

# Overview of K-12 Public School Funding Scenarios



## **COLORADO SCHOOL FINANCE PROJECT**

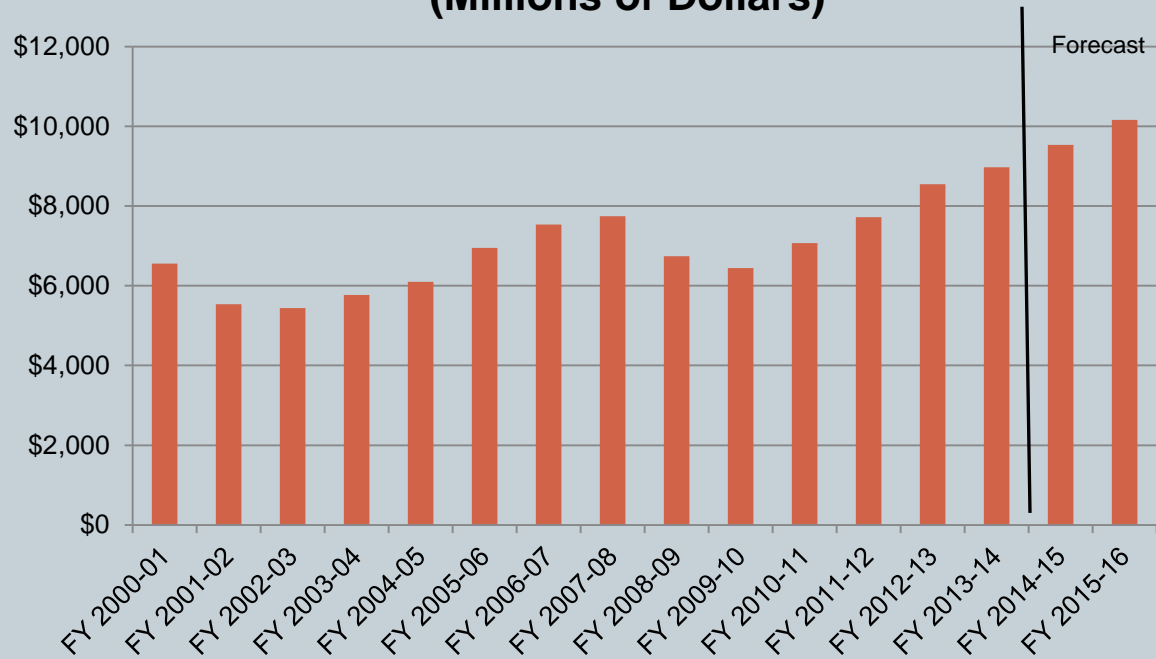
**TODD HERREID  
FISCAL DIRECTOR  
LEGISLATIVE COUNCIL STAFF  
OCTOBER 17, 2014**

**[TODD.HERREID@STATE.CO.US](mailto:TODD.HERREID@STATE.CO.US)  
303-866-2633**

**WWW.COLORADO.GOV/LCS**

# Overview of September 2014 Revenue Outlook

**General Fund Revenue  
Legislative Council Staff Forecast Sept. 2014  
(Millions of Dollars)**

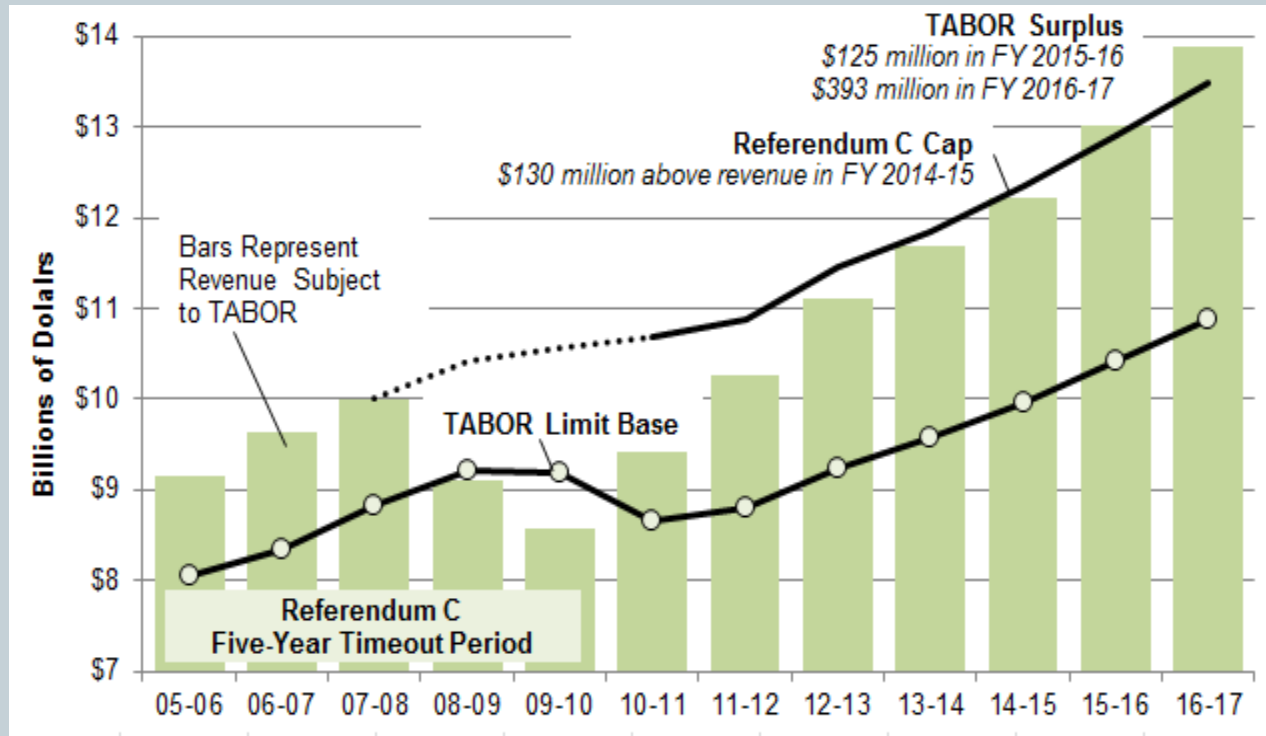


General Fund revenue forecast increased by \$83 million in FY 2014-15 and \$176 million in FY 2015-16 compared with the June forecast



# Overview of September 2014 Revenue Outlook

## TABOR Revenue, TABOR Limit Base, and the Referendum C Cap

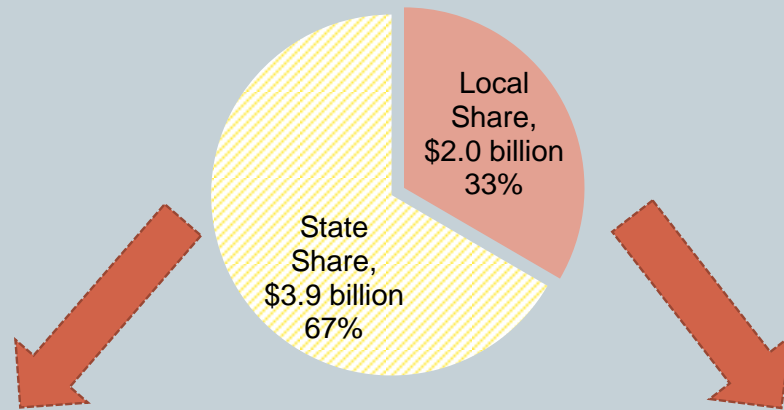


September forecast anticipates TABOR refunds in both FY 2015-16 and FY 2016-17 of \$125 million and \$393 million, respectively



# Overview of K-12 Public School Funding

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



**State Sources:** \$3.9 billion (67%)

General Fund: \$3.2 billion (81%)  
State Education Fund: \$670 million (17%)  
State Public School Fund: \$99 million (2%)

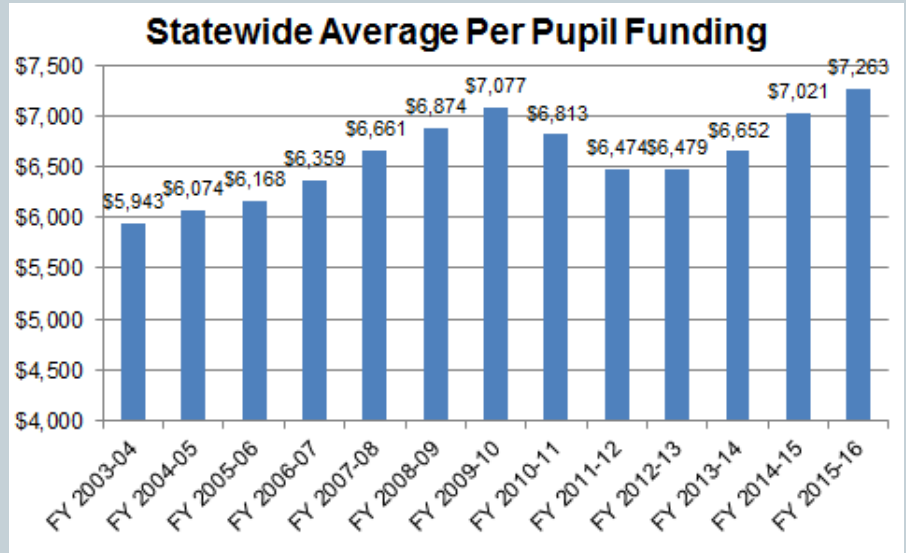
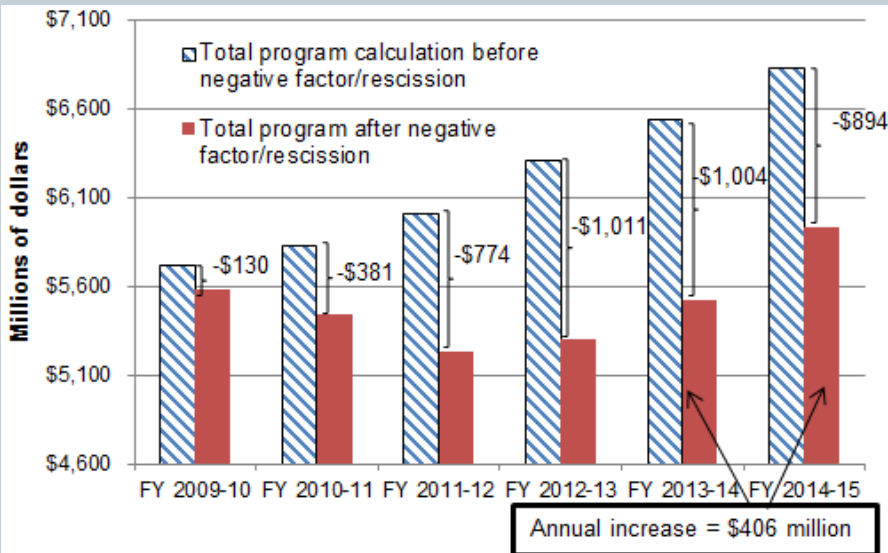
**Local Sources:** \$2.0 billion (33%)

Property Taxes: \$1.8 billion (93%)  
Spec. Ownership Taxes: \$135 million (7%)



# Overview of K-12 School Finance

## K-12 Funding Trends and the Negative Factor

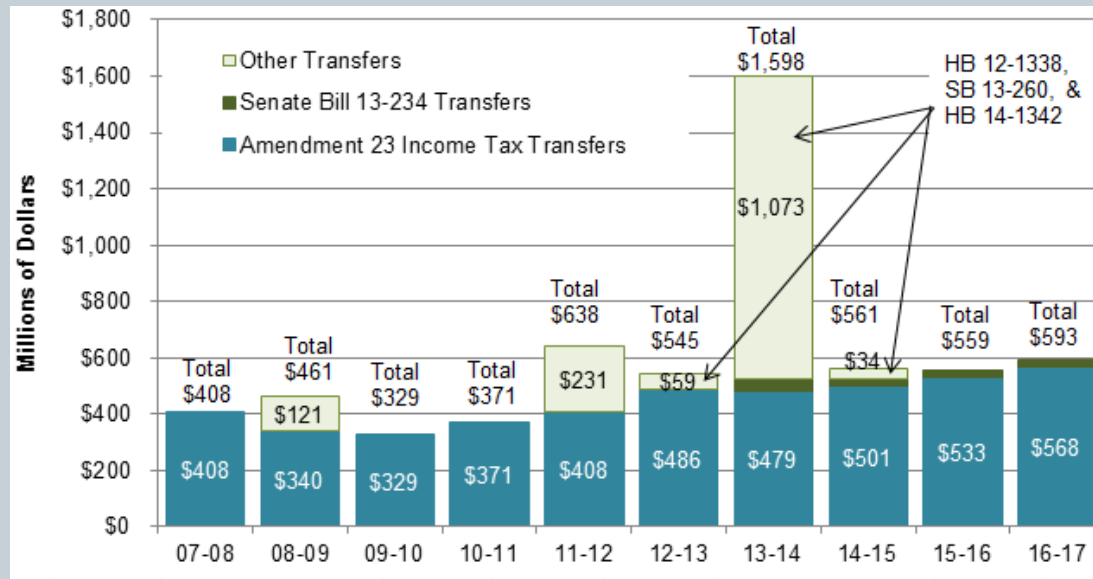


- Negative factor is currently 13.15% of total program, totaling \$894 million in FY 2014-15
- Per pupil funding peaked at 7,077 in FY 2009-10; stands at \$7,021 in FY 2014-15
- Funding in FY 2014-15 will increase by \$406 million over FY 2013-14 levels
- Negative factor cannot exceed \$894 million in FY 2015-16; per pupil funding will increase to \$7,263 under current law.



# Overview of the State Education Fund

- Receives about 7.2% of state income tax revenue, amounting to **\$501 million** in FY 2014-15, and other transfers from the General Fund



- Money must be spent for education-related purposes, as specified in the constitution, amounting to \$970 million in FY 2014-15**
- A fund balance of about **\$646 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      | \$646.3        |
| SEF Deposits*                       | \$1,605.4        | \$567.3        | \$567.4        |
| Total Available Revenue             | \$1,788.7        | \$1,616.3      | \$1,213.7      |
| <b>SEF Expenditures</b>             | <b>\$739.8</b>   | <b>\$969.9</b> | <b>\$813.7</b> |
| School Finance                      | \$527.4          | \$670.6        | \$509.1        |
| Categorical Programs                | \$127.1          | \$136.5        | \$144.3        |
| Other SEF Expenditures              |                  |                |                |
| Charter school capital construction | \$7.0            | \$20.0         | \$20.0         |
| Student Assessments                 | \$26.4           | \$29.1         | \$29.1         |
| Counselor Corp                      | \$5.0            | \$8.0          | \$8.0          |
| Facility schools                    | \$17.0           | \$17.1         | \$17.5         |
| Full-day K hold harmless            | \$7.1            | \$7.5          | \$7.7          |
| Quality teacher recruitment         | \$3.0            | \$3.0          | \$3.0          |
| Early literacy                      | \$16.0           | \$34.0         | \$34.0         |
| BOCES assistance                    | \$1.3            | \$3.3          | \$3.3          |
| English language learners           | \$0.0            | \$27.5         | \$27.5         |
| Other education programs            | \$2.4            | \$13.4         | \$10.2         |
| <b>Subtotal</b>                     | <b>\$85.3</b>    | <b>\$162.8</b> | <b>\$160.3</b> |
| <b>Ending Balance</b>               | <b>\$1,048.9</b> | <b>\$646.3</b> | <b>\$400.0</b> |

\*Includes one-time transfers of \$1.1 billion in FY 2013-14, \$60 million in FY 2014-15, and \$25 million in FY 2015-16.

•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 and other bills may change those amounts.



## Possible School Finance Funding Options in FY 2015-16

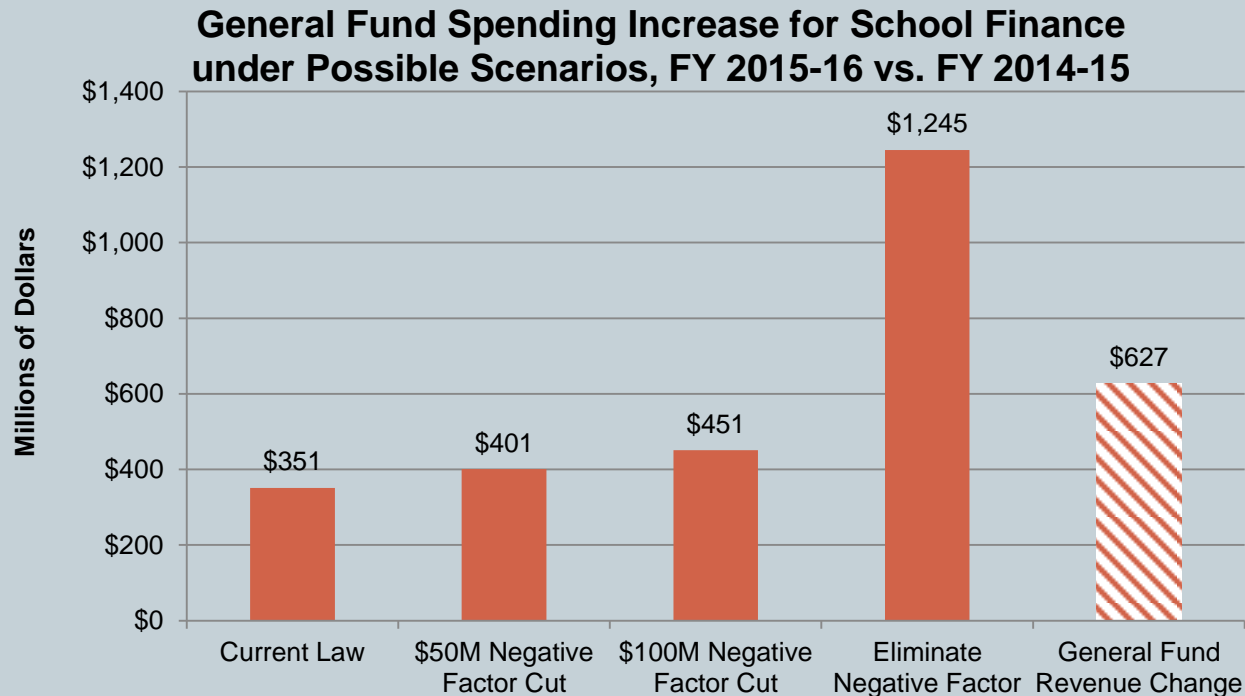
Assuming the State Education Fund balance at the end of FY 2015-16 is \$400 million, the legislature could choose any number of school finance funding options in FY 2015-16, ranging from:

1. Current law: Negative factor cannot exceed \$894 million in FY 2015-16; per pupil funding increases to \$7,263
2. Reduce negative factor by \$50 million (\$844 million in FY 2015-16); per pupil funding increases to \$7,321
3. Reduce negative factor by \$100 million (\$794 million in FY 2014-15); per pupil funding increases to \$7,379
4. Eliminate the negative factor in FY 2015-16; per pupil funding increases to \$8,308





# Possible School Finance Funding Options in FY 2015-16



Maintaining a constant negative factor in FY 2015-16 would require \$351 million additional General Fund, representing roughly **56% of the anticipated General Fund growth** in FY 2015-16, based on Legislative Council Staff September 2014 Revenue Forecast. Any reduction to the negative factor would require additional General Fund.

