

# Colorado K-12 Funding: New Board Member Orientation

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Colorado School Finance Project  
December 3-4, 2021



COLORADO SCHOOL FINANCE PROJECT

Support Children - Support The Future

# Colorado School Finance Project

Non-profit, non-partisan- Supported by school district contributions- School finance analysis for local and state policy makers since 1995- Governed by a board comprised of national and state experts on school finance

**Our 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 Presentation

- School Board governance in Colorado- responsibilities
- Budgets and timelines
- Revenue Sources
- School Finance
- Statewide Issues – that impact your district

# School Boards in Colorado

page 4 in booklet

December 2021

- Colorado's state constitution contains an education clause. This defines the following as responsibilities for local school districts:
  - Budgets/Audits
  - Hiring and salary at district level
  - Configuration of your education system
  - Curriculum / Graduation requirements
  - Board has taxing authority
  - Board hires superintendent and auditor
  - Thorough and uniform system

# Fiduciary responsibility

pages 4-5 in booklet

December 2021

- Budget\*
- Fund Balance
- Audits\*
  - Hire auditor
- Quarterly financials
- Financial transparency\*
- Taxing authority\* – mill levies for total program, bonds, overrides

\* Boards are required to do

# Board considerations – good to discuss with Superintendent

page 4 in booklet

December 2021

- Learn about your school district's budget and audit process
  - What policies are in place?
  - Do you have a financial advisory committee or an audit committee?
  - How do you engage with your community in the budget process?
- How do you engage with District Accountability Committee?

# First 90 days: Timelines and Governance

page 2 in booklet

December 2021

- October count just finished
- Assessed value received from county by 12.10.21
- Certifying mills by 12.15.2021
- Mill Levy correction reflected in certification
- December revenue forecast
- Supplemental process in legislature – the revenue you are currently getting will be adjusted based on enrollment, at-risk students, and local share
- Budget process begin for 2021-22 year at school district and state

# State Budget Forecast\*



Enrollment?



Inflation?



Residential  
Assessment  
Rate(RAR)  
changes?



What is the  
caseload  
growth?



Who else is  
competing  
for dollars?

\*Will occur on December 17, 2021



# Process & Timing

page 2-3 in booklet



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.

# What is a mill levy? How is local share determined?

pages 6-7 in booklet

- Mill levies are dollars raised locally by property taxes (local share)
- Local property taxes go toward school finance
- Mill levies may be additional dollars called “override” (MLO)
  - Outside of the formula
  - Voter approved
- Mill levies may be for bonds to build or repair schools
  - Voter approved

# 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)

## Tax Payer impact



# How are mills calculated?

Actual Value of Non-residential=  
\$200,000

Non-residential Assessment Rate  
(RAR)= 29%

Non-residential x RAR =

Total Assessed Value= \$58,000

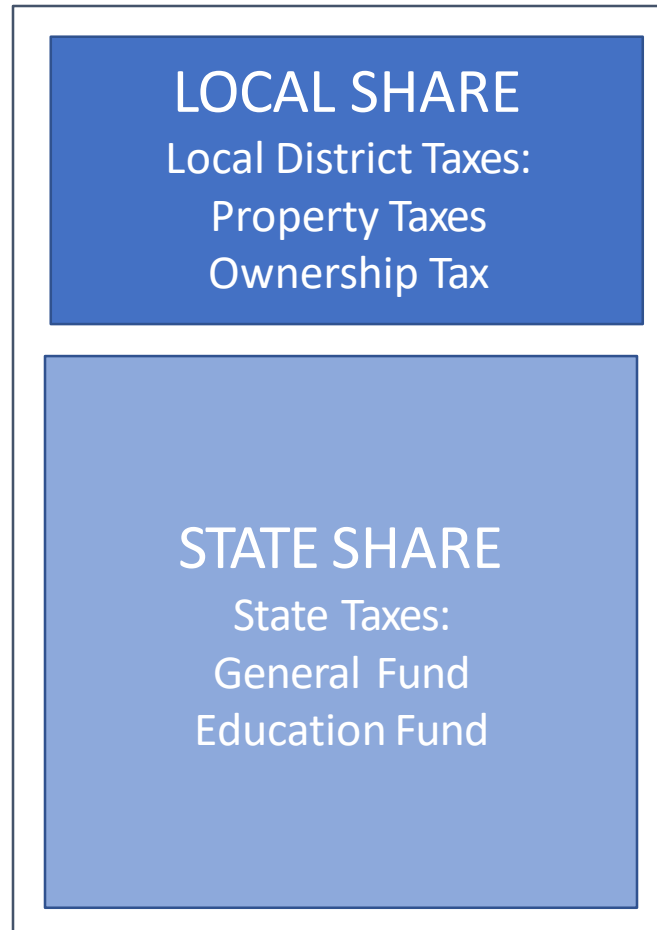
Total Assessed value x mill levy =  
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district)

## Tax Payer impact

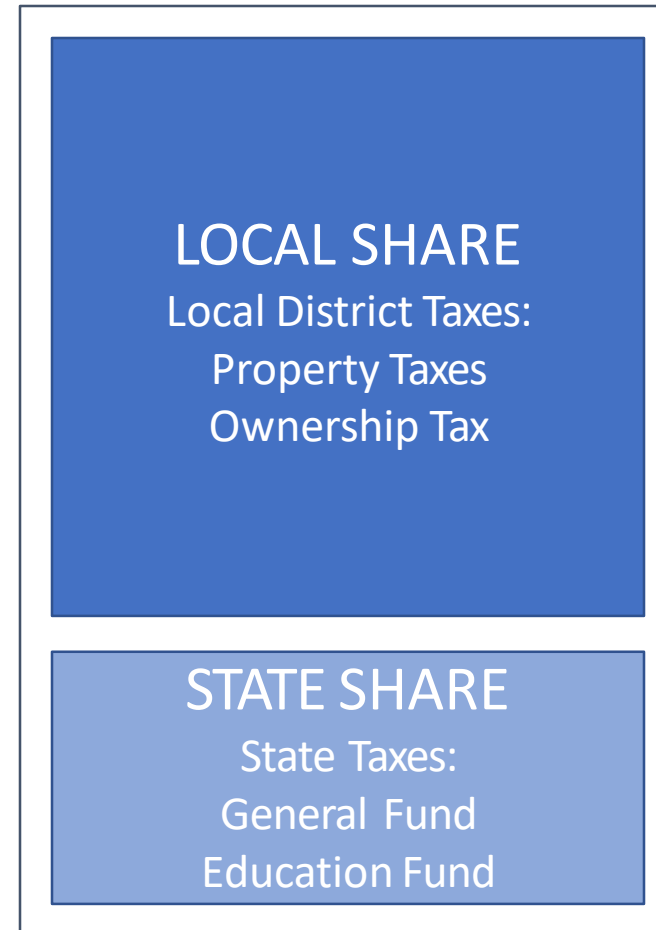


# State & Local Share Varies (by design)

District A



District B



# Mill Levy Certification by school boards

pages 2 & 13 in booklet

- Mill Levies must be certified by December 15<sup>th</sup> and reported to county.
- Certification includes – total program, override mill levies, bond and hold harmless
- Mill Levy correction-
  - 1<sup>st</sup> year of implementation
  - Most districts will be removing 1 tax credit
  - Will result in more local dollars for total program

# How Schools are funded in Colorado

page 6 in booklet

## Colorado's School Finance System 2020-21

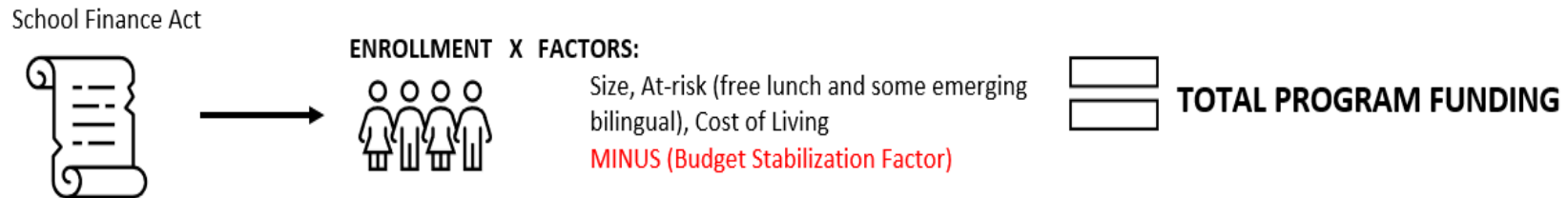
### Revenue Sources for School Finance



#### OUTSIDE THE FORMULA REVENUE:

- Federal Funds 5%-6% annually, targeted populations
- Categoricals – General Fund and State Ed Fund
- Stimulus Funds- ONE-TIME dollars with targeted uses for COVID-19

### How Revenue is Distributed to Colorado Schools



Distributes majority of \$7+ billion BASE Per-pupil Allocation (\$7083.61)

#### OUTSIDE THE FORMULA:

- Categorical Funding= \$311,871,933 Every district receives an allocation
  - o For special education, emerging bilingual, gifted and talented, career and technical education students, transportation and small attendance centers
- Grants, Local District and Individual School Fundraising, Foundation Support and Local Overrides- These VARY greatly district to district across the state and in many cases are targeted for specific programs for a limited amount of time.

# How are dollars distributed? Why do they change mid-year?

pages 2 & 6 in booklet

- Dollars are distributed through the school finance act
- Monthly distribution of revenue comes from CDE (unless total locally funded)
- The “supplemental process” begins in January, after October count and changes in local share are taken into account by the state



# Elements of School Funding

page 11 in booklet



**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?**

# Base Funding

page 11 in booklet

December 2021

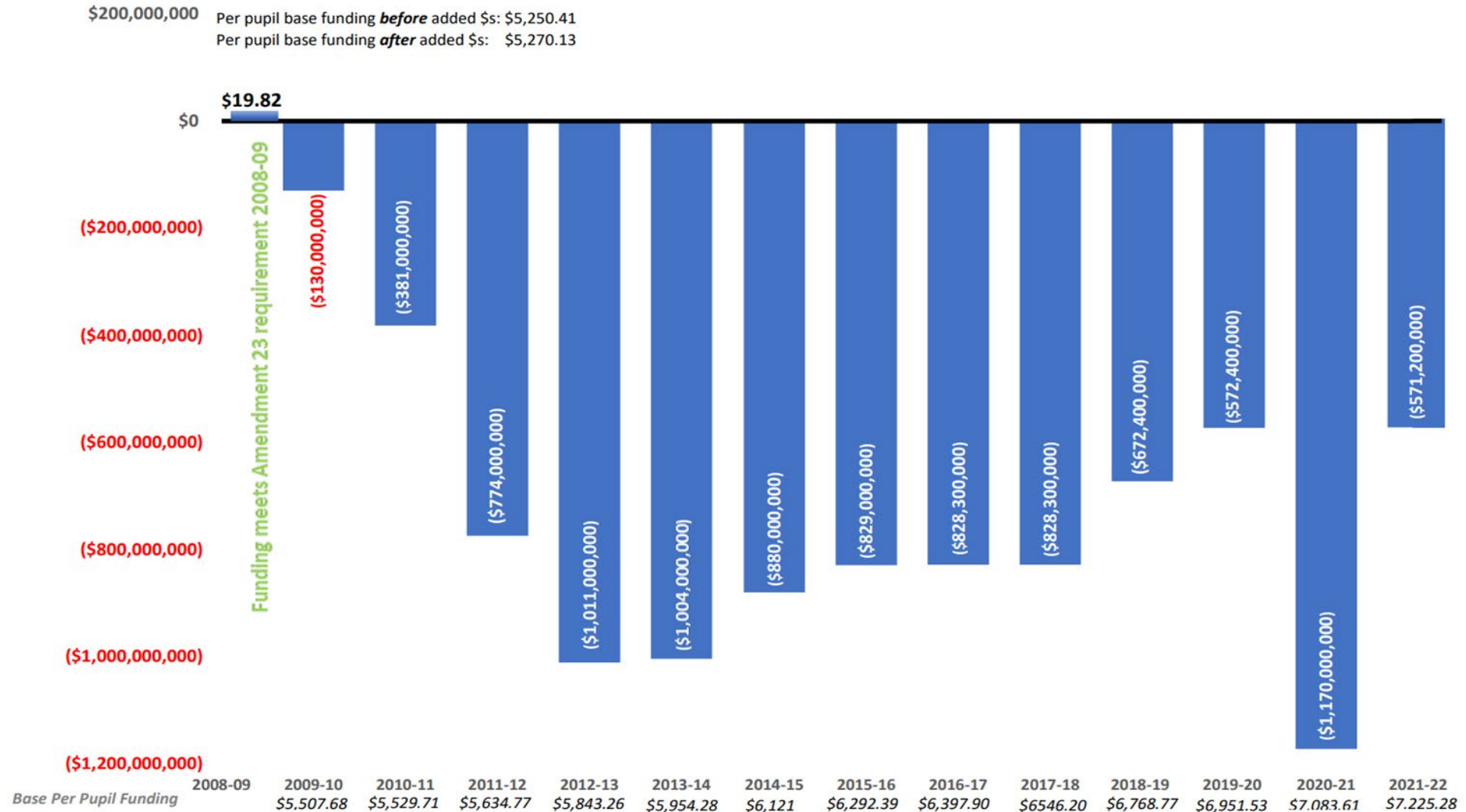
- Starting point annually for every school district
- *Should* represent what it costs to educate a student with no special needs in a district with no special circumstances
  - Colorado has **never** done this analysis, but other states have
- Colorado's base uses inflationary adjustment each year

# Adjustments, factors or weights

page 11 in booklet

- Finance formulas adjust for student AND district characteristics, or things districts have no control over
- Current formula adjusts for:
  - At-risk (student)
  - English Learners (student)
  - Size (district)
  - Cost of living (district)
  - Personnel costs (district)
  - **Budget stabilization factor (reduces amount going to school districts)**

### Budget Stabilization Factor Statewide Total 2009-10 to 2021-22



# Basic School Finance

## Per-Pupil Revenue (FY 20-21)

• <b>Base Funding</b>	<b>\$7,225.28</b>
• <b>Cost of Living Factor</b>	<b>\$1,530</b>
• <b>District Size Factor</b>	<b>\$288</b>
• <b>Personnel Cost Factor</b>	<b>90.40%</b>
• <b><u>Non-personnel Costs</u></b>	<b>9.60%</b>
<b>Subtotal</b>	<b>\$9,043.28</b>
• <b>At Risk Factor</b>	<b>\$751.00</b>
• <b><u>EL Factor</u></b>	<b><u>\$38.00</u></b>
• <b>Budget Stabilization Factor</b>	<b><u>-727.00</u></b>
<b>Per Pupil Revenue</b>	<b><u>\$9,105.28</u></b>

Student need has changed  
Requires more services-this costs more \$

Students of poverty are  
39.1% of population

- Approximately \$.30 of every \$1.00  
is state funded

Students learning English are  
12.5% of population

- Approximately \$.20 of every \$1.00 is  
state funded

Students with special needs  
are 11.6% of population

- Approximately \$.30 of every \$1.00 is  
state funded

Gifted students are 7.3% of  
population

- Approximately \$.15 of every \$1.00 is  
state funded

## What items are funded outside the formula?

page 12 in booklet

- School districts also receive categorical dollars, additional dollars for:
  - Special Education students
  - English Learners
  - Gifted and Talented students
  - Career and Tech students
  - Transportation
- School districts do not receive enough revenue to cover costs of these programs

## Facilities and Funding

- There are minimal state dollars for funding facilities.
- Building Excellent Schools Today (BEST)
  - Available for districts who have low AV wealth
  - Distributed in a grant process from the state
- Majority of funding is completely locally dependent upon community support – Bond elections



# Federal Funding

- Federal Funding are provided to school districts primarily to support-
  - Special Education students
  - English Learners
  - Food Service
- ESSER dollars for COVID related expenses
  - Began in 2020 and must be spent by 2024
  - Distributed to school districts through the Title 1 formula

pages 12 & 15 in booklet

## Other funding for school districts – not every district receives

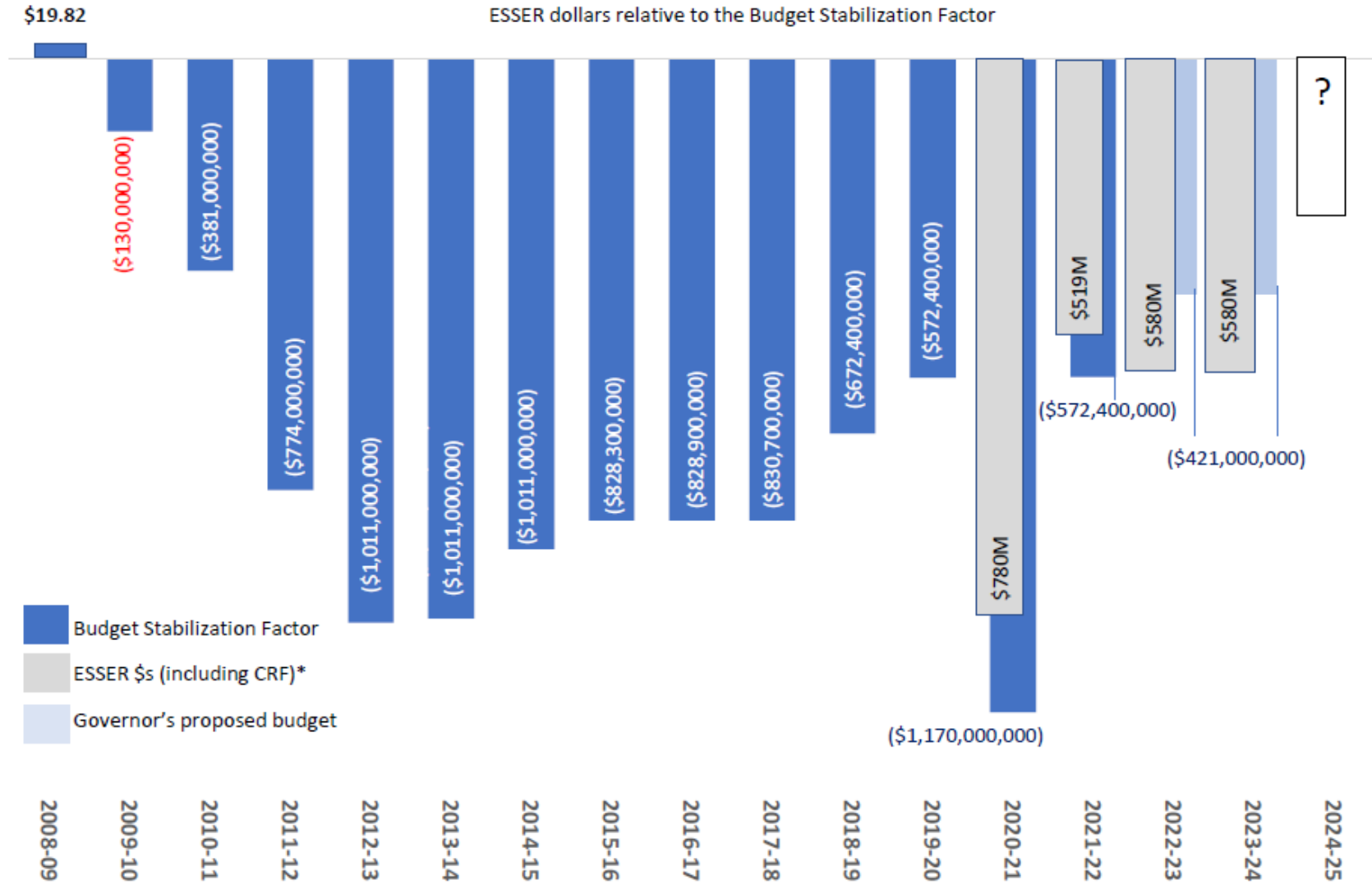
- Grants
- Local fund raising
- Override dollars – local mill levy elections – dependent upon AV wealth and community support

# Federal COVID assistance: ESSER

page 15 in booklet

- Federal assistance provided for COVID-19 pandemic
- One-time dollars with restricted uses
- ESSER I money must be spent by September 2022
- ESSER II money must be spent by September 2023
- ESSER III money must be spent by September 2024
- There is a community engagement requirement

Colorado Education Revenues:  
ESSER dollars relative to the Budget Stabilization Factor



\*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

# Issues on the Horizon

- Mill Levy Correction- implementation December 2021
- Mill Levy Support – 2022 legislation
- Universal Preschool/Early Childhood Education Department – to begin in 2023
- Definition of At-risk – 2022 legislation
- TABOR refunds – next 3 years anticipated – \$4 billion loss in general fund

# Questions & Stay Connected

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