School Funding in Creede School District

Presentation to the

August 8, 2020

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Colorado School Finance Project
Who is CSFP?
What do we do?

School Finance:
1) Basics
2) Creede

School Finance’s Collision with COVID-19:
- TABOR
- Gallagher
- Budget Stabilization Factor

Potential Options:
1) Vaping/Nicotine Tax
2) Gallagher
3) Energize Our Economy

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Colorado School Finance Project (CSFP)

Who are we?

• Non-profit, non-partisan
• Supported by school district contributions
• School finance analysis for local and state policy makers since 1995
• Governed by a board – national and state experts on school finance
Colorado School Finance Project (CSFP)

What we do

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.
How we do it

• Monthly advisory zoom meetings 130+ attendees – governor’s office – JBC and CDE presenters as examples

• Email updates

• Website: [https://cosfp.org/](https://cosfp.org/)

• Twitter: @cosfp
Welcome

Founded in 1995, the Colorado School Finance Project (CSFP) is a non-profit whose mission is to compile, collect, and topics related to school finance for state and local policymakers.

Beginning in May 2020, the CSFP collected district budget cut realities from school districts.

District Reported Budget Conversations
Media captured Budget Conversations
Trends in district cuts 2020-21

Learn about Initiative 271- Fair Tax Colorado Information- Click here
What does Initiative 271 mean for your district? Colorado Association of School Board

Want to know what happened in the 2020 Legislative Session?- Click here

Mill Levvy/Local Revenue Resources- Click Here
How are school districts funded?

- School Finance Act 1994
  - Goals of the Act

- Revenue Sources
  - Challenges over time

- Changes being discussed
  - Citizen’s initiatives
  - Referred measures
General Fund Budget

FY 2019-20: $12.2 Billion*

Fund Source

<table>
<thead>
<tr>
<th>Fund Source</th>
<th>Spending by Department</th>
</tr>
</thead>
<tbody>
<tr>
<td>General Fund</td>
<td>Corrections 7.3%</td>
</tr>
<tr>
<td>Cash Funds</td>
<td>K-12 36.1%</td>
</tr>
<tr>
<td>Federal Funds</td>
<td>Health Care 25.8%</td>
</tr>
<tr>
<td>Reappropriated</td>
<td>Higher Education 9.1%</td>
</tr>
<tr>
<td></td>
<td>Human Services 8.6%</td>
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Data source: Joint Budget Committee Staff, Budget in Brief. *Subject to change with 2020 legislation.
What we know

• The state cut $3.2 Billion
• B/S Factor - $1.7 Billion
• The local share will be impacted
• Federal one-time money
• Measures referred to ballot
What has complicated the funding issues for Colorado?

• Gallagher – 1982
  o Stabilized local property tax revenue
  o Balance between residential and non-residential

• TABOR – 1992
  o Limited revenue & spending
  o Undid balance of Gallagher
Student need has changed: Requires more services & this costs money

Students of poverty are 41% population
• approximately $.30 of every $1.00 is state funded.

Students learning English are 14% of population
• approximately $.20 of every $1.00 is state funded.

Students with special needs are 11% of population
• approximately $.30 of every $1.00 is state funded.

Gifted students are 7% of population
• approximately $.15 of every $1.00 is state funded.
About Creede School District

- 81 students - 38 at-risk*
- Per Pupil Revenue: $23,173
- Total Program mills: 20.453
- Override mills: 1.468
- ‘De-bruced’ in 1995-96
  - Mills at time of ‘de-brucing’: 40.08
- 1 mill raises $47,700 or $517 per student

* Data from the CSFP Profile Report for Creede School District
Total Assessed Value FY 2019-20

- $20.7B-$7B (323,637 students)
- $4.1B- $1B (364,532 students)
- $979M- $100M (157,982 students)
- $97M- $10M (30,421 students)
- Less than $9M (922 students)

Creede: $47,699,902
Assessed Value Per Pupil FY 2019-20

- $6.9M-$1M (3,651 students)
- $999,999-$500,000 (16,995 students)
- $499,999-$100,000 (535,536 students)
- $99,999-$50,000 (266,654 students)
- Less than $49,999 (54,742 students)

Creede: $516,792
Total Program Mills FY 2019-20

- 27 (160,017 students)
- 26.999-20.000 (570,032 students)
- 19.999-10.000 (122,648 students)
- 9.999-1.000 (25,711 students)

Creede: 20,453
Revenue inside the School Finance Act

Local Share – District Total Program = State Share

30.6% Local Share
CREEDE

LOCAL SHARE
Local District Taxes:
Property Taxes
Ownership Tax

69.4% State Share
CREEDE

STATE SHARE
State Taxes:
General Fund
Education Fund

Local Share
• Property tax
• Starting point for determining state share of District Total Program
• Remains in the district

State Share
• State “backfills” to reach District Total Program.
Assessed Valuation

- Wide variance
- Goals of 1994 – 40 mills and 50/50 split
- School districts have no control of the residential/non-split
- Mills inside the formula
- Mills outside the formula
About Creede’s: Budget Stabilization Factor

• From 09-10 – 20-21 school year, district has lost ($1,935,221)

• For 2020-21: ($231,737)
2008-2021 Budget Stabilization Factor: Reflects passage of HB20-14

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

Funding meets Amendment 23 requirement 2008-09


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What makes the COVID-19 downturn different

$\text{\textbf{\$s cut}}$

More than $3$ billion dollars from state’s General Fund

$\text{\textbf{Timing}}$

Immediate – reductions in current year and forecast period

$\text{\textbf{Multiple years of impact}}$

Loss of local share – permanently gone unless constitution changed
Loss of local revenue due to dropping of oil and gas valuation creating a reduction in funding

Next year RAR goes from 7.15 down to 5.88 mills — approximate loss of $500M for K-12 in local share — Gallagher Repeal will eliminate the reduction

State backfill becomes more challenging and has resulted in growing the B/S Factor
• Urgency of funding has only increased in many communities – disparities grow wider

• Underfunding of student populations

• Debt owed to K-12

• Rural issues

• Recruitment, retention and salaries continue to be challenging
Continuous budgeting with a conservative approach
- **Quarterly** forecasts (June, September, December, March)

**Don’t use** one-time CARES money to address on-going costs

**Prepare** multiple budget scenarios to address:
- Reductions in state share funding (best/worst case)
- Traditional school
- Hybrid model for schools
- Remote learning in place
Checklist to help with budget planning and adoption

- Work with your legal counsel on
  - Furloughs
  - Reduction In Force (RIF) policy
  - Have you already extended contracts and if so, what are the terms around furloughs, RIFs, etc?

- Are your attrition numbers changing due to the current situation?

- What is your MLO and bond language in regard to mills — does it float?

- What is your fund balance?

- How have your assumptions changed or how might they change based on past recessions? For example, did at-risk student populations increase and did school choice options look different?
Efforts that would impact school funding-
SHORT TERM

*Short-term* efforts DURING legislative session:

- Tax exemptions- less than $50 million for K-12
- Gallagher legislation to prevent cuts (does not increase funding)
- Vaping/Nicotine sales tax- rural money for 3 years $25, $30, and $35 million
Potential ballot initiative that would impact school funding:

- Initiative 306- **Energize our Economy** (annual loss of revenue approx. $300 million)
QUESTIONS: NOW OR LATER

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