Colorado K-12 Funding: New Board Member Orientation

Tracie Rainey, Executive Director
Colorado School Finance Project
Glenn McClain, former Superintendent
December 1-2, 2022
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
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
- Board certifies Mill Levies
• Budget*
• Fund Balance
• Audits*
  • Hire auditor
• Quarterly financials
• Financial transparency*
• Taxing authority* – mill levies for total program, bonds, overrides, mill levy correction- mill certification
Board considerations – good to discuss with Superintendent

- 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?
• October count just finished
• Assessed value received from county by 12.10.22
• Certifying mills by 12.15.2022
• 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 2022-23 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 20, 2022
Process & Timing

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?

- 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)

December 2022
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 = taxes paid (mill levies vary by district)
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 Levy Certification by school boards

- Mill Levies must be certified by December 15\(^{th}\) and reported to county.

- Certification includes – total program, override mill levies, bond and hold harmless

- Mill Levy correction-
  - 2\(^\text{nd}\) 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

Colorado’s School Finance System 2020-21

Revenue Sources for School Finance

LOCAL

Property and Ownership taxes
Approximately $3 billion

STATE

General Fund and State Ed Fund
Approximately $4 billion

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

School Finance Act

ENROLLMENT X FACTORS:
Size, At-risk (free lunch and some emerging bilingual), Cost of Living
MINUS (Budget Stabilization Factor)

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?

- 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

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?
• Starting point annually for every school district

• *Should* represent what it costs to educated 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

• 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:
2009-2010 to 2022-2023

Per pupil base funding before added Ss: $5,250.41
Per pupil base funding after added Ss: $5,170.13

Base Per Pupil Funding
2006-09 $5,507.68
2007-08 $5,529.71
2008-09 $5,534.77
2009-10 $5,943.26
2010-11 $5,395.28
2011-12 $6,121
2012-13 $6,292.39
2013-14 $5,986.29
2014-15 $6,546.20
2015-16 $6,768.77
2016-17 $6,981.53
2017-18 $7,083.61
2018-19 $7,225.28
2019-20 $9,850.12
2020-21
2021-22
2022-23
### Basic School Finance
**Per-Pupil Revenue (FY 20-21)**

<table>
<thead>
<tr>
<th>Cost Component</th>
<th>Amount</th>
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<tbody>
<tr>
<td>Base Funding</td>
<td>$7,225.28</td>
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<tr>
<td>Cost of Living Factor</td>
<td>$1,530</td>
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<td>District Size Factor</td>
<td>$288</td>
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<tr>
<td>Personnel Cost Factor</td>
<td>90.40%</td>
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<tr>
<td>Non-personnel Costs</td>
<td>9.60%</td>
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<td><strong>Subtotal</strong></td>
<td>$9,043.28</td>
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<td>At Risk Factor</td>
<td>$751.00</td>
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<tr>
<td>EL Factor</td>
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<td><strong>Budget Stabilization Factor</strong></td>
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<tr>
<td><strong>Per Pupil Revenue</strong></td>
<td>$9,105.28</td>
</tr>
</tbody>
</table>

December 2022
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

December 2022
What items are funded outside the formula?

• 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
• 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 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
What is this mean for my district?

[www.csfp.org](http://www.csfp.org) ESSER tab

- [Colorado Education Pandemic Relief Funds – Colorado School Finance Project (cosfp.org)](http://cosfp.org)
- [ESSER Communication Strategies – Colorado School Finance Project (cosfp.org)](http://cosfp.org)

- Individual Fact sheets for each district.
- These dollars are one time – deadline is ½ way point
Federal COVID assistance: ESSER

- 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

December 2022
Colorado School Finance Project
Support Children - Support The Future

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

![Bar chart showing education revenues and stabilization factors](Image)

- **Budget Stabilization Factor**
- **ESSER $s (including CRF)**
- **Governor’s proposed budget**

**Years:**
- 2009-10
- 2010-11
- 2011-12
- 2012-13
- 2013-14
- 2014-15
- 2015-16
- 2016-17
- 2017-18
- 2018-19
- 2019-20
- 2020-21
- 2021-22
- 2022-23
- 2023-24
- 2024-25

*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 ($1.168B)- 2024

? shows that dollars in 2024-25 are unknown

December 2022
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
• Mill Levy Correction- implementation December 2021 – 2nd year in Dec. 2022

• Mill Levy Match – $10 million allocated – districts will receive dollars annually if appropriated in July 2023.

• Universal Preschool/Early Childhood Education Department – to begin in fall 2023

• Definition of At-risk – 2022 legislation

• TABOR refunds – next 3 years anticipated – $5 billion loss in general fund
• Has been meeting for past 5 years:
• Has added $80 million to SPED
• Has commissioned a study by Urban Institute to change formula for at-risk to include direct certification, Medicaid, Socio-economic indicators by community. This will impact 2023-24 budget

22-23 Financing for Public Schools Summary
• How to count students? Should districts be able to have 5 year averaging?
• Rural districts – should there be other distinctions?
• Cost of Living – should dollars be removed from this factor and placed somewhere else?
Universal Pre-School, (UPK)

- New department established 2022
- Student count for UPK not part of K-12 anymore
- Current allocation of “slots” goes away
- This is a mixed delivery system that parents sign up for through new department not your district

New department established 2022
• Each district is part of a Local Community Operator (LCO) –
• Each LCO will place students based on parent request in facility for operation
• Each LCO will have an established rate that will fund the operations – for 10 to 30 hours of service a week.
• Funding will vary – students will need to qualify for additional time
Universal Preschool Program Definitions:

<table>
<thead>
<tr>
<th>Part Time</th>
<th>10 Hours of Preschool Programming</th>
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<tbody>
<tr>
<td>Half Day</td>
<td>15 Hours of Preschool Programming</td>
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<tr>
<td>Full Day</td>
<td>30 Hours of Preschool Programming</td>
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</tbody>
</table>

**Provider Rate Formula**

\[ \text{Formula for Setting Per-Child Rates} = (PKC \times PS \times PA) + (PKC \times (1 - PS) \times CL) \times LIC \times GF \times QE \times CPI \]

*for hours in between specified hours - it will be funded the lower rate*

- **PKC** - Preschool Services
- **PS** - Personal Costs
- **PA** - Region
- **CL** - Local costs of living
- **LIC** - Community’s Poverty Level
- **GF** - Geographical Factors
- **QE** - Increased quality of services
- **CPI** - Annual adjustment for inflation
### Provider Rates for LCOs

<table>
<thead>
<tr>
<th>LCO</th>
<th>2023-2024 Part-Time Rate (10h)</th>
<th>2023-2024 Half-Day Rate (15h)</th>
<th>2023-2024 Additional Hours Rate (15h)</th>
<th>2023-2024 Full-Day Rate (30h)</th>
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<tr>
<td>Arapahoe County Early Childhood Council</td>
<td>$4,742.88</td>
<td>$5,926.69</td>
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<td>$10,544.48</td>
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<td>Bright Futures</td>
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<td>Chaffee County Early Childhood Council</td>
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<td>Cheyenne, Kliwa &amp; Lincoln Counties ECC</td>
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<td>Children First Department of Pueblo Community College/ Pueblo Early Childhood Council</td>
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<td>Denver Preschool Program</td>
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<td>Eagle County School District &amp; Early Childhood Partners</td>
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<td>Early Childhood Council for Yuma, Washington and Kit Carson</td>
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<td>Early Childhood Options &amp; Summit County Government</td>
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<td>ECHO &amp; Family Center ECC</td>
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<td>Huerfano-Las Animas Counties Early Childhood Council</td>
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<td>Joint Initiatives for Youth and Families</td>
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<td>Mesa County Partnership for Children and Families &amp; Mesa County Dept of Human Services</td>
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<td>Rocky Mountain ECC &amp; Mountain Valley Development Services</td>
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<td>United Way of Weld County</td>
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</tbody>
</table>

**AVERAGE:** $4,833.63, $6,039.58, $4,606.43, $10,646.01
• Districts may decide on the number of students they can enroll
• Districts can offer more than 10 hours a week however they would like
• Staffing ratios likely to change to 12-1 up from 8-1
• The resources from this program will not cover districts costs
• There are no additional resources for facilities or transportation
Questions & Stay Connected

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