School Finance in Times of Uncertainty: CASE Winter Leadership

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Colorado School Finance Project
February 22, 2023
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.
1. Why the uncertainty?
2. Changes at the State and Federal Level
3. Important to think about one-time dollars going away in next 18 months.
Why 18 months?

- Known changes: ESSER money will go away in September 2024
- UPK may impact your district financially – student count impacted 2024
- New At-Risk Definition 2024
- Possible changes to formula
- Property tax changes – 2023
- Inflation
Scenario Implications for General Fund (GF) and State Education Fund (SEF) Contributions in 2023-24 & 2024-25

- Scenario in text assumes GA doesn’t want to:
  - maintain BS Factor longer than necessary;
  - significantly increase balance in SEF;
  - produce a cliff effect by having negative y/o/y change in GF contribution.

  (Scenario largely depends on predicted increases local share in 2023 and 2025, and inflation moderating.)

- Eliminating BS Factor and maintaining $1.3 B SEF ending balance in 2023-24 requires:
  - $49 million increase in GF appropriation;
  - $149 million decrease SEF contribution.

- Maintaining 0 BS Factor and a $850 M SEF ending balance in 2024-25 requires:
  - $22 million increase in GF appropriation;
  - $485 million increase in SEF contribution.
• 8% inflation – first time for this level of inflation since Amendment 23 was in place – next year’s budget assumes 3.5% - inflation this year running at 6.4%
• Enrollment – how close to your projections were you?
• Local Share – rates reduced (SB23-136)
• UPK impact financially
## K-12 Public School Enrollment

*Full-Time Equivalent (FTE) Students*

<table>
<thead>
<tr>
<th>Region</th>
<th>Actual 2022-23</th>
<th>Percent Change</th>
<th>Estimated 2023-24</th>
<th>Percent Change</th>
<th>Estimated 2024-25</th>
<th>Percent Change</th>
<th>Average Growth*</th>
</tr>
</thead>
<tbody>
<tr>
<td>Colorado Springs</td>
<td>122,718</td>
<td>0.1%</td>
<td>123,301</td>
<td>0.5%</td>
<td>123,833</td>
<td>0.4%</td>
<td>0.5%</td>
</tr>
<tr>
<td>Eastern Plains</td>
<td>25,076</td>
<td>0.0%</td>
<td>25,257</td>
<td>0.7%</td>
<td>25,293</td>
<td>0.1%</td>
<td>0.4%</td>
</tr>
<tr>
<td>Metro Denver</td>
<td>472,401</td>
<td>-0.9%</td>
<td>468,459</td>
<td>-0.8%</td>
<td>465,830</td>
<td>-0.6%</td>
<td>-0.7%</td>
</tr>
<tr>
<td>Mountain</td>
<td>24,516</td>
<td>-0.3%</td>
<td>24,499</td>
<td>-0.1%</td>
<td>24,364</td>
<td>-0.6%</td>
<td>-0.3%</td>
</tr>
<tr>
<td>Northern</td>
<td>92,359</td>
<td>0.6%</td>
<td>93,500</td>
<td>1.2%</td>
<td>94,405</td>
<td>1.0%</td>
<td>1.1%</td>
</tr>
<tr>
<td>Pueblo</td>
<td>32,096</td>
<td>0.3%</td>
<td>31,880</td>
<td>-0.7%</td>
<td>31,612</td>
<td>-0.8%</td>
<td>-0.8%</td>
</tr>
<tr>
<td>San Luis Valley</td>
<td>6,957</td>
<td>-1.2%</td>
<td>6,967</td>
<td>0.1%</td>
<td>6,948</td>
<td>-0.3%</td>
<td>-0.1%</td>
</tr>
<tr>
<td>Southwest Mountain</td>
<td>13,345</td>
<td>-2.1%</td>
<td>13,333</td>
<td>-0.1%</td>
<td>13,313</td>
<td>-0.2%</td>
<td>-0.1%</td>
</tr>
<tr>
<td>Western</td>
<td>49,616</td>
<td>-1.0%</td>
<td>49,605</td>
<td>0.0%</td>
<td>49,574</td>
<td>-0.1%</td>
<td>0.0%</td>
</tr>
<tr>
<td><strong>Statewide Total</strong></td>
<td><strong>839,082</strong></td>
<td><strong>-0.5%</strong></td>
<td><strong>836,800</strong></td>
<td><strong>-0.3%</strong></td>
<td><strong>835,172</strong></td>
<td><strong>-0.2%</strong></td>
<td><strong>-0.2%</strong></td>
</tr>
</tbody>
</table>

*Source: Colorado Department of Education and Legislative Council Staff December 2022 forecast.*
2022: Intervening Year

Determines school finance for FY 2022-23

- Intervening year AV changes limited
  - O&G, mines, state assessed, new construction
- **Total AVs will increase 5.5%** from 2021
- Incorporates the impact of **SB 21-293**
  - RAR fell to **6.95%**, or **6.80%** for multifamily
  - NRAR fell to **26.40%** for agriculture and renewable energy
2023: Reassessment Year

Determines school finance for FY 2023-24

- **Total AVs will increase 22.5%** from 2022
  - compare to 4.4% in 2021, 17.0% in 2019, 10.1% in 2017

- **Residential AVs will increase 26.5%**
  - Represents appreciation between June 2020 and June 2022
  - **Statewide** appreciation in home prices

- **Nonresidential AVs will increase 19%**
  - Rebound in commercial values
  - High oil and gas prices

- Incorporates the impact of **SB 22-238’s** temporary assessment rate reductions and subtractions from residential and commercial actual values
2023 Reassessment Year: 22.5% growth

- Northern: 37.2%
- Mountain: 44.3%
- Metro Denver: 16.7%
- Colorado Springs: 23.8%
- Eastern Plains: 8.2%
- San Luis Valley: 4.6%
- Pueblo: 3.1%
- Southwest Mountains: 9.8%
Current Discussions of Interim Committee

- SpEd funding $40 Million for Tier B
- Averaging – should it be 5 years?
- At-Risk – another year of hold harmless?
- Cost of Living – debate
- Permanent Fund changes
1. Collect the necessary data to implement the measure
2. Developing the neighborhood socioeconomic status index and determining the (minimum of) five index factors
3. Determining how a student's neighborhood socioeconomic index value should be incorporated
4. Conducting pre-implementation modeling and testing with actual data
1. Considering the impact of the new measure on other programs
2. Determining the distribution of at-risk funding:
   • How districts and charter schools will demonstrate that at-risk funding is being used to serve at-risk students
   • The process for initially identifying students, and the design of a hold-harmless provision
The Socio-Economic Status (SES) measure for the At-Risk Measure shall be a composite of the following seven data points from the American Community Survey (ACS):

1. Share of those in the same residence as of last year
2. Share of adults aged 25 or older with a bachelor’s degree or higher
3. Share of children under 18 who are adopted, foster, or living with relatives that are not their biological parents
4. Median household income
1. Share of occupied housing units with more than 0.5 occupants per room
2. Average ratio of income to rent/ownership costs
3. Share of children aged 5 to 17 who speak non-English language at home
• Enrollment – 20% of Coloradoans are enrolled in a "choice" program
• Small Rural communities - a census block maybe an entire county and encompass many communities and be extremely inaccurate in reflecting a particular school district.
• ACS is a self-reported survey - sample size?
• Size – adjust for economy of scale and characteristics out of a district's control
• What should be the measure? Should it be a combination of COL, cost of doing business and wage index?
• Is it a sparsity factor? How does teacher compensation play into this discussion?
• How does local control play into this given districts organize their systems based on community values?
• What does this mean for your district?
• How are you managing this change with your budget?
• 3-year-olds?
• Students who need 3 years of preschool?
• How much time are your offering vs. What are you getting paid for?
• What is the fiscal impact for your district? Student count impacted.
• Change in Local Share
  • State backfilling $700 M for 2 years
  • Initial $200 M for this year is not sufficient
• We will see a proposal this legislative season for create another fix – could be phased in to be a permanent fix
• Concern if there isn’t a backfill mechanism – when does this go in effect?
  • Will this be tied to some type of inflationary increase or economic/population growth?
• Will this mirror Prop 13 in CA?
1. What is plan for adequate funding for K12?
2. Paying off the B/S factor brings us to 1988-89 funding levels after adjusting for inflation
3. We are still $3000 below national average
TRENDS IN PER PUPIL SPENDING:
COLORADO VS. NATIONAL AVERAGE FY 1996-2020

According to 2020-21 data, Colorado spends between $1,890 and $2,300 less than the national average.

Data Sources: Education Week Quality Counts 2021, US Census Bureau Public Elementary-Secondary Education Finances by State, NCES Revenues and Expenditures for Public Elementary and Secondary Education FY20

*Years with Budget Stabilization Factor in Colorado
Questions & Stay Connected

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