CASB Conversations: Budgeting During a State Fiscal Crisis

April 22, 2020
CASB CONVERSATIONS WEBINAR

Using Zoom today:

❖ If you are having trouble logging on, text Matt at 720.838.8279.
❖ Please discover the CHAT button on the screen, as this is where you can communicate with us.
❖ Please make sure you are muted during the webinar.
❖ Use the blue hand, located in the Participants toolbox, to raise your hand when you have a question or comment.
INTRODUCTIONS

❖ Tracie Rainey, Executive Director
   Colorado School Finance Project
❖ Diane Doney, CFO and Assistant Superintendent Littleton
   Public Schools
❖ Matt Cook, Director of Public Policy and Advocacy
   Colorado Association of School Boards
What are a school board’s fiduciary responsibilities?
SCHOOL BOARDS FIDUCIARY RESPONSIBILITIES

❖ Budget
❖ Fund balance
❖ Audits and the hiring of the auditor
❖ Quarterly financials
❖ Financial transparency
❖ Taxing authority
BUDGET FORECAST

Enrollment ?
Inflation ?
Residential Assessment Rate (RAR) changes ?
Caseload growth ?
Who else is competing for dollars?
### PROCESS AND TIMELINE

<table>
<thead>
<tr>
<th>Event</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>District Budget Process:</td>
<td>begins in fall of year for the next fiscal year beginning on July 1</td>
</tr>
<tr>
<td>Department (CDE) hearings for budget requests – State Process</td>
<td></td>
</tr>
<tr>
<td>Legislature convenes in January – School districts are ½ way through their fiscal year</td>
<td></td>
</tr>
<tr>
<td>School districts begin budget process for next year and determine hiring - <em>prior to the end of the legislative session</em></td>
<td></td>
</tr>
<tr>
<td>Creates potential problems for school districts with last minute legislative decisions</td>
<td></td>
</tr>
</tbody>
</table>
Can you speak to the reasons we are seeing a growing concern in the revenue projections that will alter the state budget and School Finance Act?
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:
  ➢ 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

* Budget Stabilization Factor was created to track the state shortfall in full funding based on the School Finance Act
Budget Stabilization Factor as a Percent: Looking at Potential Consequences in 2020-21

Per pupil base funding before added $s: $5,250.41
Per pupil base funding after added $s: $5,270.13

[Bar chart showing budget stabilization factors for each fiscal year from 2008-09 to 2020-21, with percentages and base per pupil funding details]

COLORADO SCHOOL FINANCE PROJECT
Support Children - Support The Future
What trends did we see when the last recession hit?
AT-RISK STUDENT NUMBERS INCREASED STATEWIDE

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
THERE WAS A LAG IN TIME BEFORE SCHOOLS EXPERIENCED THE WORST FINANCIAL HIT

K-12 Total Program Funding
Billions

Source: Colorado General Assembly Budget website page
How should school boards be tackling the budgeting process during this unprecedented time?
WHAT SHOULD SCHOOL BOARDS EXPECT?

❖ This year (2019-20)

❖ Next year (2020-21)

❖ The following year (2021-22)
KEY QUESTIONS TO CONSIDER IMMEDIATELY

❖ Where are we in the budgeting process?
❖ How do we adjust our process given where we are right now?
❖ How do we communicate with our community between now and budget adoption?
BEST PRACTICES WHEN COMMUNICATING THE BUDGET

❖ Start with a reminder of the strategic plan and/or priorities

❖ In order to communicate effectively, you need to provide content and context, as well as consequences for various budget decisions

❖ Reinforce that the budget from the state will likely be in flux for years as there are lasting impacts when recessions hit
OTHER THINGS TO CONSIDER

❖ Don’t use one-time CARES money to address ongoing costs

❖ Prepare multiple budget scenarios to address
  ➢ Potential reduction in state share funding (best case, worse case)
  ➢ Traditional school
  ➢ Hybrid model for schools
  ➢ Remote learning in place
How should the Coronavirus Aid, Relief and Economic Security Act (CARES) stimulus funding impact our budgeting process?
COVID-19 Federal Stimulus Bill
What's included?

- Provides a $1,200 direct payment to many Americans and $500 for each dependent child
- Expands unemployment insurance from three to four months, and provides unemployment compensation of $600 per week (in addition to what the state provides)
- $30 Billion Education Stabilization Fund
- $25 Billion Transit Funds
- $4.3 Billion Centers for Disease Control and Prevention
- $1.4 Billion National Guard deployment
- $150 Billion Coronavirus Relief Fund for governments and a $45 Billion Disaster Relief Fund for governments to protect and help citizens
CARES ACT EDUCATION FUNDING FOR COLORADO

$ 44 M  Governor’s Emergency Education Relief Fund
$121 M  Elementary and Secondary School Emergency Relief Fund
$167 M  Higher Education Emergency Relief Fund
$332 M  Total Estimated for Colorado (1.15% of the total appropriation for K-12 and High Education)

Please keep in mind these are estimates only
CARES ACT FUNDING ALLOWABLE EXPENSES

❖ Maintain operation, services and staffing levels;
❖ Coordinate preparation, prevention and response efforts related to the coronavirus with state, local and tribal health officials;
❖ Equip principals and school leaders with resources to address school-based needs;
❖ Deliver services to at-risk and minority students;
❖ Develop and implement procedures to improve school preparedness and response efforts;
❖ Train and offer professional development to staff on sanitizing and minimizing the spread of disease;
❖ Buy cleaning supplies;
❖ Plan/coordinate long-term closures, including meal provisions, technology for online learning and guidance for special education services;
❖ Buy educational technology (including hardware, software and connectivity) for online learning for students. This may include assistive technology or adaptive equipment for students with disabilities;
❖ Provide mental health services and supports; and
❖ Prepare and offer summer learning activities, including summer after-school programs and continuing services to at-risk and minority students.
When will we know more about the state budget and its impact on our schools?
### PROJECTED KEY LEGISLATIVE UPDATES

<table>
<thead>
<tr>
<th>Date</th>
<th>Event Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Apr 24</td>
<td>Anticipated receipt of federal aid to CO</td>
</tr>
<tr>
<td>Apr 27</td>
<td>Revised figure setting documents publicly available</td>
</tr>
<tr>
<td>May 4</td>
<td>JBC begins reviewing revenue scenarios and consideration of balancing options and statutory changes</td>
</tr>
<tr>
<td>May 12</td>
<td>LCS and OSPB provide updated revenue forecast</td>
</tr>
<tr>
<td>May 12</td>
<td>JBC begins final budget-balancing decisions</td>
</tr>
<tr>
<td>May 18</td>
<td>Long Bill and School Finance in the House</td>
</tr>
<tr>
<td>May 25</td>
<td>Long Bill and School Finance in the Senate</td>
</tr>
</tbody>
</table>

Source: CDE [COVID-19 Finance Q & A](https://www.cde.co.gov/COVID-19-FAQs)
Questions?
WRAP UP

What topic would you like addressed in the next CASB Conversations webinar?
RESOURCES

Visit the CASB website:
❖ Letter to the Joint Budget Committee advocating for K-12 funding [link]
❖ Initiative #271 information [link]
❖ CASB Connections Podcast: The School Board Budget Process [link]
❖ COVID resources for school boards [link]
❖ Can’t find what you need? Contact CASB at info@casb.org with your questions.

Additional Resources:
❖ CDE [COVID-19 Finance Q & A]
❖ CSFP [website]