

2022

Colorado K-12 Funding  
School Finance Refresher

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**COLORADO SCHOOL FINANCE PROJECT**

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**Support Children - Support The Future**

## Colorado School Finance Project

**Mission:** To compile, collect and distribute research-based, non-partisan information and data on topics related to school finance for state and local policymakers.

The CSFP changed to a formal entity in 2014. We are a non-profit, Colorado-based company. The CSFP was originally created in 1995, following the passage of the 1994 School Finance Act.

Our website, [www.cosfp.org](http://www.cosfp.org), contains a wealth of current and historical information on school finance with topics ranging from national funding comparisons to Colorado's legislative history on school finance.

Our sincere thanks to the many school districts and organizations (CASE, CASB, CEA, Colorado BOCES, DBO, AFT, and Rural School Alliance) who financially support our work. The CSFP could not do our work without their support.

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# Who are Colorado's Students?

## Colorado Membership 2021-22: 886,517 students

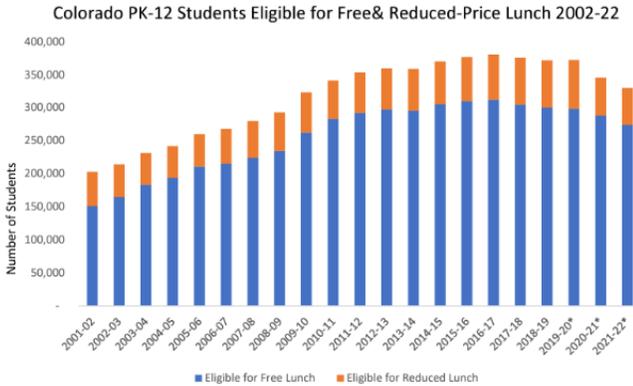
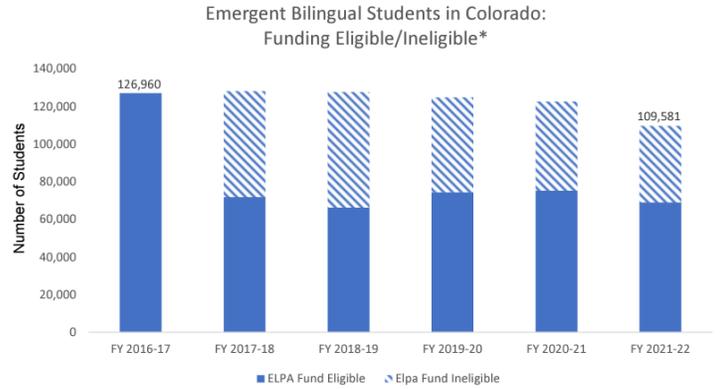


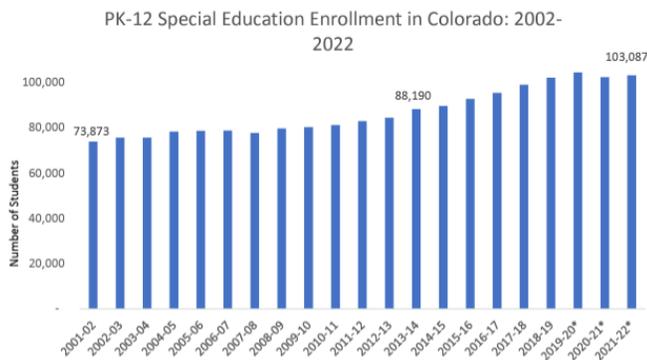
Chart: Colorado School Finance Project \*Budget Stabilization (Negative) Factor and COVID-19 year

**Free and Reduced Lunch students – 329,600 students, 37.2%**



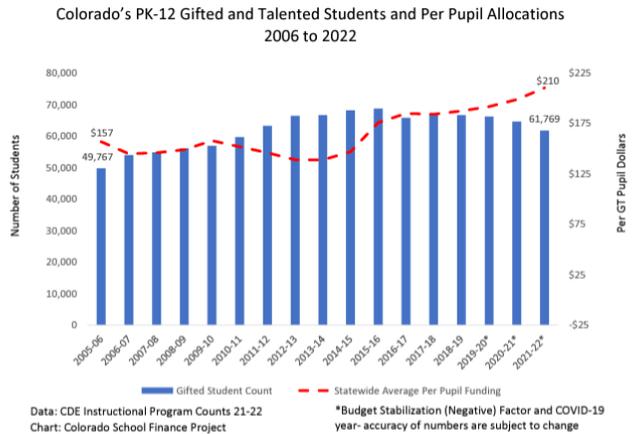
\*Colorado only funds students in their first 5 years

**English Language Learners (Emergent Bilingual) students- 109,581 students, 12.3%**



Data: CDE Instructional Program Counts 21-22 Chart: Colorado School Finance Project \*Budget Stabilization (Negative) Factor and COVID-19 year- accuracy of numbers are subject to change

**Special Education students- 105,399 students, 12%**



Data: CDE Instructional Program Counts 21-22 Chart: Colorado School Finance Project \*Budget Stabilization (Negative) Factor and COVID-19 year- accuracy of numbers are subject to change

**Gifted and Talented students – 62,552 students, 7.0%**

All charts can be found at [cosfp.org](https://cosfp.org) > Student & Funding Trends > Student Population Trends

**CSFP Briefing Document:  
What is the Timing for School Finance?  
Are Adjustments Made Throughout the Year?**

The timing of the legislatures work on school finance and district decisions for their budget are not in sync with each other.

## **Legislature**

January to early May: The legislature convenes in January and begins work on School Finance in March or April for the upcoming school year. (i.e., January – May 2022 convening, determining funding for 2022-23 school year.)

To determine funding for the upcoming 2022-23 school year the legislature uses estimates. Once actual numbers are available and state forecasts are updated, the legislature may adjust funding to districts in January.

- I. An **estimated enrollment count** (from May 2022) is used until CDE audits the October Membership Count
- II. in December 2022.
- III. An **estimated local share** (local property taxes and specific ownership tax) is used until the final mill levy certification, which is determined in December 2022.
- IV. In **January 2023, via the Supplemental Process, the legislature adjusts allocations to school district funding.** The desired outcome is to increase revenue to reflect enrollment changes and local property tax collections. When **the state does not make up what might be needed in additional revenue, it is then taken back from a school district in the form of a mid-year rescission.**

## **School Districts**

Finance decisions for the upcoming school year are decided **prior** to finalizing the school finance act. School districts must register students, hire staff, and determine class offerings by March of 2023. Districts must adopt the upcoming fiscal years' budget by the end of June 2023.

## Sample District Budget Development Calendar for 2023-24 School

*Italics = State Level*

<p><b>July 2022</b> New Fiscal Year Begins</p>	<p><b>August 2022</b> <b>District:</b> Plan budget calendar for 2022-23. <b>BOE:</b> Long-range budget forecast discussions with BOE. Decision due for Mill or Bond election. District: Receive preliminary assessed valuation</p>	<p><b>September 2022</b> <b>State:</b> 2022-23 Revenue Forecast <b>BOE</b> receives quarterly financials</p>
<p><b>October 2022</b> October Student Count (10-day window)</p>	<p><b>November 2022</b> <b>State:</b> Governor’s Budget (2023-2024) <b>District:</b> Mill or Bond election, Odd years: School board election</p>	<p><b>December 2022</b> <b>State:</b> 2022-23 Revenue Forecast. CDE releases student Membership Count. <b>District:</b> Receive final assessed valuation from county assessor. <b>BOE:</b> Certify mill levies property tax collection figures to county commissioner. <b>BOE:</b> Revised 2022-23 Budget Approved &amp; Quarterly financials</p>
<p><b>January 2023</b> <b>Legislature:</b> Session Begins. Supplemental Process.</p>	<p><b>February 2023</b> <i>Consumer Price Index (CPI) Forecast</i> <b>Legislature:</b> Preliminary indication of school finance <b>BOE:</b> receives budget update</p>	<p><b>March 2023</b> <b>State:</b> 2023-24 Revenue Forecast <b>BOE</b> receives quarterly financials <b>BOE:</b> Approve funded Capital projects</p>
<p><b>April 2023</b> <b>District/BOE:</b> Begin staffing decisions for 2023-24</p>	<p><b>May 2023</b> <b>Legislature:</b> Finalize School Finance Act. Session ends. <b>District/BOE:</b> Staffing decisions, preliminary budget must be presented</p>	<p><b>June 2023</b> <b>State:</b> 2023-24 Revenue Forecast <b>BOE</b> receives quarterly financials <b>BOE:</b> Adoption of 2023-24 budget</p>

## School Boards Fiduciary Responsibilities

As a school board you are responsible for the following:

- Adopting a budget\*
- Maintaining a fund balance
- Hiring an auditor\*
- Having an audit completed\*
- Quarterly financial reporting
- Financial transparency\*
- Decision around taxing authority, like mill levies for total program, bonds, overrides\*
- Certifying mill levies\*

*Things to think about:*

**What is your school district's process and procedures for your budget and your audit? Items for consideration:**

Do you have a financial advisory committee?

- Process:
  1. Preliminary Budget
  2. Proposed Budget
  3. Adopted Budget
  4. Mid-Year Adjustments made to Budget
- Budgeting is a public process and can take time to gather input from all stakeholders

Do you have an audit committee?

- Audits are required by law
- Audits are looking to prevent fraud
- Must be an independent contractor
- The auditor works for the Board
- District is responsible for preparing financials and management to speak with the auditors
- Auditors render an opinion based on district information

Indicators of Financial and Fiscal Health

- Asset sufficiency ratio
- Debt burden ratio
- Operating reserve ratio
- Change in fund balance ratio
- Understanding fund balance
- Understanding Balance Sheet

\* Required for school boards

## School Boards Fiduciary Responsibilities

### Bonds or Certificates of Participation (COPs)

- Bond Capacity
  - o 25% assessed valuation
  - o Ask voters for in November elections
  - o Need for BEST match
- COPs:
  - o Lease instead of own
  - o Do not need voter approval
  - o Repayment is made from the general fund
  - o Can be controversial

### Cost drivers in school districts:

- Student enrollment- growing, slowing, stable, student needs
- Teachers pay
- Transportation
- Infrastructure maintenance

### Revenue sources for school districts:

- Local property tax and specific ownership tax – 1<sup>st</sup> dollars in
- State backfills difference to reach legislative School Finance Act (income tax and sales tax)
- Categoricals – state dollars that fund:
  - o Special education, students learning English, Gifted & Talented, transportation, Career & Technical Education
  - o Federal dollars – 6%
- Local mill levy override dollars – vary by district
- One-time dollars or grants

### Mill Levies

- Dollars raised locally by property taxes
- Local property taxes go toward dollars needed for school finance
- Mill levies may be used for additional dollars called “override” – outside the formula and voter approved
- Mill levies may be used for bonds to build or repair schools- voter approved
- Some districts are impacted by mill levy correction – increasing 1 mill per year till target level has been met

## CSFP Briefing Document: How are Colorado School Districts Funded?

School districts are funded by a combination of sources defined in the School Finance Act.

**The formula for total program funding is defined by the legislature in the School Finance Act.** Local revenue + State revenue = Total Program Funding for a district.

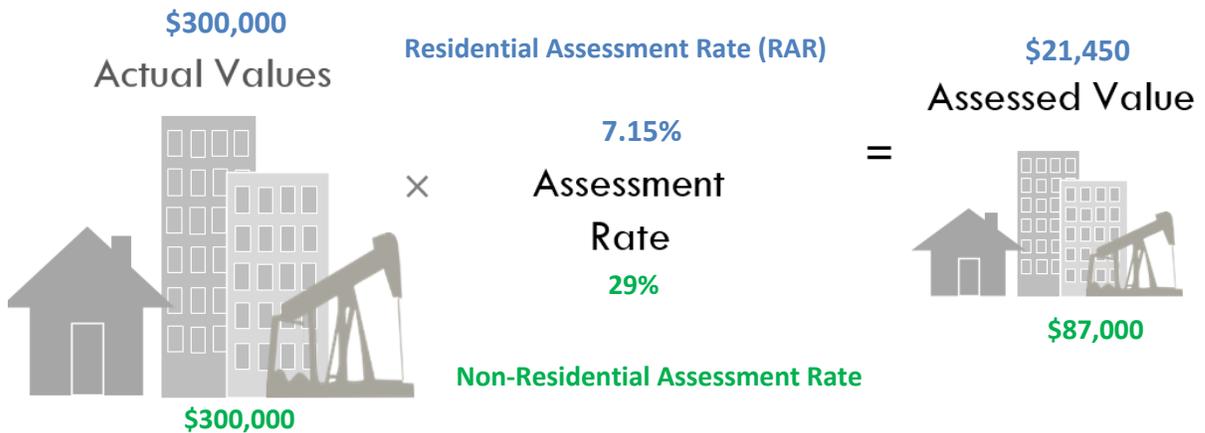
### 1. How are the local and state revenues determined?

- a. **Local revenue is determined first:** Generated by local property taxes and specific ownership tax.
  - b. **Next, Local revenue is subtracted from the amount designated in the School Finance Act.**
  - c. **The result is the State revenue portion.** (State revenue comes from sales and income tax.)
2. **The formula also calculates the “Budget Stabilization/Negative Factor” and an amount is deducted from the State’s portion of funding for each school district.** The impact varies by school district as the calculation is on the statewide average, not calculated for each school district. Otherwise, there would be 178 school finance formulas.

### Additional revenue streams to districts:

- **Federal Funds:** flow to districts that are tied to certain programs or students.
- **State funds:** “Categorical” dollars for special education, English language learners, gifted and talented, Career and Technical education, transportation, and small attendance centers. (Source: Sales and Income Tax collected by state)
- **Local override dollars:** Voter approved increases in local tax dollars for local programs and priorities. These dollars are outside the mills raised for the school finance act. December 2021 was the first year of implementation of mill levy correction and districts removing 1 tax credit a year until fully funded locally, at 27 mills, or at a district’s “re-set” mills based on when they went to voters to “de-bruce” or “de-Tabor”.
- **Grants:** Typically for a specific purpose and for a particular length of time.
- **Bond Dollars:** Voter approved increases primarily approved for capital construction. Bond dollars cannot be used for general operations in a district.

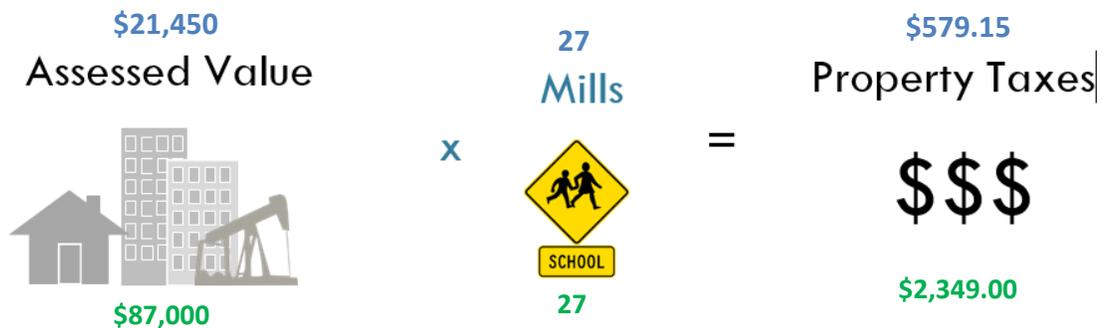
## Local Revenue: Understanding the Mill Levy



- *Assessed Value Per Pupil* measures a district’s property tax base on a per pupil basis – and determines how much a given mill levy will generate per pupil.

The *Mill Levy* is the tax rate.

- A mill is equal to 1 / 1000, so each mill generates one dollar per \$1,000 of assessed value.

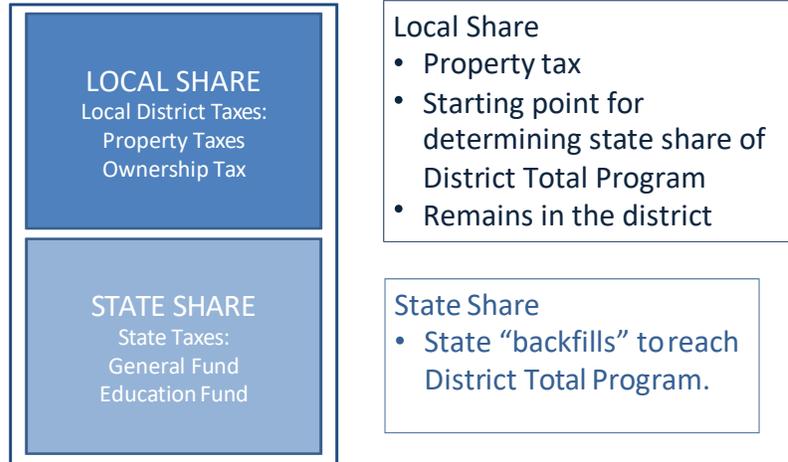


Source: Legislative Council Staff presentation 9.17.21

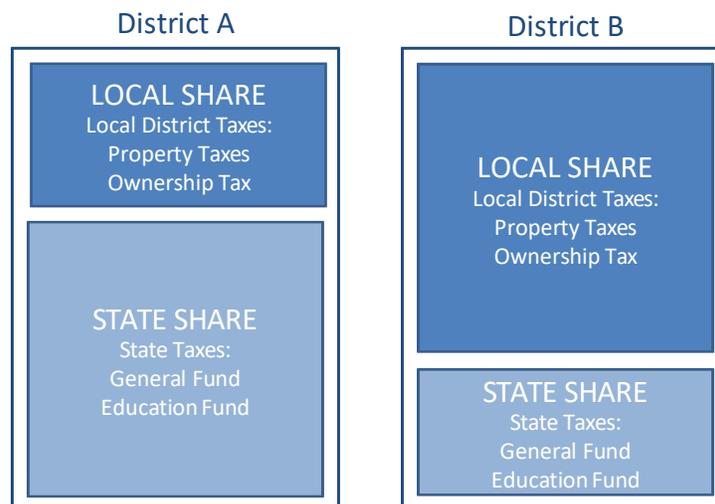
**STATE BACKFILLS THE DIFFERENCE BETWEEN  
LOCAL REVENUES AND DISTRICT TOTAL PROGRAM AMOUNT SET IN SCHOOL FINANCE ACT**

## Revenue Inside the School Finance Act

Local Share – District Total Program = State Share



## State & Local Share Varies (by design)



## CSFP Briefing Document: Colorado's Constitutional Impacts from: Gallagher, TABOR, Amendment 23 and the Negative/Budget Stabilization Factor

The ***Gallagher Amendment*** was referred to the ballot by the legislature and passed by voters in 1982 to control for residential and commercial fluctuations in property tax support for local governments. It created a formula that could fluctuate mill levies up and down but assured a consistent local contribution and adjust for economic changes in residential and commercial growth patterns. **In 2020, voters removed this amendment from the state constitution and placed in statute. The residential assessment rate dropped in 2022 and 2023 to 6.95% and the non-residential rate will remain at 29%.**

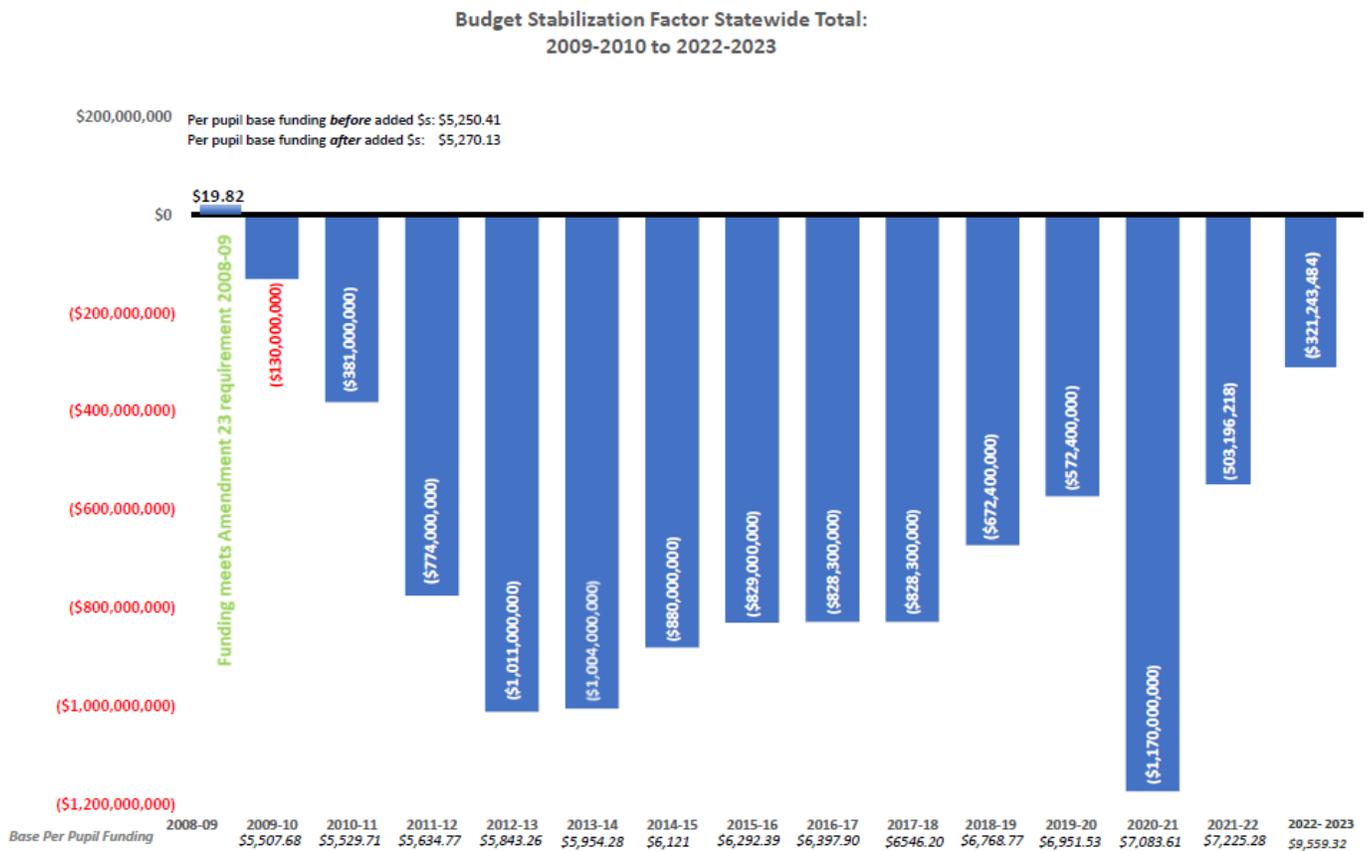
The ***TABOR Amendment, or Article 10 Section 20 of Colorado's Constitution***, was passed by the voters of Colorado in 1992. Article 10 Section 20 added numerous changes and limits to Colorado's constitution:

- o **Operations of state and local governments:**
  - no taxing authority by elected officials
  - both a revenue and a spending cap for state and local governments.
- o **Election process:**
  - mandates all revenue increases be voted
  - defines when and in what year elections can be held
  - requires specific language terminology that must be used when asking voters to raise revenue.
- o **Situations not contemplated:**
  - Adjustments in revenue and spending limits to state and local budgets when there is a change in tax collections or a change in the economy
  - Impact of Gallagher to state and local government budgets in conjunction with Article 10 Section 20.
- o **Between 1966 and 1990 there were 7 attempts to pass a tax limitation initiative** before the TABOR amendment passed in 1992.
- ***Referendum C* (referred by the legislature) - passed by voters in 2005 to address the revenue limit in Article 10 Section 20.** A time-out was granted and the ratchet effect in Article 10 Section 20 was removed. This gave temporary relief to the state's budget.
- **In 2019, the Colorado Supreme Court ruled that the complete repeal of TABOR is possible as a single-subject ballot initiative.** This means that an initiative could be placed on the ballot. If voter approval is obtained the provision could be repealed ([Click here](#) to read full opinion.)
- **In 2020, voters approved a measure that requires voter approval of new enterprises (fees) if the revenue will be greater than \$50 million within the first five years.**
- **In 2021, the TABOR surplus enough to fund all three refund mechanisms, including the following two which are administered by the Department of Revenue.** All 2021 taxpayers will receive income tax rate reduction, from 4.55% to 4.50%.
- **In 2022, Governor Jared Polis signed [Senate Bill 22-233](#) giving 2021 taxpayers refund payments of \$750 to each qualified individual (\$1,500 for individuals who filed jointly).**
- **Based on the June 2022 Economic and Revenue Forecast, the estimated rebate amount for the 2022-2023 year is \$750 an individual \$1500 filing jointly.**
- ***Amendment 23* was a citizen's initiative approved by the voters in 2000.** It was designed to increase funding in Colorado after years of decline from the late 1980s through the 1990s. Amendment 23 was not a tax increase, was a diversion of state income tax to be used for education. Amendment 23:
  - o Required the statewide base and total funding for categorical programs increase by at least the rate of inflation. (For the first 10 years funding increased by the rate of inflation plus 1% to return funding to

- 1988 levels.)
  - Categoricals are outside the school finance formula – consisting of special education, Emerging Bilinguals, Gifted and Talented, small attendance centers, transportation, and career and technical education.
- Created the State Education Fund – diverting 1/3 of 1% of income tax to the State Education Fund. This revenue is exempt from TABOR limitations.

In 2009, the Legislature created the **“Budget Stabilization Factor”** as a mechanism in the school finance act to reduce Amendment 23’s requirement of annual inflationary increases to per pupil funding. In 2010, the Legislature renamed the Budget Stabilization Factor to the **“Negative Factor”**. Then in 2017, the Legislature renamed the Negative Factor to the **“Budget Stabilization Factor.”**

- This **Factor takes money away** from per pupil funding.
- The 2015 Dwyer ruling of the **Supreme Court determined that this is legal** and that the voters in 2000 allowed for the legislature to reduce funding.
- Between **2009 and 2023 the Negative / Budget Stabilization Factor has resulted in over \$10 billion in lost revenue to K-12**. The Budget Stabilization Factor has now been in place for 14 fiscal years.



CSFP’s district by district report of “Fourteen Years of Colorado’s K-12 School Funding Cuts 2009-2023” is available on our Budget Stabilization/Negative Factor page: [cosfp.org](http://cosfp.org) > School Finance > Budget Stabilization / Negative Factor

# What are the Elements in School Finance?



**Base Funding –  
what does the  
base represent?**



**What are  
adjustments or  
weights for  
students?**



**What are  
adjustments or  
weights for  
school districts?**



**What isn't  
included in the  
formula  
currently?**

**Base Funding – The starting point annually for every school districts funding through the formula. This amount is the same for every district.**

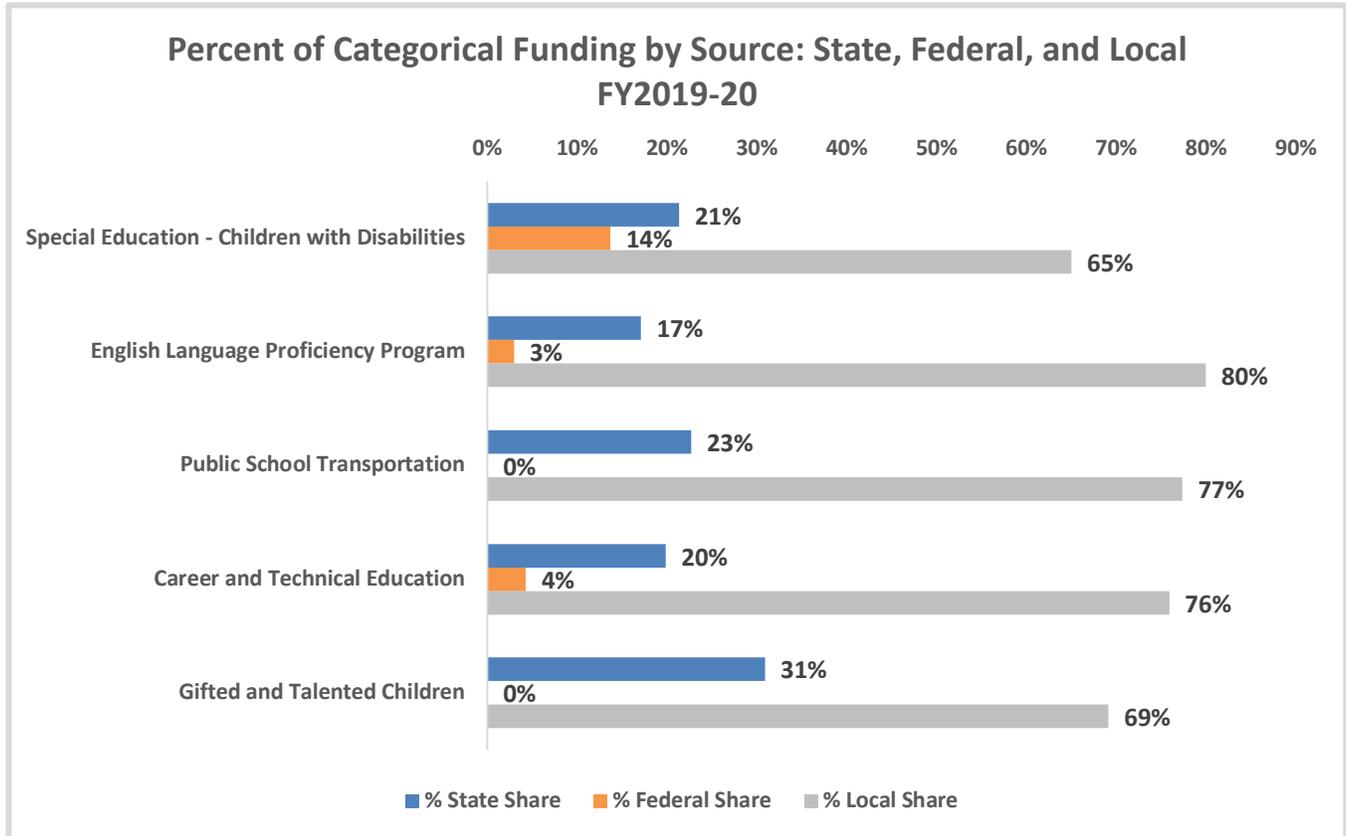
**Adjustment/Weights/Factors – items that are adjusted for in the formula that are different for every district – At-risk, English Learners, District Size, Personnel Cost, Cost of Living**

**What is funded outside the formula for every school district? It is called “Categoricals” These are dollars for Special Education, English Learners, Gifted and Talented, Transportation, and Career and Technical.**

**None of these additional funds cover the costs of these services.**

## Categorical Funding

*Vision: Every Colorado student has access to an adequate & equitable public-school education.*



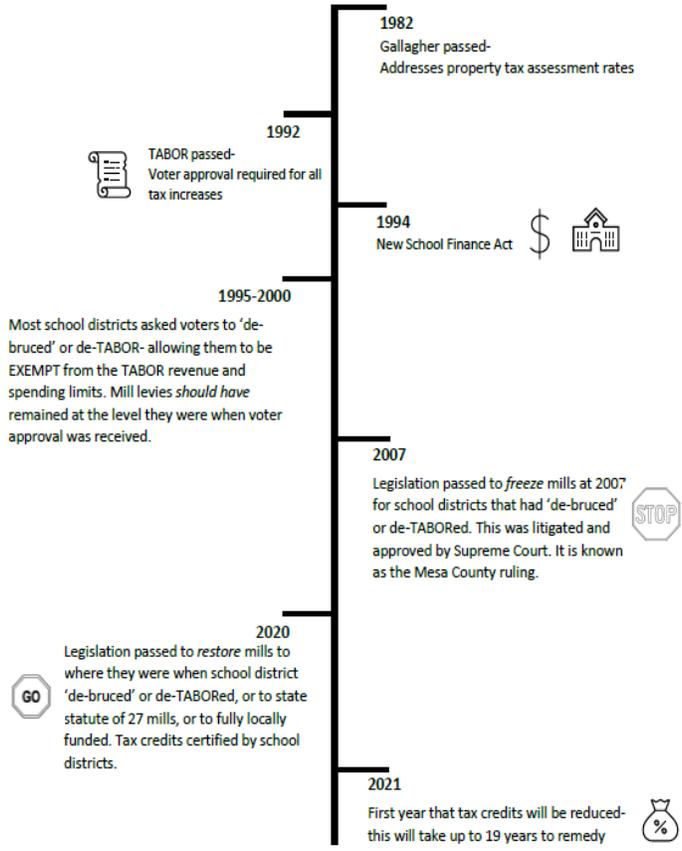
Data Source: CDE FY20 Categoricals workbook

### Federal and State Categorical Funding:

- 35% of special education costs
- 20% of English learner costs
- 31% of gifted and talented costs (no federal funding)
- 24% of Career and Technical Education costs
- 23% of public-school transportation costs (no federal funding)

# Understanding Recent and Proposed MILL LEVY Changes

## *Mill Levy Correction*



Beginning in the late 1990s, school districts in Colorado, based on an interpretation of statute by CDE, began collecting less local property tax for education than their voters had authorized.

**Mill Levy Correction is a legislative and legal directive to fix this under collection of local property taxes for education.**

Beginning in December 2021 tax credits will be reduced by 1 mill a year if your school district is NOT currently at 27 mills or is NOT fully funded. The tax credit reductions will continue until a district reaches one of the following:

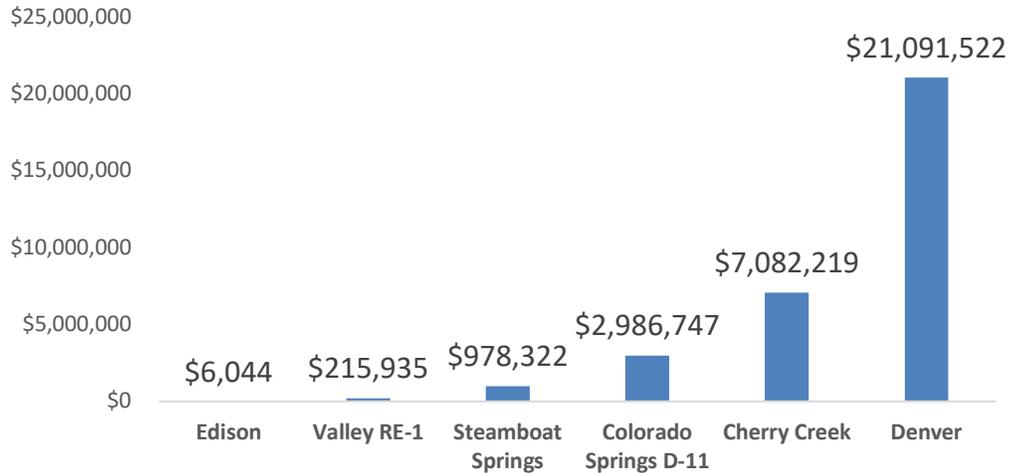
- 27 mills
- Reaches the mill at the "reset" rate
- Can fully fund locally

## *Proposed Mill Levy Changes for 2021-22*

An Interim Committee on School Finance working group looked at override mills of school districts. The proposal is that the state would look at school districts' assessed valuation per pupil and the community's median income level and then provide some matching dollars on a sliding scale to help school district reach 25% total program funding.

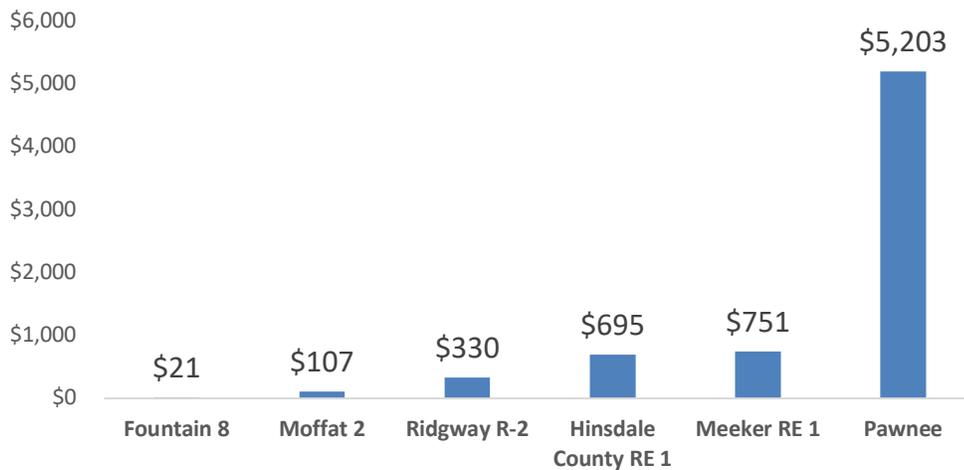
## School Districts Have No Control Over What One Mill

### Amount Raised per Mill 2020-21



- The variation in how much 1 mill raises is from \$6,044 to \$21,091,522.
- The average dollars raised by 1 mill is \$742,840. The median dollar amount is \$108,717.

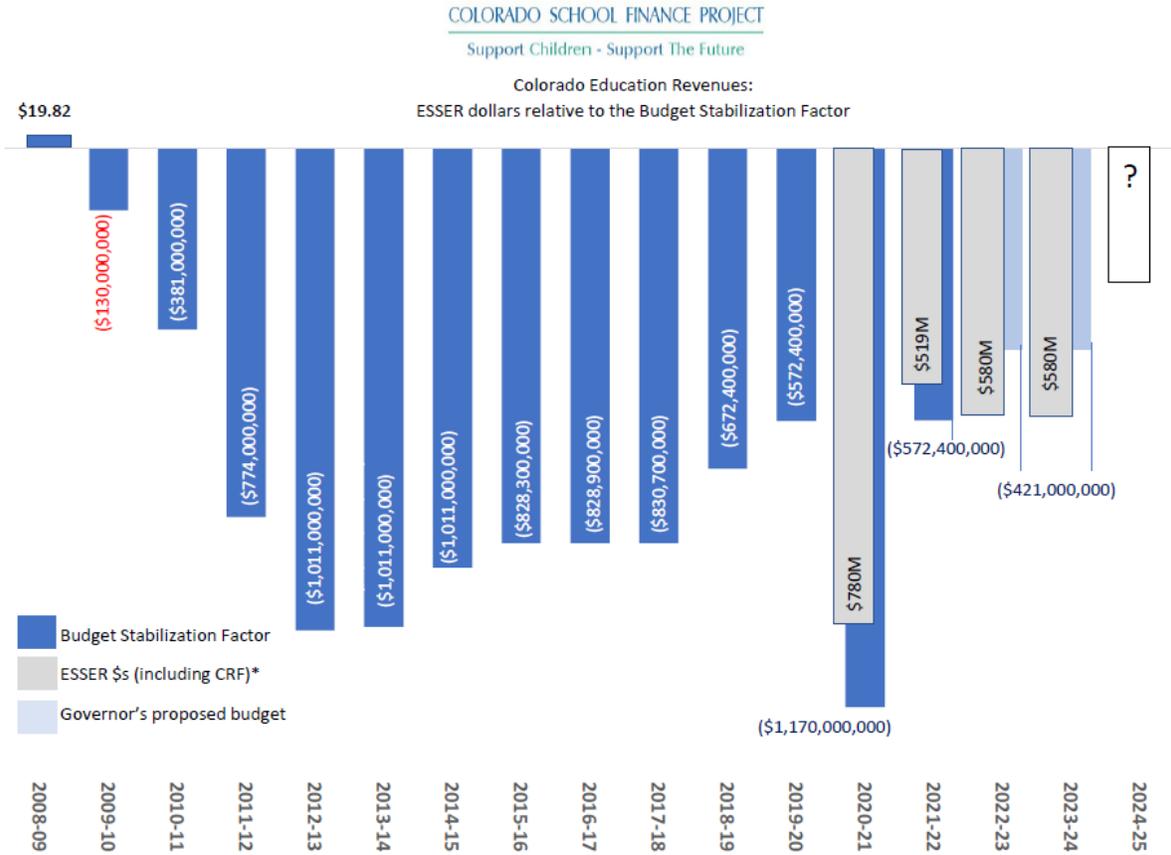
### Amount Raised per Mill per Pupil 2020-21



- One mill per student raises a between \$21 to more than \$5,200.
- Average dollars per student raised by 1 mill is about \$290. The median \$153

## Federal Funds: COVID-19 Assistance

Beginning in 2020, the Federal Government provided additional dollars to support school districts and students during the pandemic. These dollars were distributed in three waves. The first wave, Coronavirus Relief Funds and ESSER I dollars were meant to address the immediate crisis and help with personal protective equipment, cleaning supplies, and other necessities like increasing technology access. The second wave was meant to help schools maintain student learning and provide stability in opportunities. The third wave of funding allows schools the most flexibility and encourages school districts to address learning loss and be innovative with new approaches and supports for students and families. It is important to note that these are all one-time dollars, they have restricted uses, and all the money must be spent by 2024.



\*ESSER \$s are one-time, cannot be used as replacement \$s, have restricted uses and must be spent by CRF/ESSER I (\$780M) -2022, ESSER II (\$519M)-2023, ESSER III (\$1.16B)- 2024

? shows that dollars in 2024-25 are unknown

[www.cosfp.org](http://www.cosfp.org)

Contact us with any questions