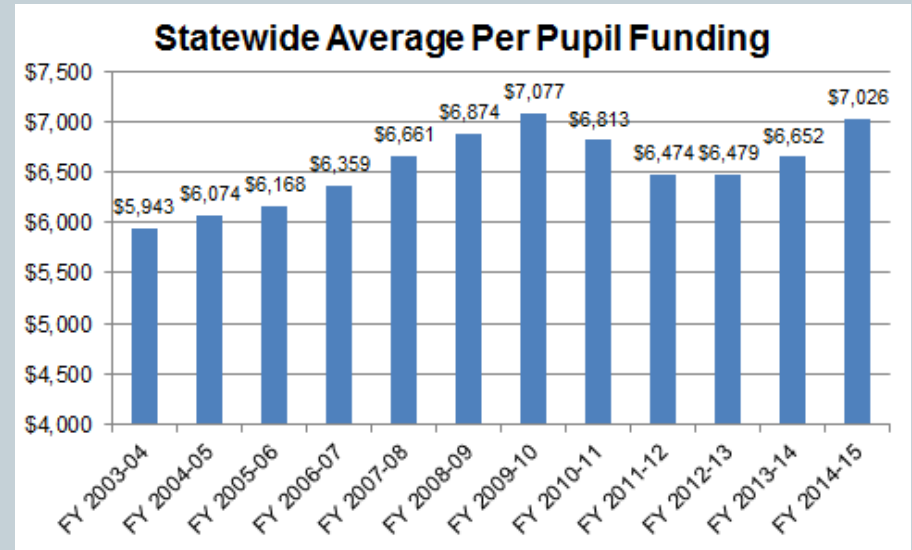
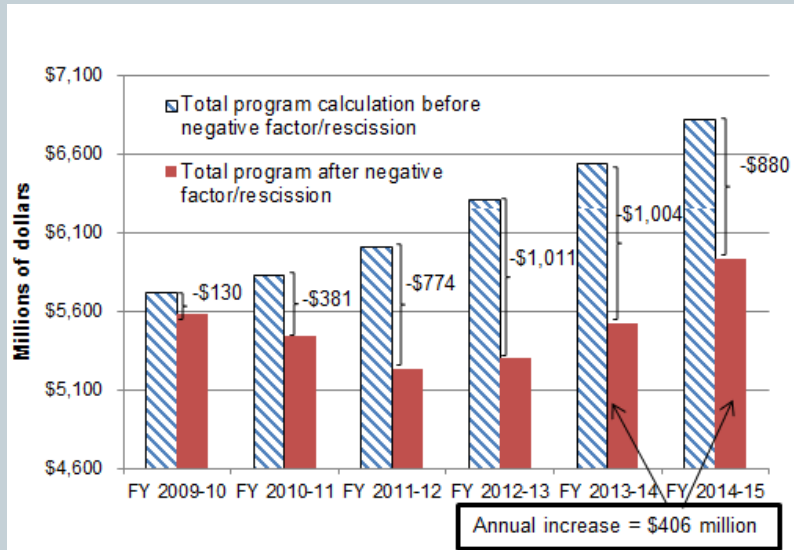
Property Taxes: \$1.8 billion (93%)

Spec. Ownership Taxes: \$145 million (7%)



Overview of K-12 School Finance

K-12 Funding Trends through FY 2014-15



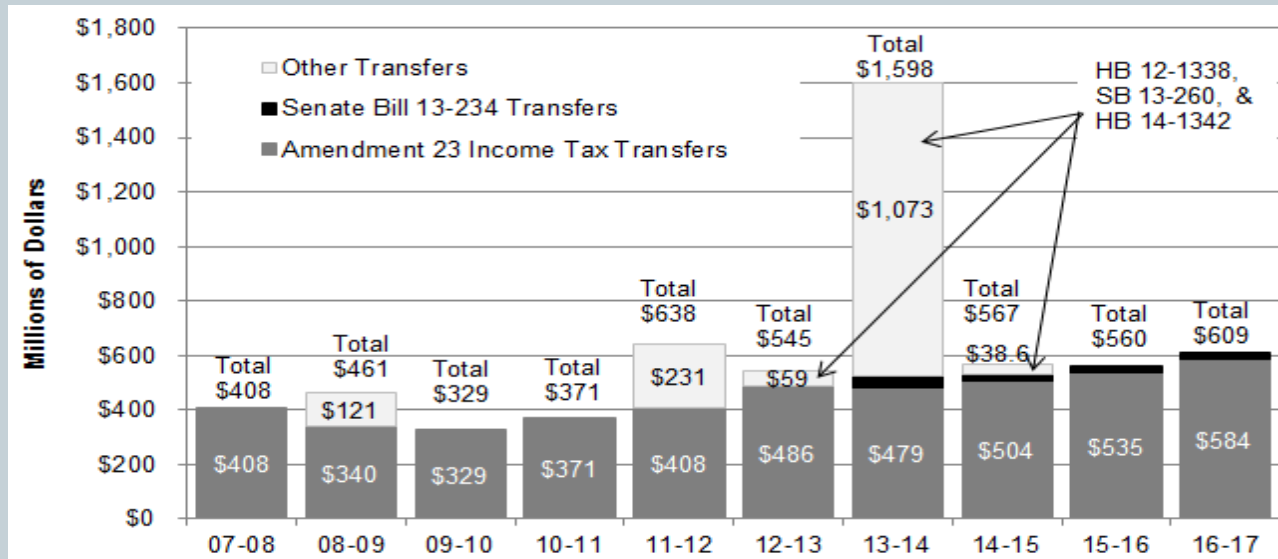
- Negative factor is currently 13.1% of total program, totaling \$894 million in FY 2014-15. The Governor's mid-year request for school finance would reduce the negative factor to \$880.2 million in FY 2014-15 (a reduction of \$14.0 million) because of reduced student counts and an increase in local revenues.

- Per pupil funding peaked at 7,077 in FY 2009-10; stands at \$7,021 in FY 2014-15. The Governor's request would increase the statewide average to \$7,026 *in the current year* by maintaining total program funding with a decreased student count.



Overview of the State Education Fund

- Created with passage of Amendment 23 in 2000
- Receives about 7.2% of state income tax revenue, amounting to **\$504 million** in FY 2014-15, and other transfers from the General Fund



- **Money must be used for education-related purposes, as specified in the constitution; amounting to \$967 million in FY 2014-15**
- Fund balance of about **\$660 million** is estimated at the end of FY 2014-15



Overview of the State Education Fund

Estimated State Education Fund Balance based on Current Law (millions of dollars)

	FY 2013-14	FY 2014-15	FY 2015-16
Beginning Balance	\$183.4	\$1,048.9	\$660.0
SEF Deposits*	\$1,605.4	\$577.9	\$568.9
Total Available Revenue	\$1,788.7	\$1,626.8	\$1,228.8
SEF Expenditures	\$739.8	\$966.9	\$928.8
School Finance	\$527.4	\$667.6	\$624.4
Categorical Programs	\$127.1	\$136.5	\$144.0
Other SEF Expenditures			
Charter school capital construction	\$7.0	\$13.5	\$20.0
Assessments	\$25.0	\$29.1	\$29.1
Counselor Corp	\$5.0	\$8.0	\$8.0
Facility schools	\$17.0	\$17.1	\$18.0
Full-day K hold harmless	\$7.1	\$7.5	\$7.5
Quality teacher recruitment	\$3.0	\$2.7	\$2.7
Early literacy	\$16.0	\$34.0	\$34.0
BOCES assistance	\$1.3	\$3.3	\$3.3
English language learners	\$0.0	\$27.0	\$27.0
Other education programs	\$3.9	\$20.7	\$10.9
Subtotal	\$85.3	\$162.8	\$160.4
Ending Balance	\$1,048.9	\$660.0	\$300.0

*Includes one-time transfers of \$1.1 billion in FY 2013-14 and \$38.6 million in FY 2014-15

•FY 2014-15 revenue includes projected income tax revenue and a beginning balance of \$1.0 billion due to transfer of General Fund surplus to the SEF in FY 2013-14.

•FY 2015-16 expenditures are subject to approval by the General Assembly; the Long Bill typically funds *current law* requirements for school finance, categorical programs, and other programs, while the school finance bill or other bills may change those amounts.



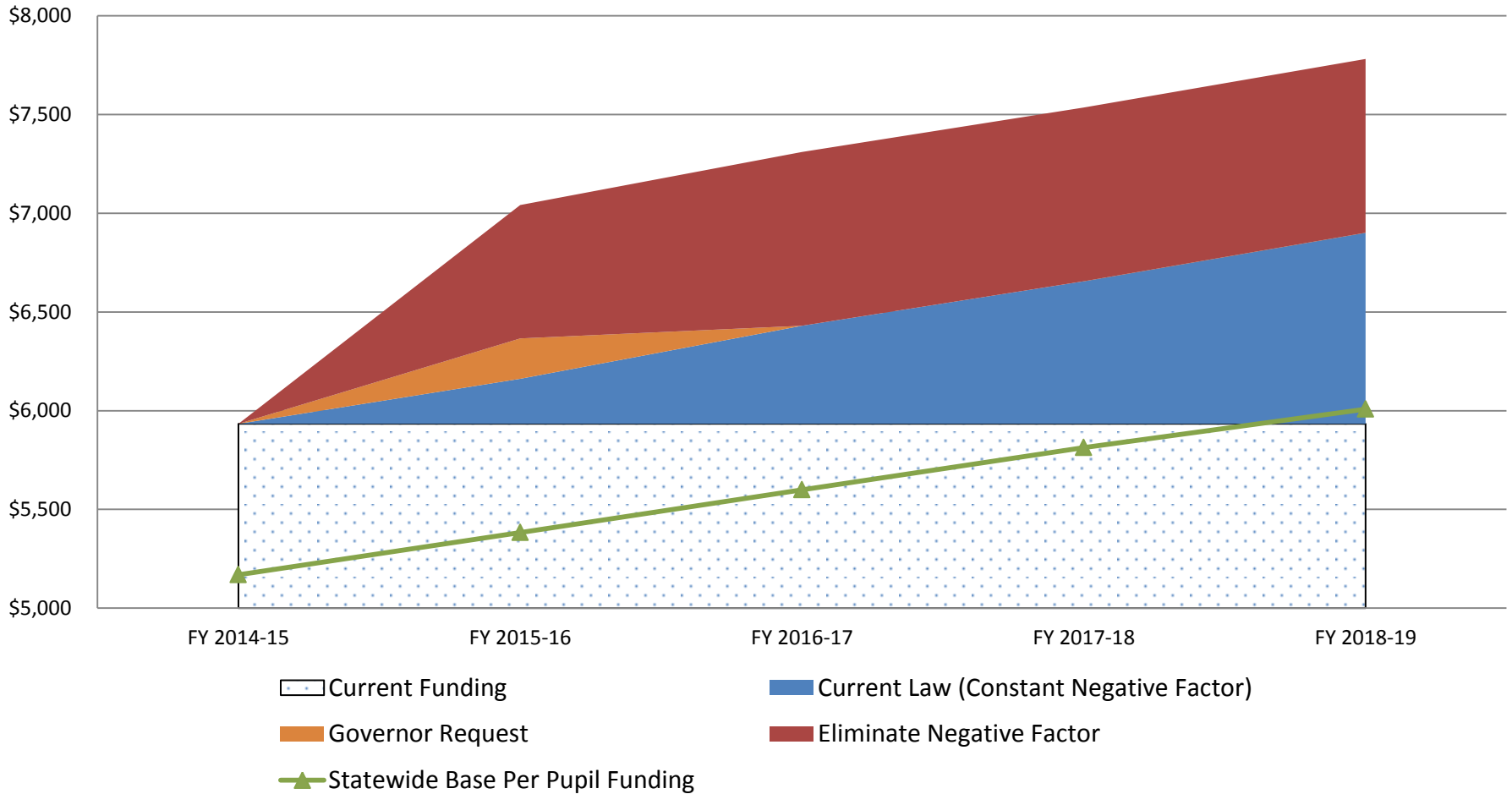
FY 2015-16: Current Law and the Governor's Request

- Current law requires that the negative factor not increase (as a dollar amount) from FY 2014-15 to FY 2015-16 (a maximum of \$880.2 million if the General Assembly approves the Governor's supplemental request for FY 2014-15).
- The Governor's revised request for FY 2015-16 would reduce the negative factor to \$682.5 million in FY 2015-16, on a one-time basis, increasing statewide average per pupil revenue to \$7,496.
- The request would leave approximately \$100 million in the State Education Fund at the end of FY 2015-16, based on the most recent legislative staff revenue forecast (approximately \$140 million under the Governor's Office revenue forecast).
- The depletion of the State Education Fund in FY 2015-16 would increase pressure on the General Fund in FY 2016-17, requiring an increase of \$524.4 million General Fund to keep the negative factor from growing above \$880.2 million in FY 2016-17. That amount represents 62% of the \$856 million in "new" General Fund anticipated in FY 2016-17 *before any TABOR refunds* (based on the most recent legislative staff revenue forecast). However, that revenue forecast anticipates \$620.4 million in TABOR refunds in FY 2016-17, representing the majority of new General Fund anticipated for that year.



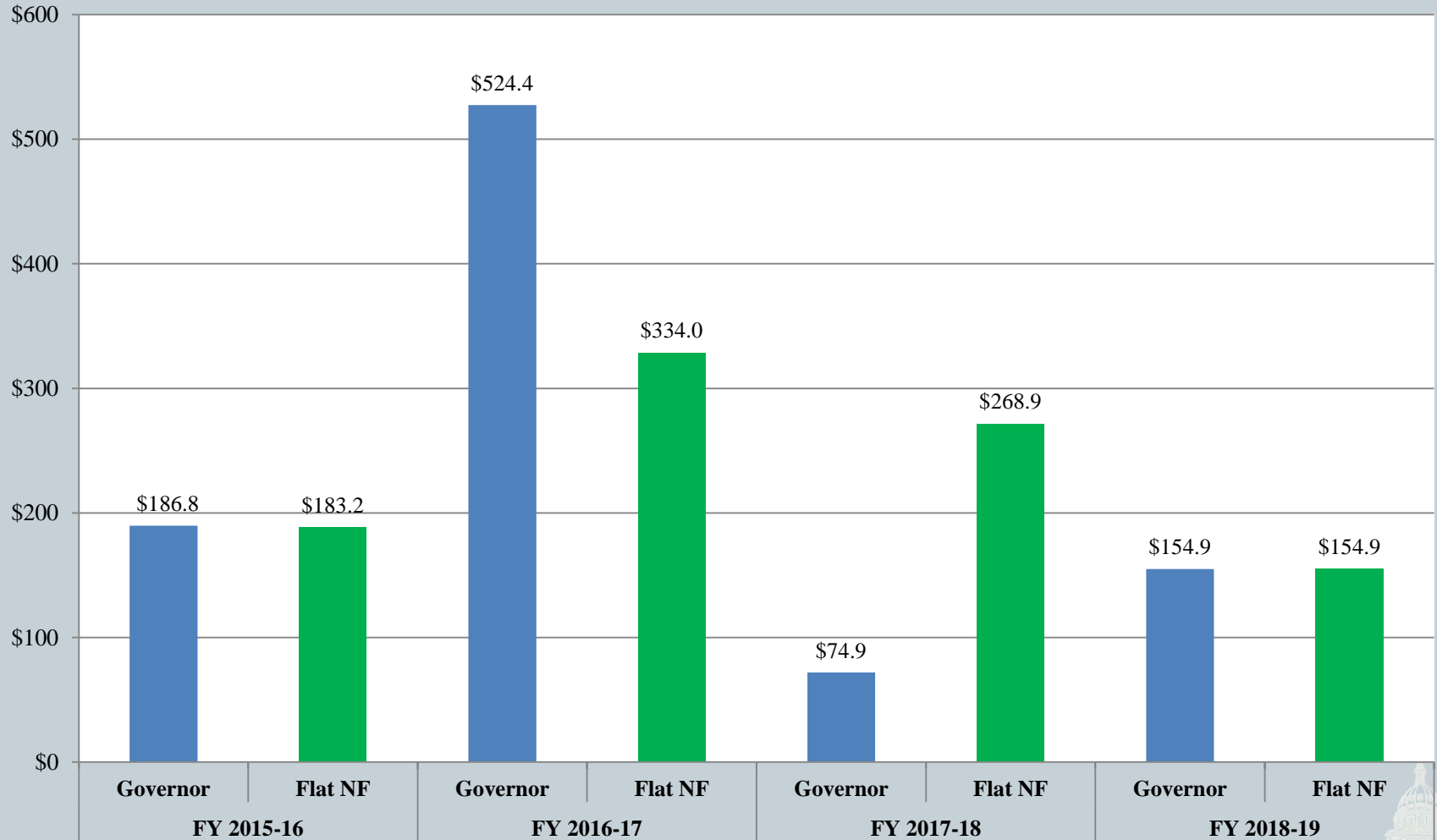
School Finance Scenarios Going Forward

School Districts' Total Program Funding Projections - LCS December 2014 Revenue Forecast (\$ millions)



Overview of K-12 School Finance

Required Annual *Change* in General Fund (\$ in millions)



Key Points and Conclusions

1. The depletion of the fund balance in the State Education Fund, combined with increasing use of the fund for programs other than school finance, is increasing pressure on the General Fund.
2. The Governor's request would accelerate the use of one-time funds in the State Education Fund and could require reductions in total program funding in FY 2016-17 if there is not sufficient General Fund available to maintain appropriations or keep pace with enrollment and inflation growth.
3. Stakeholders and the General Assembly will have to weigh the benefits of one-time funding for school finance that may threaten the ability to maintain funding in future years vs. sustainable increases that would provide less funding in FY 2015-16 but allow for additional growth in subsequent years.



Questions?



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