

# Colorado's State Budget & K-12

## District Business Officials CASE 2016

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## What We Will Discuss

- Revenue projections and inflation
- Hospital Provider Fee
- State Education Fund
- Negative Factor
- TABOR – refunds
- Severance Tax legal settlement
- 228 transfers
- Other state budget pressures

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## Quick Facts

- School Finance – Quarterly Forecasts – since 2008 ( 8 years of multiple changes)
- Economic ups and downs
- Enrollment growing
- Negative factor – for the last 6 years
- Refunds looming – for past 3 years

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## Revenue Projections

- June forecast:
  - Budget Projections for 15-16 down **\$63** million
  - Budget Projections for 16-17 down **\$187.4** million
  - General Fund revenue is **\$268.3** million short in current budget
  - General Fund Reserve was at 5.6% (down from 6% required statutorily) Now down to 5.1% - which is **\$47.6** million less
  - Inflation estimate 1.5%-1.7% – now 2.4%-2.6%

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## Revenue Projections – Key Takeaways

- In January the supplemental process will begin to make decisions on how to adjust for all the changes from what was budgeted.
- The inflationary pressures add a new dynamic that hasn't been considered up to this point.
- Any mid-year adjustments downward will be absorbed in the last 4-6 months of fiscal year.

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## Hospital Provider Fee

- Much discussion during last session – nothing moved forward.
- Continued discussion this summer and rumors of a special session.
- Issues arise around legality, politics, enterprise requirements, and ...
- May return for discussion again depending upon fall's election outcome.

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## Hospital Provider Fee

- The revenue that could be transferred to an enterprise fund:
- 2015-16 \$805 million
- 2016-17 \$657 million
- 2017-18 \$804 million
  
- Buys time until refunds – no new revenue created

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## State Education Fund

- The State Education Fund was a source of additional revenue through the 2014-15 year. This helped to reduce the negative factor.
- Every year the fund is anticipated to generate between \$500-\$600 million per – this does not allow for spending on new initiatives.
- There is a desire to keep \$100 million in reserves for emergencies.

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## State Education Fund

Fiscal Year	Revenue to State Education Fund	Spending for School Finance	Spending for Categorical Programs	Total State Education Fund Spending	Change in Spending from Prior Year	State Education Fund Balance
2009-10	\$329.00	\$339.60	\$88.20	\$482.20	(\$11.80)	\$188.20
2010-11	\$592.90	\$284.00	\$89.30	\$423.70	(\$58.50)	\$363.40
2011-12	\$416.70	\$511.10	\$93.70	\$654.30	\$230.60	\$133.80
2012-13	\$545.30	\$345.50	\$102.50	\$511.20	(\$143.10)	\$183.40
2013-14	\$1,597.60	\$527.40	\$127.10	\$740.90	\$229.70	\$1,048.90
2014-15	\$583.70	\$668.40	\$136.50	\$967.60	\$226.70	\$685.60
2015-16	\$547.50	\$630.30	\$144.30	\$944.30	(\$23.30)	\$297.00
2016-17	\$577.70	\$473.00	\$147.80	\$780.80	(\$163.50)	\$100.00
2017-18	\$605.10	\$292.00	\$155.30	\$607.80	(\$173.00)	\$100.00
2018-19	\$637.70	\$318.00	\$163.00	\$641.90	\$34.10	\$100.00

\* From February 1, 2016 Legislative Council Report

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## Negative Factor

- A mechanism created to reduce funding beginning in 2010.
- Dollars remaining in the states calculation of factors – approximately \$650 million.
- In reality only about \$400 million available due to formula mechanisms.
- One of the only mechanisms the state has to make adjustments to the budget.

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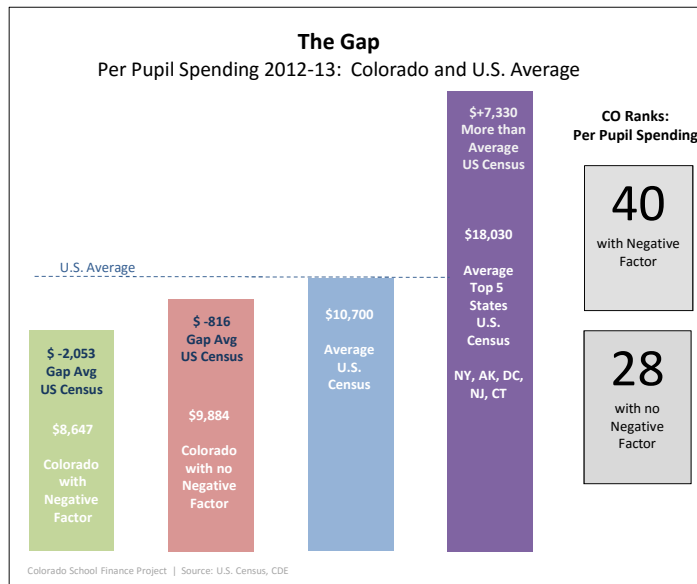
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## Negative Factor - Takeaways

- Districts are impacted by this scheme differently:
  - Because of state and local split
  - Because of populations they serve
  - Because of enrollment size
  - Because of other sources of additional revenue
  - Outcome has created large inequities

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## State Refunds

- Refunds are calculated on a formula that does not account for economic times, for changes in budget policies (fees or revenue collected through other non general fund sources) or a changing economy.
- No refunds are anticipated in 2016 or in 2017.

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## State Refunds - Takeaways

- Anticipated refunds of \$163 million in 2018 but must be accounted for in 2017 budget.
- This will create additional pressure on the state budget in the upcoming year as it will need to account for the refund in the general fund.

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## Severance Tax – Supreme Court

- In May of 2016 the Supreme Court ruled that the state calculated the Severance Tax incorrectly and has an obligation to provide a refund.
- The first refund was worked into the current budget – in the 2016-17 year an additional **\$51.4** million will be needed. This potentially has multiple years of impact.

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## 228 Transfers

- This reference is to a statute that required transportation and capitol construction to receive new revenue when certain economic conditions existed.
- The first year of the transfer was in the 2015-16 budget – a new law was passed last year that assured them approximately **\$250** million for the next two years – through 2016-17.

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## 228 - Takeaways

- This was a legislative decision to divert dollars in the upcoming year and change the formula.
- This will impact the general fund by **\$250** million in 2016-17.
- State has anticipated that in 2017-18 – the old formula for the transfers will be in place and that only **\$125** million will be eligible.

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## Other State Budget Pressures

- Health care – our state is aging – more people qualifying for Medicaid.
- Our state has a high number of homeless individuals and families – services are needed
- All other departments are feeling the lack of resources needed, therefore service delivery may be impacted. This isn't an option for K-12

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## What This Shows Us

- We have a revenue problem into the foreseeable future.
- We need a short term and long term strategy that educates not only the problem, but also a remedy.
- We need to embrace the opportunity to discuss what an adequate and equitable system should look like.

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## How Do We Do This?

- Colorado School Finance Project and Augenblick, Palaich and Associates are updating the costing out work and incorporating an equity analysis- so we can show the opportunities that students should have to be successful.
- This methodology and process is Nationally utilized, respected and accepted.

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## Why Is This Important?

- We can't continue to deprive students of having an opportunity for a high quality education - we are falling farther behind.
- We can't rearrange the little money we have and accomplish adequacy or equity.
- We can't assume the legislature will help us – the past 25 years has shown us that.

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## Who Needs to Be Involved?

- We need all of you - so we can prepare the research and analysis and have your support and help – this allows all of us to create a road map forward.
- We need to not be divided by special interest groups or outside entities.
- We must not only continue to fight to reduce the debt owed to K-12, but to move towards an adequate & equitable system.

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## When Does This Happen?

- This begins now!
- We can't let the legislature balance the state budget at the expense of students.
- We can't create a solution of winners and losers.
- We can't wait for the legislature or for better economic times – we've heard over and over "next year" we will do something.

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## Questions & Concerns

- Today
- Later –  
contact me



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