Nuts and Bolts
Pre-CASE Conference

January 31, 2018

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Executive Director

Topics for today:

• State Revenue and Federal Changes
• Superintendents’ School Finance Bill –
  – What does is mean for my district?
• 2018 Revenue – status – how to get involved
  – Most local statewide campaign ever to be tried
Goals of the Day

• Answer questions that are helpful in understanding the Superintendents’ Modernized School Finance Bill

• Answer questions on the ballot initiative and what you may need for your communities to be engaged

December 20th Forecast

• Colorado’s economy remains strong
• Additional revenue this year
  – Many hands are out for those dollars
• Federal Tax changes = more dollars to the General Fund – once again raising concerns of TABOR Refunds sooner than anticipated
• Concerns again of RAR dropping to 6.1 in 2019-20.
Mill Levies

- Many discussions going on around mill levies at the Capitol:
  - Local Share
  - Overrides
  - Statewide mill
  - Equalization

Superintendents’ Plan

- Representative Dave Young prime sponsor
- What were the primary goals:
  - Create a student-centric formula
  - Balancing Adequacy and Equity
  - Recognizing economies of scale and district needs
  - NOT IMPLEMENTED WITHOUT ADDITIONAL REVENUE
Other Differences

• Counting of students:
  – All kindergarten students are 1 FTE if in full day program or ½ FTE if in half day program
  – Poverty factor – replaces at-risk factor – student’s in poverty are all that meet criteria of free and reduced lunch
  – ELL students are in the formula and are funded through weights adjusted for need and for smallest districts also by size – NEP are in categoricals.

Differences – cont.

– Special Education students are in the formula (Tier A and B) and are funded through weights adjusted for need and for smallest districts also by size. High cost special education are in categoricals.
– Gifted education students are in the formula and are funded through weights adjusted for need and for smallest districts also by size
Differences – cont.

• Size Adjustment is similar to current methodology
• 5-year averaging remains the same
• Current policy of 95% of minimum funding – floor funding – remains the same.
• COL is capped of being 5% of the factors

Differences - cont.

• Personnel factor remains the same
• Categoricals include
  – Personnel High cost pool special education
  – NEP students in ELL
  – Transportation
  – CTE
Differences – cont.

• Supplemental Process remains same for adjustments mid-year
• October count remains the same
• On-line calculated at .95 FTE (No factor adjustments)
• Extended High School (No factor adjustments)

Differences – cont.

• 1994 Hold Harmless remains the same
• New Hold Harmless for 7 districts to ensure that they are made “whole” – new funding is not less than current funding before budget stabilization factor.
What is currently funded to Adams 12 Five Star Schools School District under 1994 SFA:
$ 329,020,412

What should be funded under 1994 SFA:
$ 362,279,001

What would be funded under the Modernized School Finance Formula:
$ 380,703,683
(includes categorical funding for ELL, GT and Special Needs)

What Next?

• When the bill is scheduled to be heard need people to come in support and to testify on behalf of why it helps your district

• Your voice is important

• Let your legislators know how important this is for your community
Where’s the Revenue?

- 2018 Background
- List of participant’s
- Goals of the conversation
- The process for filling
- How to get title
- What does getting title mean?

Note: The Negative Factor is $830 million. $2.5 billion is approximately the national average.
Two main policy strategies

- **Total of 22 initiatives** filed through Review and Comment as of 1.9.18
- 19 initiatives granted Title from Title Board
- 9 initiatives are free (no challenges) granted titles on 1.3 & 1.17
- 10 initiatives, as 98-107 received a Motion for Rehearing (challenges), motions have been withdrawn.
Major Policy Strategies Considered

2018 Ballot Initiative Overview

- Removes barriers to funding public education by giving legislators the power to raise money for public schools
- Creates a fund for education investment that distributes more revenue more fairly
- Gallagher

Major Policy Strategies Considered

Initiative #93: Great Schools, Thriving Communities

- $1.6 Billion in additional support for public schools

<table>
<thead>
<tr>
<th>Taxable Income Bracket</th>
<th>Increment</th>
<th>Marginal Rate</th>
<th>Filers Impacted</th>
<th>Avg Tax Increase</th>
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</thead>
<tbody>
<tr>
<td>$0 - $150,000</td>
<td>0</td>
<td>4.63%</td>
<td>None</td>
<td>No Change</td>
</tr>
<tr>
<td>$150,001 - $200,000</td>
<td>0.37%</td>
<td>5.00%</td>
<td>73,156</td>
<td>$81</td>
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<td>$200,001 - $300,000</td>
<td>1.00%</td>
<td>6.00%</td>
<td>56,536</td>
<td>$729</td>
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<tr>
<td>$300,001 - $500,000</td>
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<td>7.00%</td>
<td>31,900</td>
<td>$5,856</td>
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<td>$500,001 - $1,000,000</td>
<td>1.25%</td>
<td>8.25%</td>
<td>20,079</td>
<td>$50,428</td>
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<tr>
<td>Corporate</td>
<td>1.37%</td>
<td>6%</td>
<td>N/A</td>
<td>N/A</td>
</tr>
</tbody>
</table>

Path to Victory: 2% of registered voters in all senate districts + filling in the gap in signatures anywhere across the state to get 98,452 signatures + 55% of the vote.
Funds those expanded opportunities through tax increments on taxable income above $150,000 and on corporations.

Federal Taxable Income

\[
\text{Gross Income} - \text{Specific Deductions} = \text{Adjusted Gross Income}
\]

\[
\text{Adjusted Gross Income} - \text{Exemptions} = \text{Net Federal Income Tax}
\]

Provides sustainable support for schools as it stabilizes the volatile local share of education funding.

All property tax revenues remain at the local level and go to pay for schools, roads, fire protection, police and other local services.

<table>
<thead>
<tr>
<th>Year</th>
<th>Residential</th>
<th>Non-Residential (commercial)</th>
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<tbody>
<tr>
<td>1982</td>
<td>21%</td>
<td>29%</td>
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<tr>
<td>1995</td>
<td>10.36%</td>
<td>29%</td>
</tr>
<tr>
<td>2010</td>
<td>7.2%</td>
<td>29%</td>
</tr>
<tr>
<td>2019</td>
<td>7.0%</td>
<td>24%</td>
</tr>
<tr>
<td>2020</td>
<td>Projected Drop 6.1%</td>
<td>29%</td>
</tr>
</tbody>
</table>
Why address corporate tax?

*C-corps ONLY are taxed in these brackets (not S-corps, also known as “pass-through” businesses, which includes many small businesses)

Colorado is among the 27 states that use a flat rate system.

Colorado is the 3rd lowest corporate income tax rate nationally at 4.63%

Ensures that decisions about how to use those new funds are made at the local level

Unless and until the legislature creates a more equitable School Finance Formula:

- Increase base funding for all students
- Full-Day K and increase in ECE funding
- Expand “at-risk” to include free and reduced lunch kids
- Approximately doubles the amount of funds from state to districts for:
  - English Language Learners
  - Special Education
  - Gifted & Talented
Great Schools, Thriving Communities

Builds on the successes of Colorado’s public schools by expanding educational opportunities for our students to prepare them for success in college, career and life.

1. Funds those expanded opportunities through tax increments on taxable income above $150,000 and on corporations
2. Ensures that decisions about how to use those new funds are made at the local level
3. Provides sustainable support for schools as it stabilizes the volatile local share of education funding

Questions?

• Today
• Later – contact me
Contact Information

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