Colorado School Funding
CASB New Board Member orientation
December 5, 2019
Colorado School Finance Project (CSFP)

Who are we? What do we do?

- Non-profit, non-partisan
- Supported by school district contributions
- School finance analysis for local and state policy makers since 1995

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

- Who are Colorado’s students?
- School Board governance in Colorado - responsibilities
- Budgets and timelines
- Revenue Sources
- Statewide issues – the impact for your district
Colorado’s PK-12 students as it interacts with the state budget

- 2018-19: Over 911,000 students
- Growth is slowing
- Student need continues to grow
- Local share growing because of increased residential assessed values – supplemental process
Student need has changed
Requires more services- this costs more $ 

Students of poverty are 43.3% of population
- Approximately $.30 of every $1.00 is state funded

Students learning English are 14.8% of population
- Approximately $.20 of every $1.00 is state funded

Students with special needs are 11.2% of population
- Approximately $.30 of every $1.00 is state funded

Gifted students are 7.7% of population
- Approximately $.15 of every $1.00 is state funded
At-risk Students

Colorado Percent PK-12 Students Qualifying for Free or Reduced Lunch
2003-04 to 2018-19

2018-19: Over 371,000 (41%) of Colorado's PK-12 students qualified for Free or Reduced Lunch.

Colorado's School Finance Act funds Free Lunch students, but not Reduced Lunch Students.

Data: CDE PK-12 Free & Reduced Lunch Eligibility
Chart: Colorado School Finance Project

*2016-17: K-12 count
Over 125,000 students are ELL
English Language Proficiency Act provide maximum of FIVE years of funding
Pre-K not eligible for $
235 languages spoken across state
Gifted Education

Colorado Gifted Education Students 2005-06 to 2018-19
2018-19: About 7.3% of students.

GT Average Per Pupil Administrative Unit Funding

Data: CDE
Chart: Colorado School Finance Project
* Years of Budget Stabilization (Negative) Factor / Rescission

12/05/2019
In order for Colorado to become a state they needed an education clause in the constitution.

This defined that local school districts would have certain responsibilities:
- Budgets/Audits
- Hiring and salary at district level
- Configuration of your education system
- Curriculum/Graduation requirements
- Board had taxing authority
- Board hires superintendent and auditor
- Thorough and uniform system
School Boards fiduciary responsibility

- Budget
- Fund Balance
- Audit’s
- Auditor hiring
- Quarterly financials
- Financial transparency
- Taxing Authority – mill levies for total program, bonds, overrides

12/05/2019
Budget Process

- Do you have a financial advisory committee?
  - Prelim Budget
  - Proposed Budget
  - Adopted Budget
  - Mid Year Adjustment

- Entire process is public, takes time for input from all your stakeholders.
• Do you have an audit committee?
• Audits required by law
• Must be independent contractor
• Auditors work for Board
• District prepares financials and management discussion for auditors
• Auditor renders an opinion- if fair presentation of materials by district
• Looks for fraud during audit
Financial and Fiscal Health Indicators

- Asset sufficiency ratio
- Debt burden ratio
- Operating reserve ratio
- Change in fund balance ratio
- Understanding fund balance
- Understanding Balance Sheet
Bonds or COP’s (Certificates of Participation)

- Bond Capacity:
  - 25% assessed valuation
  - Elections November
  - BEST

- COP’s:
  - Lease instead of own
  - Doesn’t need voter approval
  - Repayment from general fund
  - Can be controversial
Budget Forecast

Enrollment?  Inflation?  Residential Assessment Rate (RAR) changes?  What is the caseload growth?  Who else is competing for dollars?
District Budget Process: begins in fall of year for the next fiscal year beginning on July 1.

Department (CDE) hearings for budget requests – State Process

Legislature convenes in January – School districts are ½ way through their fiscal year.

School districts begin budget process for next year and determine hiring - prior to the end of the legislative session.

Creates potential problems for school districts with last minute legislative decisions.

12/05/2019
What are the revenue sources for school districts?

• Local property tax and specific ownership tax – 1st 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

• Federal dollars – 6%

• Local override dollars – vary by district

• One-time dollars or grants
Example of how mill levies impact varies

How are mills calculated?

Actual Value of Home = $200,000

Residential Assessment Rate (RAR) = 7.15%

Home value x RAR =

Total Assessed Value = $14,300

Total Assessed value x mill levy = taxes paid (mill levies vary by district)

12/05/2019

$386.10

$357.50

$28.60
State & Local Share Varies (by design)

District A

LOCAL SHARE
Local District Taxes:
Property Taxes
Ownership Tax

STATE SHARE
State Taxes:
General Fund
Education Fund

District B

LOCAL SHARE
Local District Taxes:
Property Taxes
Ownership Tax

STATE SHARE
State Taxes:
General Fund
Education Fund
Mill Levies

- Are dollars raised locally by property taxes
- Local property taxes go toward dollars needed for school finance
- Mill levies may be additional dollars called “override” – outside the formula- voter approved
- Mill levies may be for bonds to build or repair schools- voter approved

12/05/2019
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?**
- **What might be included in a formula?**
  - Preschool?
  - Students with special need characteristics?
Current School Finance Act in Colorado

Total Program Funding:

Pupil Count x Per-Pupil Revenue

Adjustments to Formula:

• Cost of Living/Personnel Factor
• School District Size (enrollment)
• At- Risk (Free–Lunch)
• Budget Stabilization –(reduction)
Base Funding: $6,951.53
Cost of Living Factor: 1.206
District Size Factor: 1.0297
Personnel Cost Factor: 90.50%
Non-personnel Costs: 9.50%
Subtotal: $8,492
At Risk Factor: 505
Negative Factor: -634
PPR: $8,363
Categorical Funding – outside the formula

Categorical Funding: Distributed to districts

- Special Education
- English Acquisition
- Gifted and Talented
- Transportation
- Career Tech
Decade of Cuts to PK-12 Education Budget Stabilization Factor
Proportionately reduces total funding to each school district - ongoing

<table>
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<tr>
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<tr>
<td>FY18-19</td>
<td>($1,200,000,000)</td>
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</tbody>
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What has complicated the funding issues for Colorado?

• Gallagher – 1982
  o Stabilized local property tax revenue
  o Balance between residential and non-residential

• TABOR – 1992
  o Limited revenue & spending
  o Undid balance of Gallagher
Colorado spends between $2,100 and $2,700 less than the national average.
Questions - Now

Questions Later – contact us

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