



# K-12 Enrollment Forecast & School Finance Budget Process

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April 23, 2021

# Presentation Objectives

- LCS role in the school finance budget process
- Current K-12 enrollment forecast process
- Your feedback on how we obtain district input within that process; Other issues

# LCS Responsibilities in School Finance

- **Maintain district-level school finance model**
  - Similar to CDE spreadsheet
  - Supports fiscal notes, year-over-year runs for School Finance Act and ballot analyses
  - Supports policy simulations for members
- **Produce K-12-related forecasts for upcoming budget year**
  - District level enrollment forecast
  - County level assessed value forecast
- **Other responsibilities**
  - Manage biennial cost of living study and certify cost of living factors

# School Finance Model is a year-round process

## DECEMBER

Preliminary Update:

- Current year actual pupil count & actual assessed values (CDE)
- Budget year forecast: Inflation rate, pupil counts & assessed values (LCS December forecast)

## NOVEMBER

K-12 enrollment forecast process begins with school surveys

## SEPTEMBER

Update budget year inflation rate with September forecast

## JULY

Build out model for new budget year using prior December forecast

## JANUARY

Final Update:

- Current year actual pupil count, categorical expenditures, AV, SOT (CDE)
- Final budget year inflation rate (BLS)

## FEBRUARY

Finalize current year appropriation with passage of mid-year supplemental bill

## APRIL-MAY

Initial budget year appropriation with passage of Long Bill and School Finance Act

## JUNE

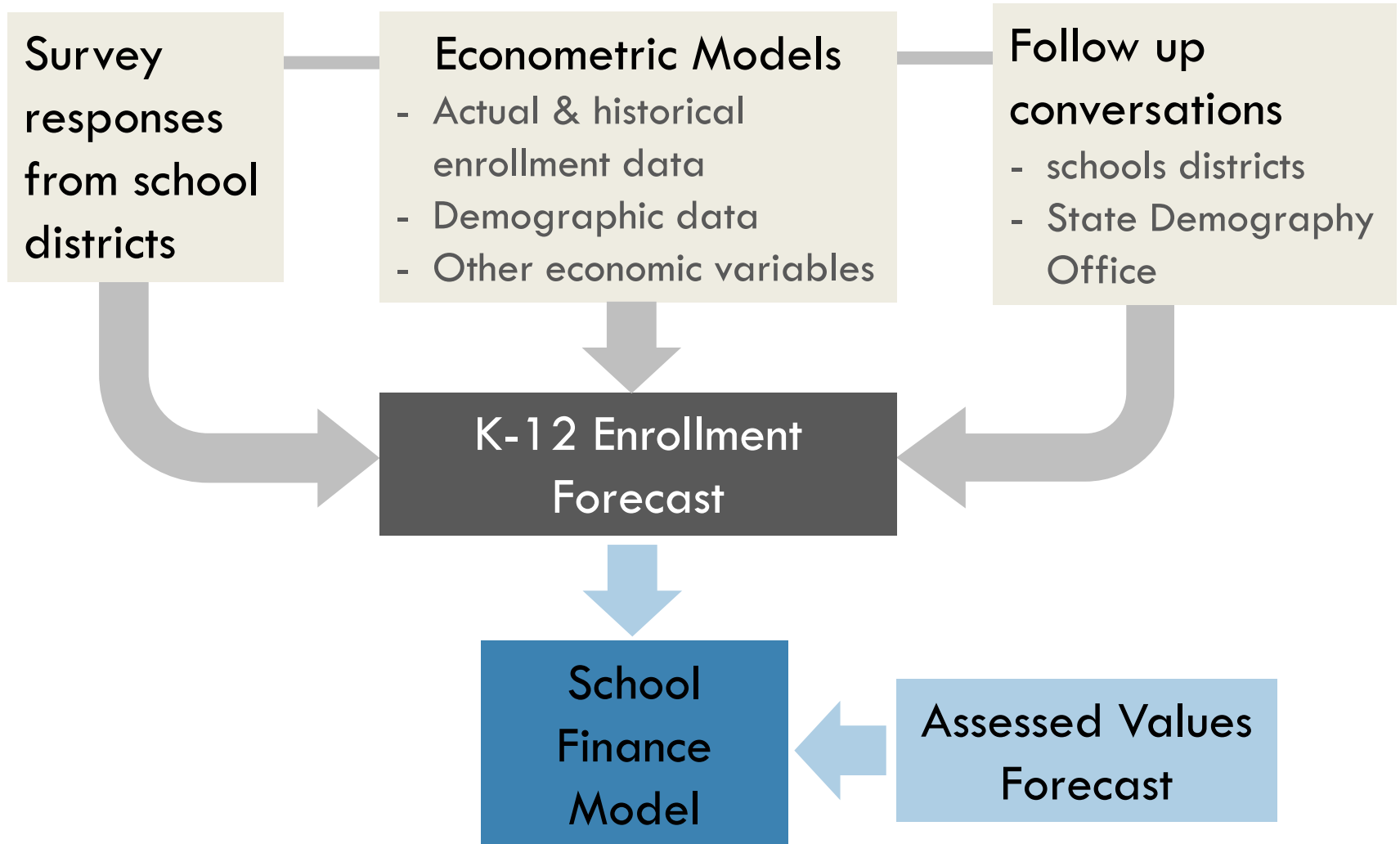
Update prior year student counts with CDE audited data

Current Year: FY 2020-21  
Budget Year: FY 2021-22

# School Finance Model Updates

Update Month	Current Year (FY 20-21)	Budget Year (FY 21-22)	Information Updated	Source
July		X	All (Model Buildout)	LCS (Prior Dec. forecast)
September		X	Inflation Rate	LCS (Sept. forecast)
December	X		Actual pupil counts (preliminary)	CDE
	X		Actual Local Share (AV & SOT revenue)	CDE
		X	Forecasted pupil counts	LCS (Dec. forecast)
		X	Forecasted assessed values	LCS (Dec. forecast)
		X	Inflation Rate	LCS (Dec. forecast)
January	X		Final pupil counts	CDE
	X		Final categorical funding	CDE
	X		Final Local Share (AV & SOT revenue)	CDE
		X	Inflation rate (final)	BLS
February	X		Final Appropriation	GA (Mid-Year Supplemental)
April-May		X	Initial Appropriation (current law)	GA (Long Bill)
		X	Adjusted Appropriation	GA (School Finance Act)
June	X		Historic pupil counts (audited)	CDE

# K-12 Enrollment Forecast Process



# We'd like your feedback

- Survey design
  - Are we asking the right questions?
  - Is the survey user-friendly for you?
  - Are we getting the best information that you have available?
- Survey response
  - Are we connecting with the best person in your district?
- Any other issues you would like to discuss?

# Questions?

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[www.leg.colorado.gov/lcs](http://www.leg.colorado.gov/lcs)







March 2021 | Legislative Council Staff

# Economic & Revenue Forecast

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April 23, 2021

# Fiscal Estimates for Ballot Initiatives



# At multiple times, Legislative Council Staff publish fiscal estimates for citizen-initiated ballot initiatives

Title Board Hearing	<p><b>Fiscal summaries</b> are published for every measure that has a Title Board hearing</p> <ul style="list-style-type: none"><li>• High-level preliminary estimate of state and local government revenue and expenditure impacts, summary of economic impacts</li><li>• Considers any draft fiscal summaries submitted by interested parties</li><li>• Included with the petition to appear on the ballot</li></ul> <p><b>TABOR-related estimates</b> (“SHALL TAXES BE INCREASED BY \$__”)</p>
Signature Gathering	<p><b>Initial fiscal impact statements</b> are published within 14 days of when an initiative is approved for circulation</p> <ul style="list-style-type: none"><li>• Substantively similar to a fiscal note</li><li>• Considers any fiscal impact estimates submitted by interested parties</li></ul>
June-September	<p><b>Blue Book drafts</b> are made available for public comment and are required to include certain fiscal information</p>
September	<p><b>Fiscal impact statements</b> for measures on the ballot are published online in conjunction with the Blue Book</p> <ul style="list-style-type: none"><li>• Substantively similar to a fiscal note</li><li>• Provides updated information and data relative to prior estimates</li></ul>

For additional information, see House Bill 20-1416 and visit the Blue Book website:

<https://leg.colorado.gov/content/initiatives/initiatives-blue-book-overview/ballot-information-booklet-blue-book>

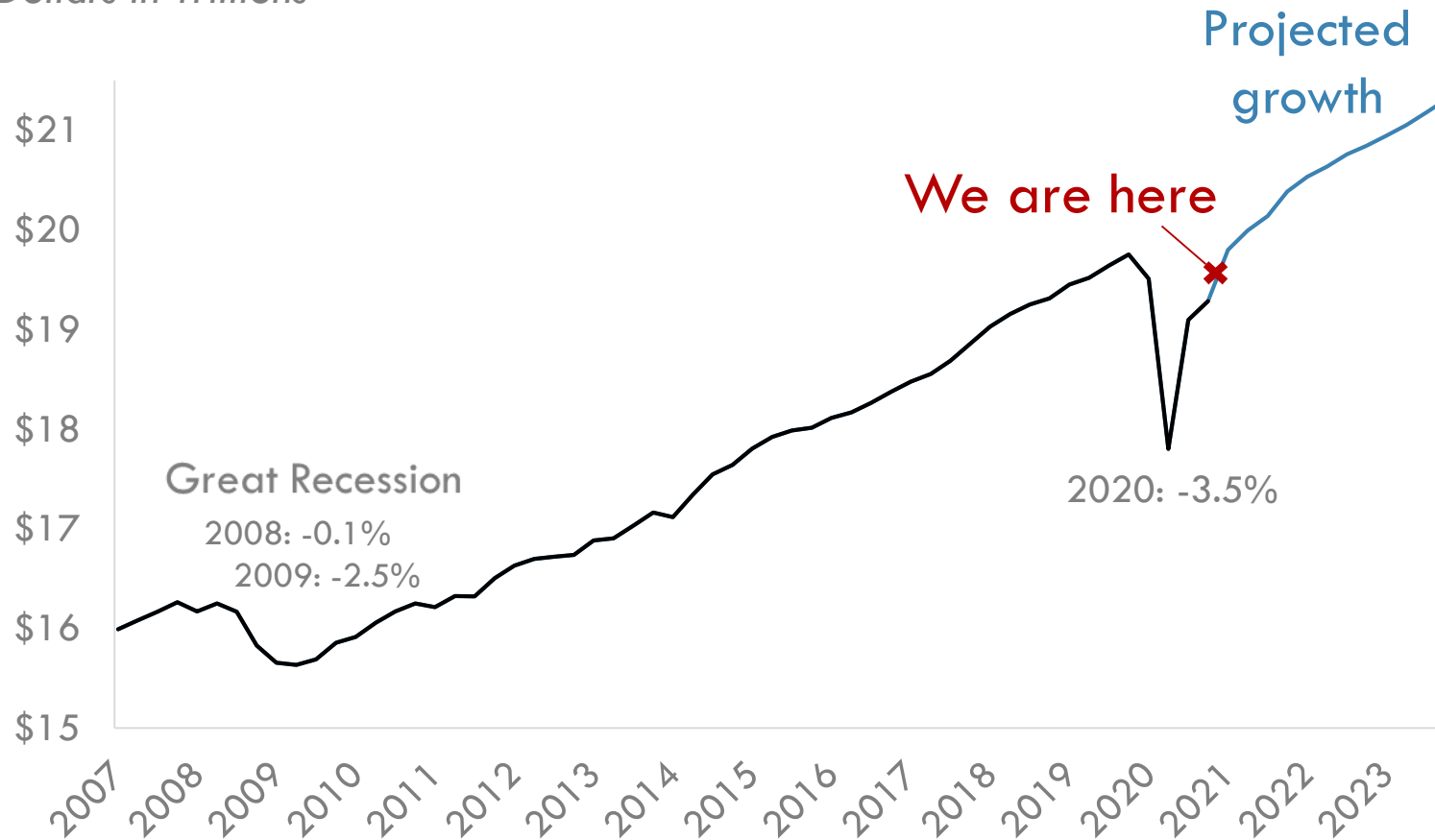
# Economic Outlook



# The worst of the recession appears to be behind us

## Real U.S. Gross Domestic Product

Dollars in Trillions

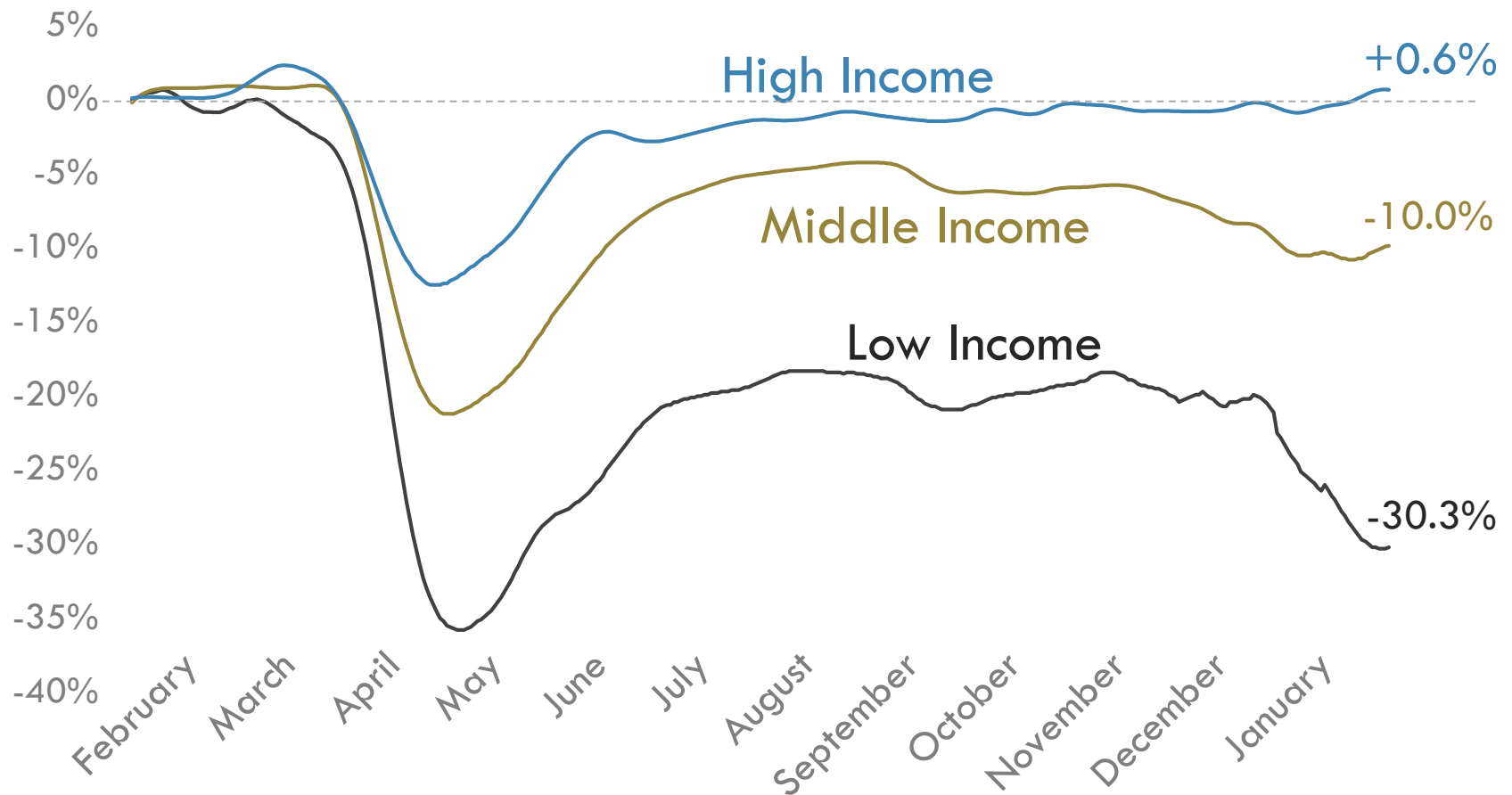


Source: U.S. Bureau of Economic Analysis and Legislative Council Staff March 2021 projections.

Real GDP is inflation-adjusted to chained 2012 levels and shown at seasonally adjusted annualized rates.

# While high-wage employment is at pre-recessionary levels, low-wage workers remain severely impacted

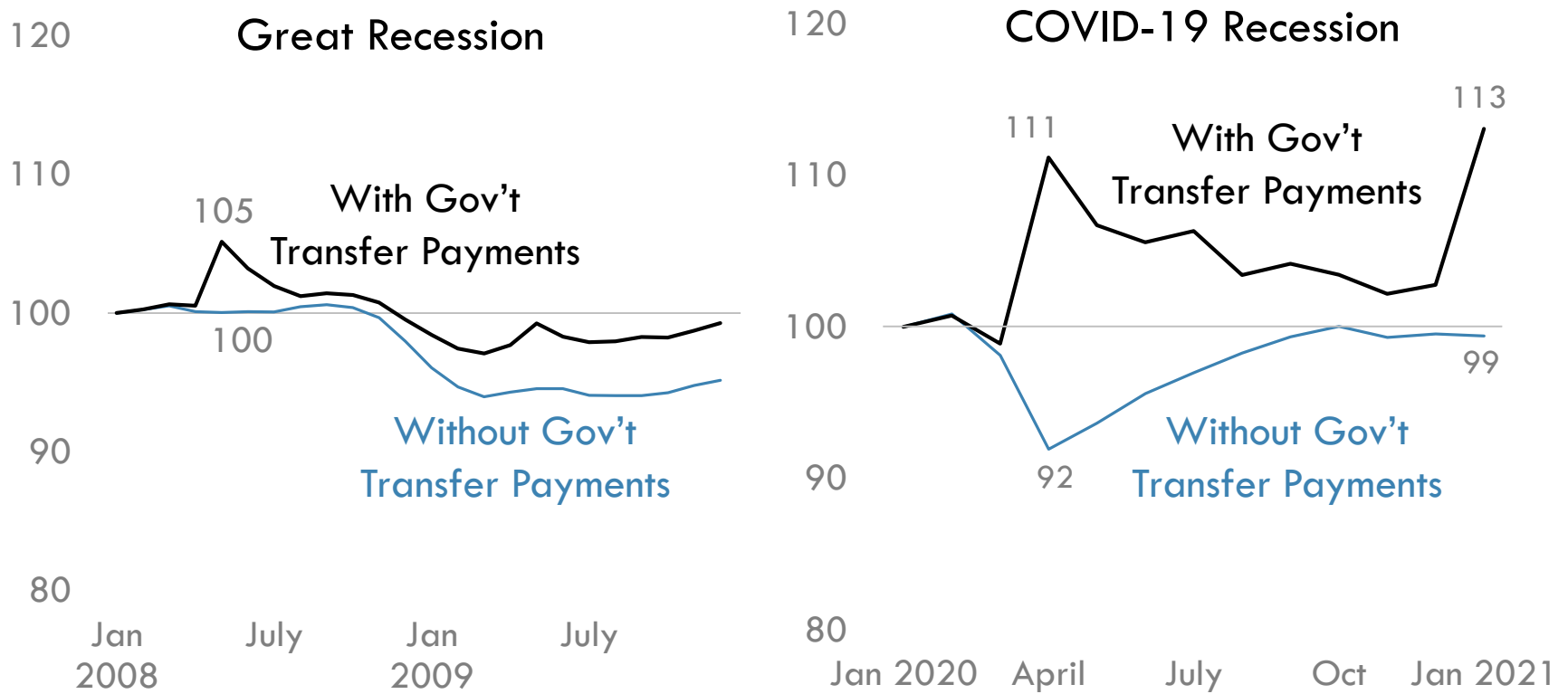
Percent change in Colorado employment since January 2020



# Transfer payments turned income losses into significant gains during the pandemic

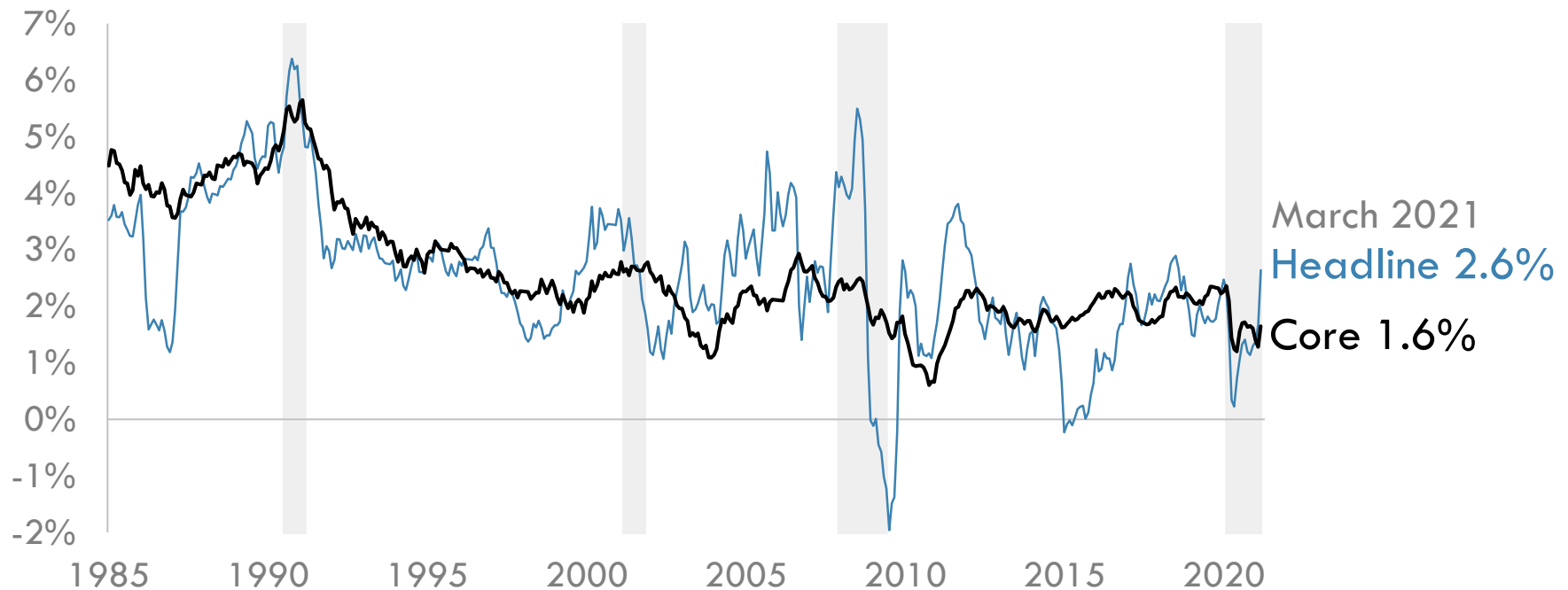
## U.S. Personal Income

*Indexed to Pre-Recession Levels*



# Inflationary pressures are expected to rise in the near-term, but remain low by historical standards

U.S. City Average CPI-U Inflation  
Year-over-Year Change in Prices



March 2021 LCS Forecast	Denver-Aurora-Lakewood CPI-U Inflation	2021 2.7%	2022 2.5%
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Source: U.S. Bureau of Labor Statistics.

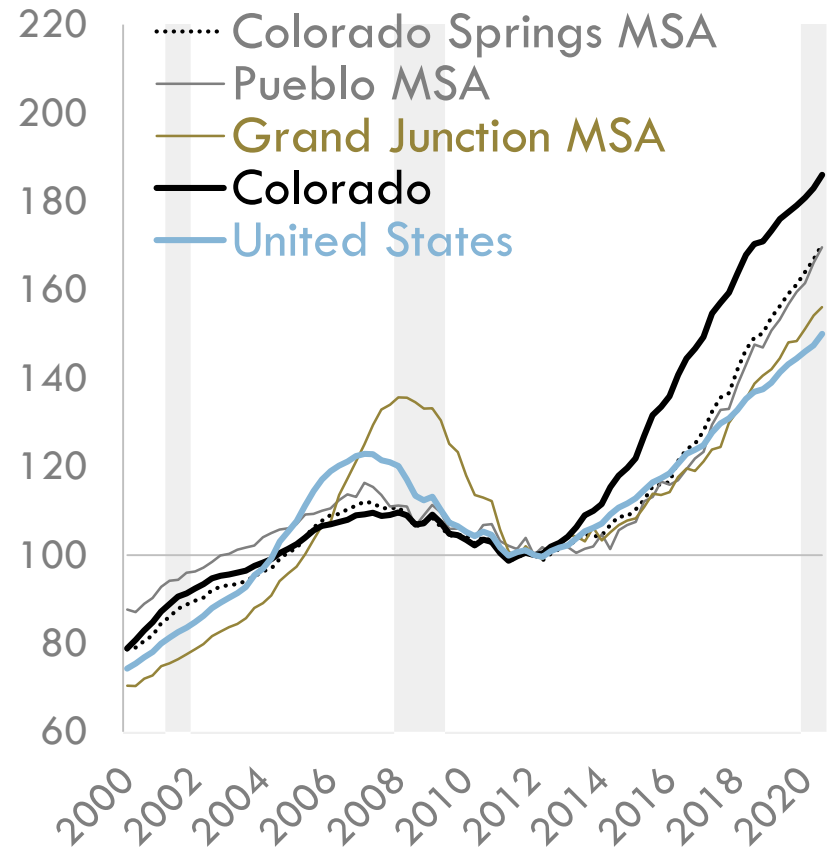
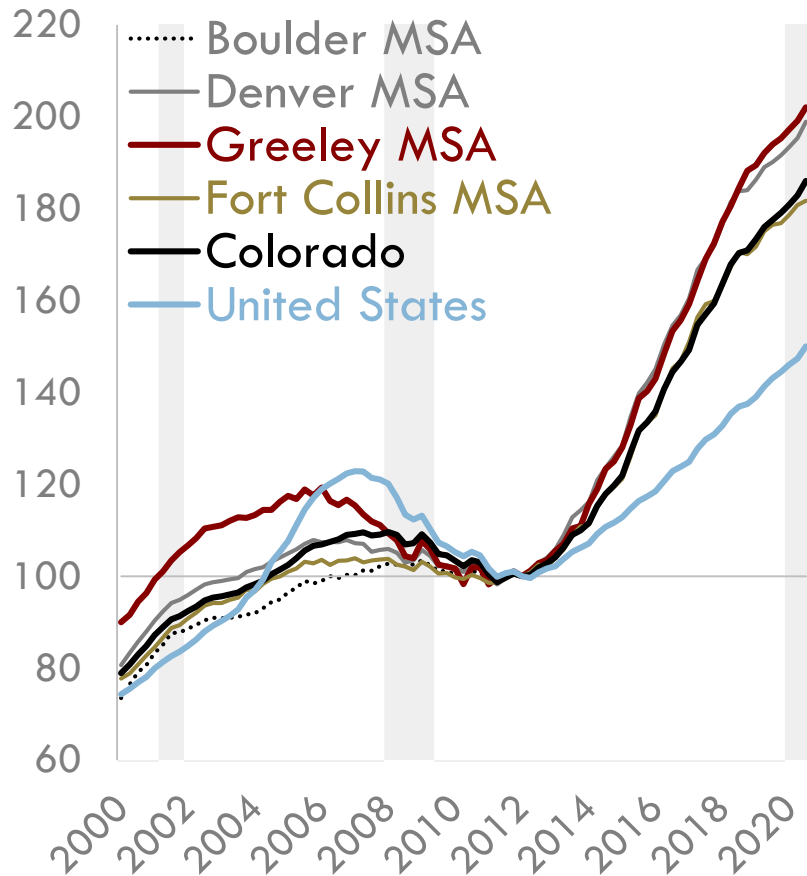
Inflation is calculated as the growth in urban area prices in a given period relative to the same period in the prior year.

\*Headline inflation includes all products and services. \*\*Core inflation excludes food and energy prices.



# Home prices soared during the pandemic; hikes will slow in coming years with higher inventories and interest rates

FHFA All Transactions Home Price Index  
Index 100 = 2012Q1



# Economic Outlook Summary

- While the pandemic had profound impacts on our lives, the pandemic economy has been much more resilient than forecasters expected owing in large part to unprecedented federal fiscal stimulus
- A broad-based economic recovery is expected with vaccine distribution, with the economy returning to trend in 2022
- Labor markets will lag the recovery, with leisure and hospitality sectors remaining hardest hit
- Inflationary pressures are expected to rise in the near-term but remain at or below historical growth rates (between 2% and 3%)

# General Fund Budget Outlook

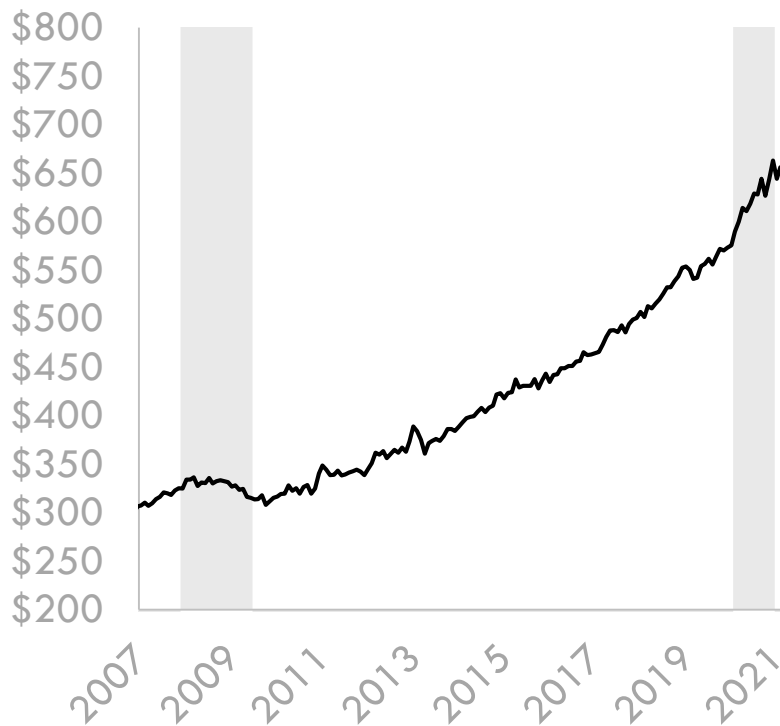


# Relative to prior recessions, General Fund revenue has remained resilient during the pandemic to date

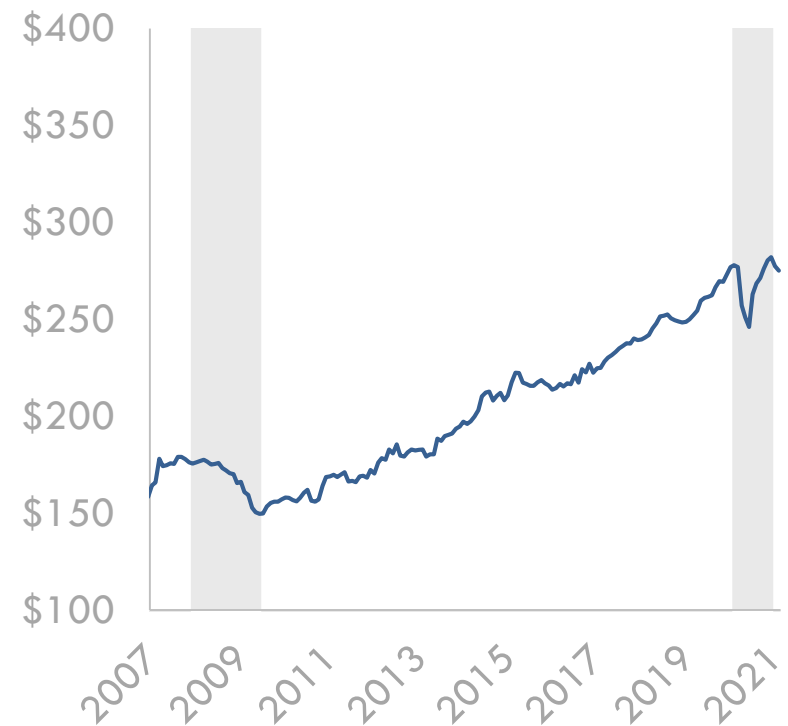
## Monthly General Fund Collections from Selected Sources

Dollars in Millions

### Individual Income Tax Withholding



### Sales Tax Collections



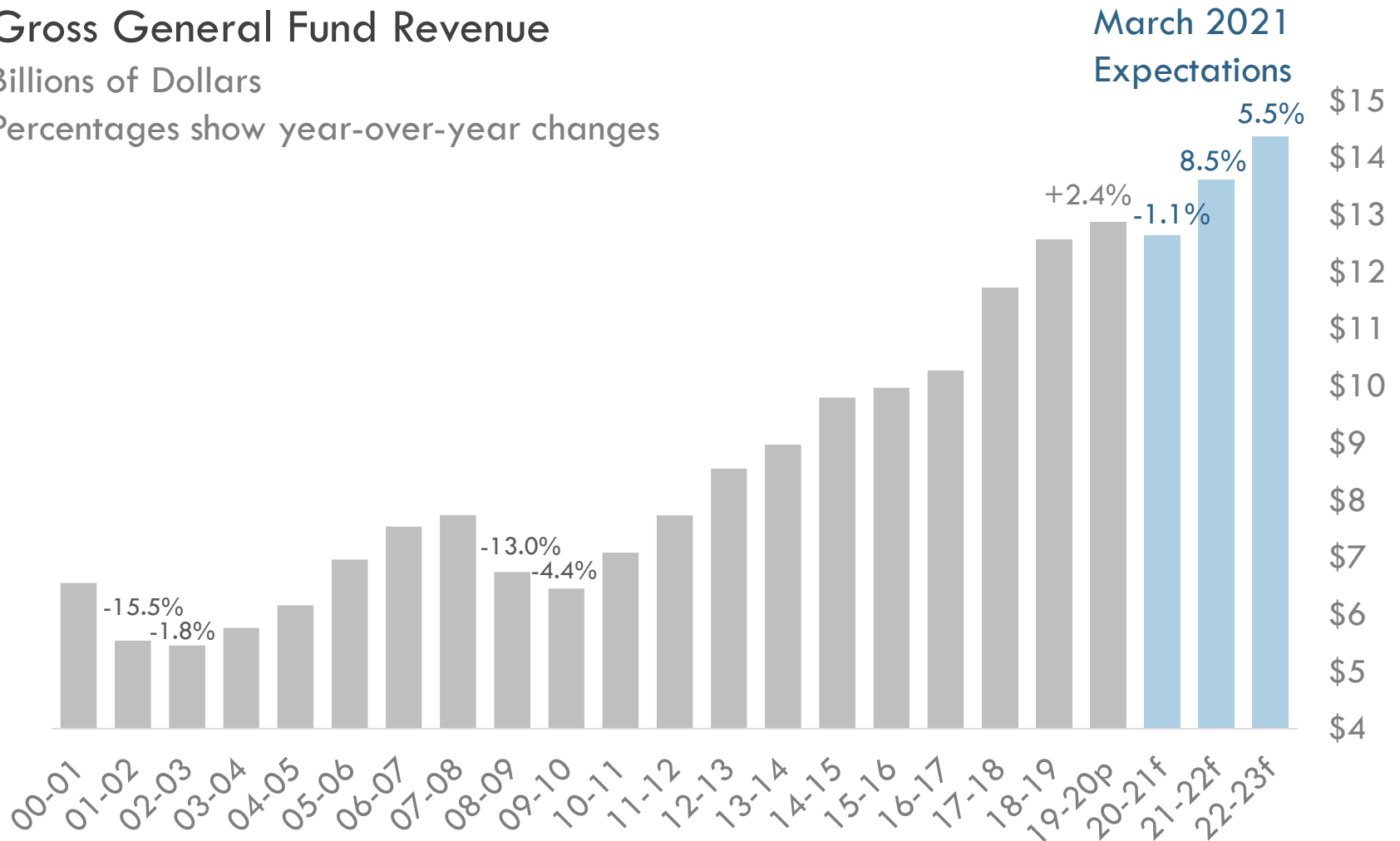
Source: Colorado Office of the State Controller with Legislative Council Staff seasonal adjustments. Data shown as three-month moving averages through February 2021. February 2021 data are preliminary.

# General Fund revenue expectations were increased on higher than expected collections to date, additional federal stimulus

## Gross General Fund Revenue

Billions of Dollars

Percentages show year-over-year changes

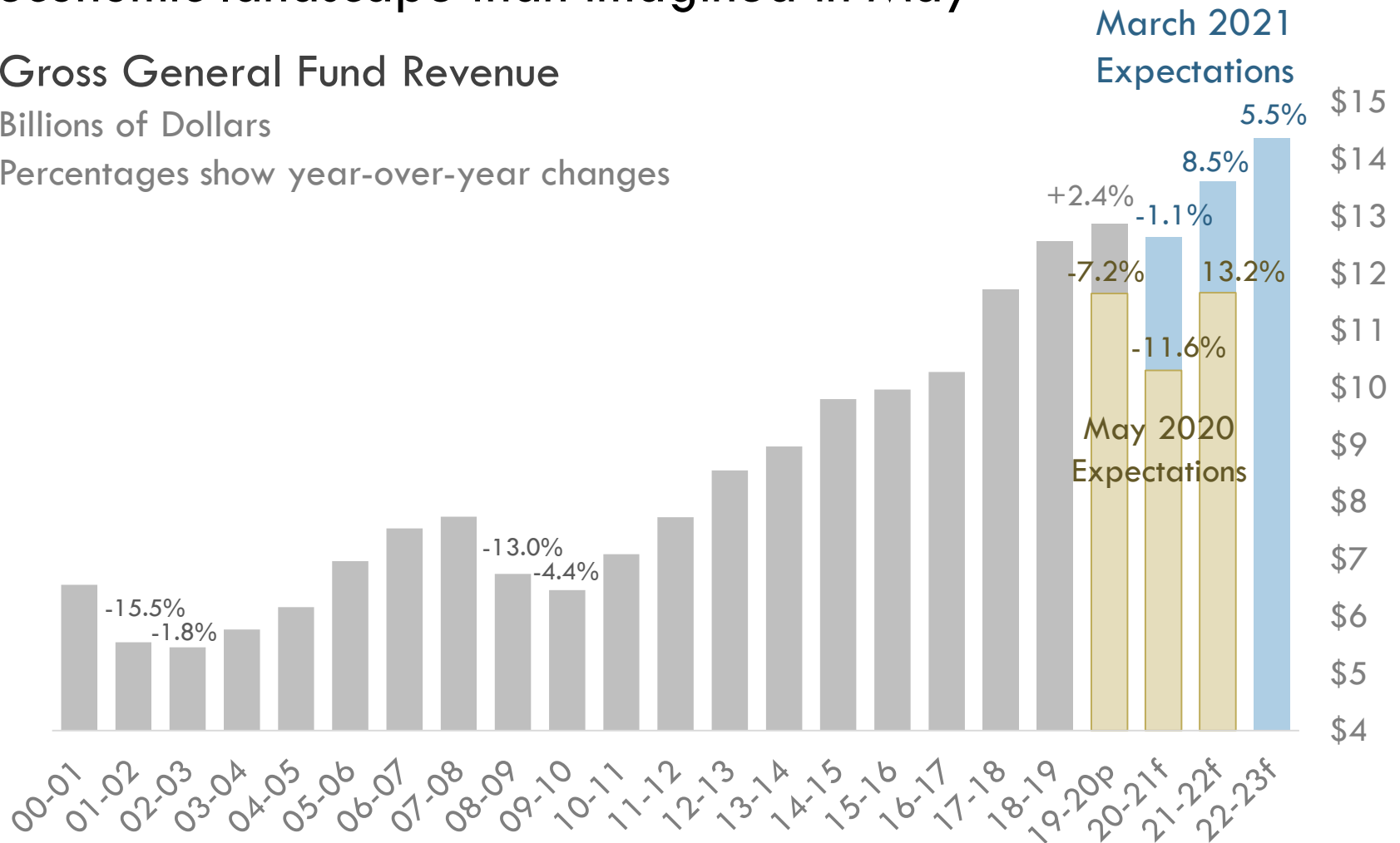


# Revenue expectations have increased considerably as data have become available and suggested a much stronger economic landscape than imagined in May

## Gross General Fund Revenue

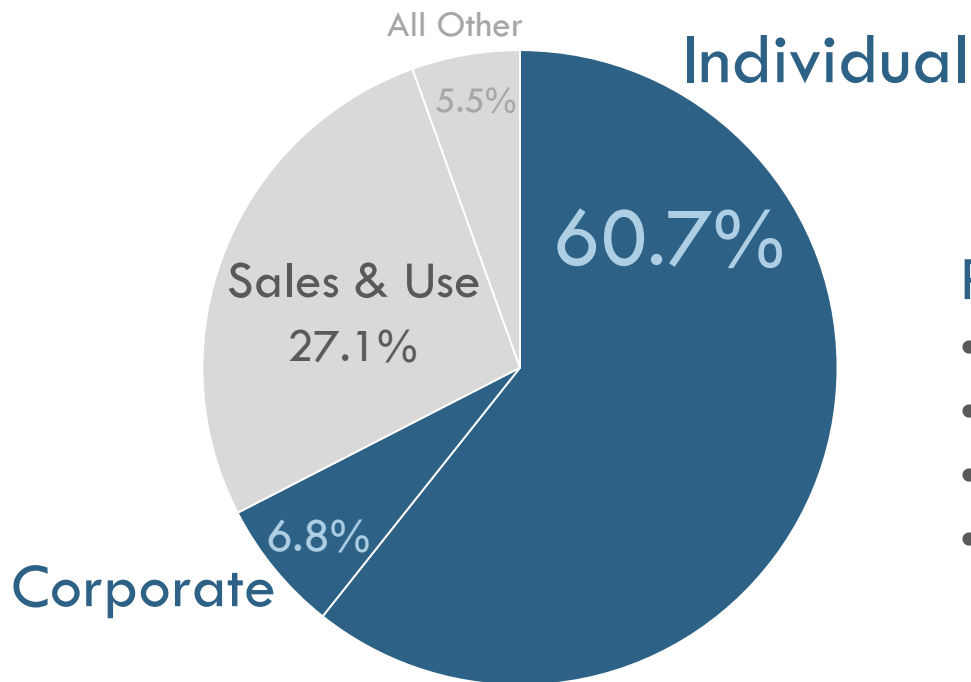
Billions of Dollars

Percentages show year-over-year changes



# Income tax collections make up a majority of General Fund revenue and are the most volatile revenue stream

## Share of General Fund Revenue\*



## Risks to the Income Tax Forecast

- Economic uncertainty
- Unemployment insurance benefits
- State and federal policy changes
- Delayed filing deadlines

Source: Colorado Office of the State Controller and Legislative Council Staff calculations.

\*Based on FY 2018-19 collections. Income taxes net of the State Education Fund diversion.

# TABOR Outlook

Revenue Subject to TABOR

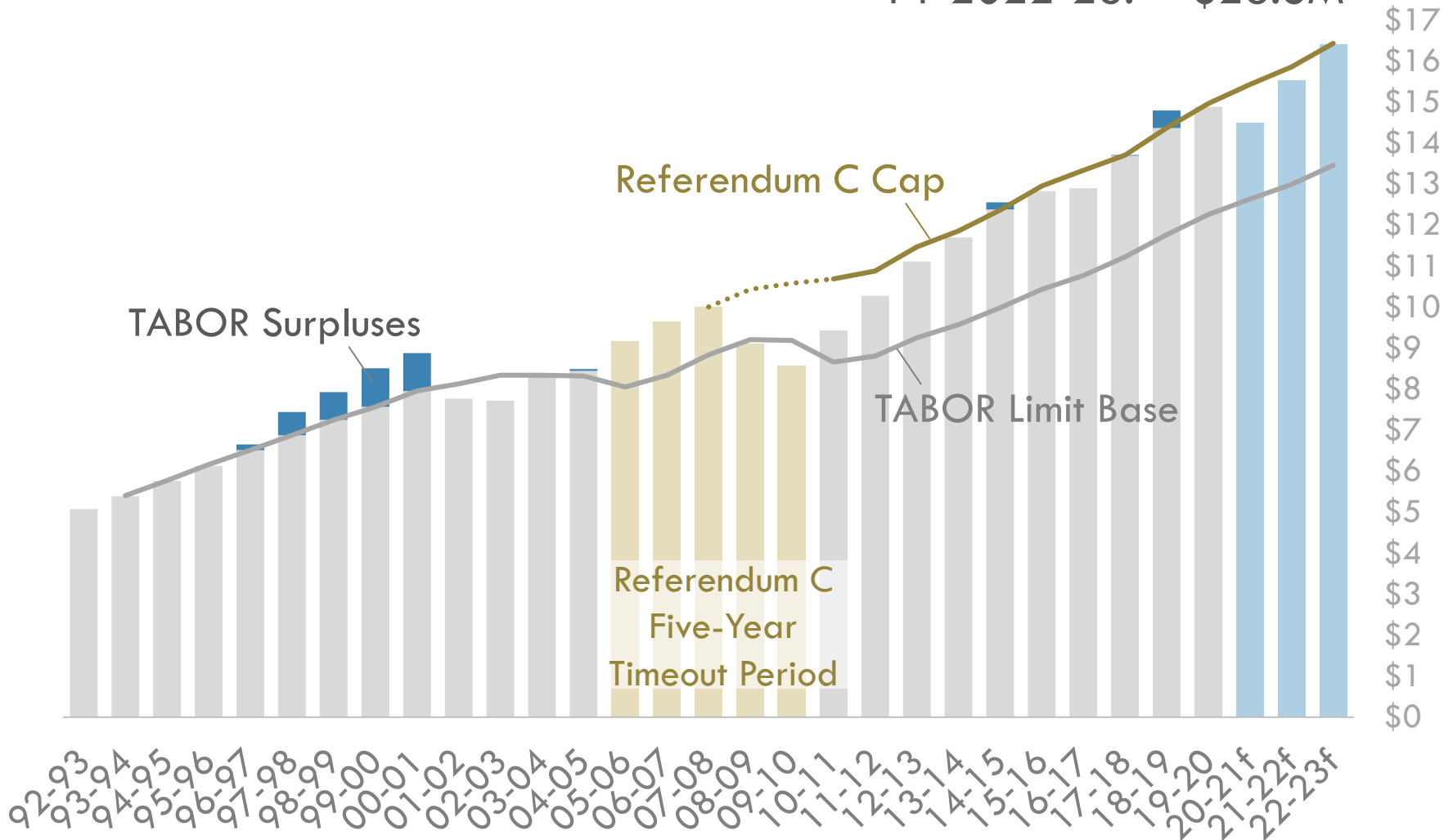
Dollars in Billions

## Revenue Below the Ref C Cap

FY 2020-21: -\$941.2M

FY 2021-22: -\$328.7M

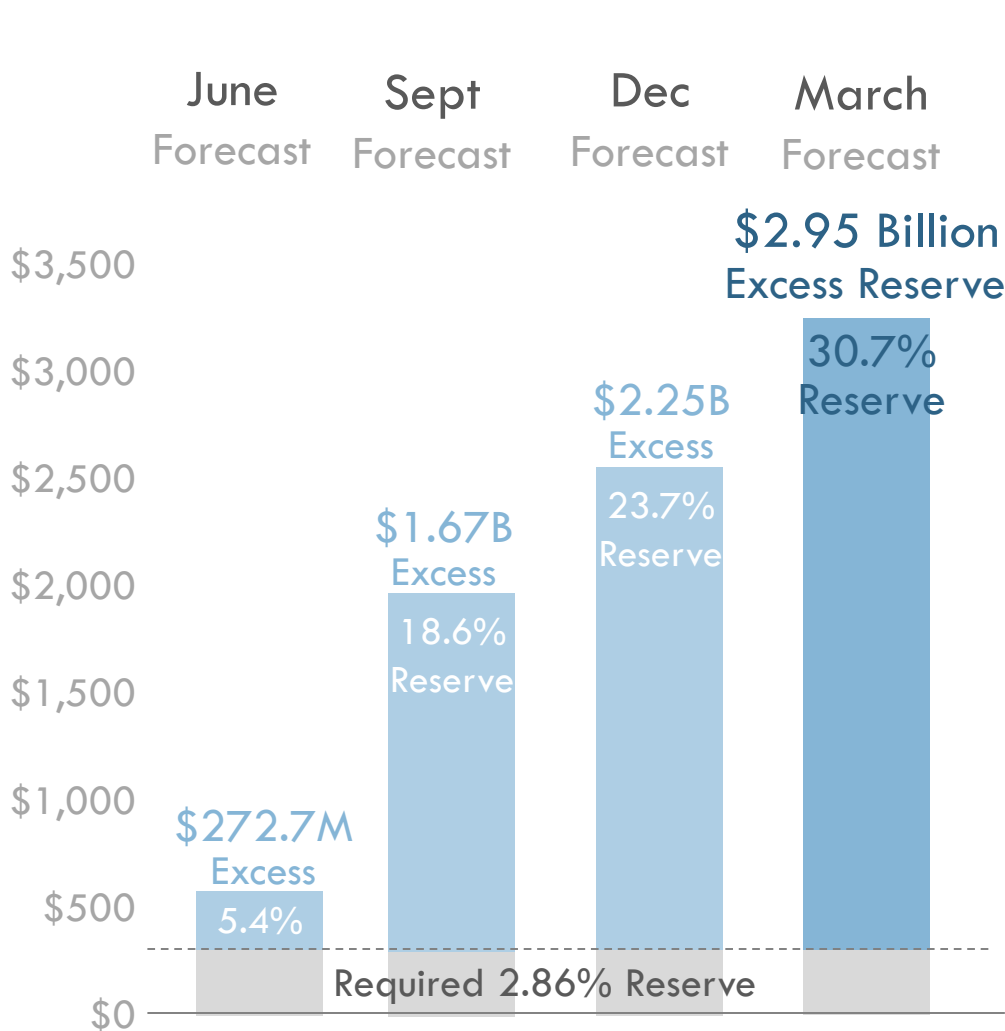
FY 2022-23: -\$28.6M



Source: Colorado Office of the State Controller and Legislative Council Staff March 2021 forecast.



# Current Year | FY 2020-21 General Fund Revenue



## Changes since May 2020 forecast update:

Beginning balance: +\$1.8 billion  
carried over from FY 2019-20

Revenue expectations increased

- Higher 2019 tax collections (Sept)
- Vaccine distribution (Dec)
- Additional federal stimulus (Mar)

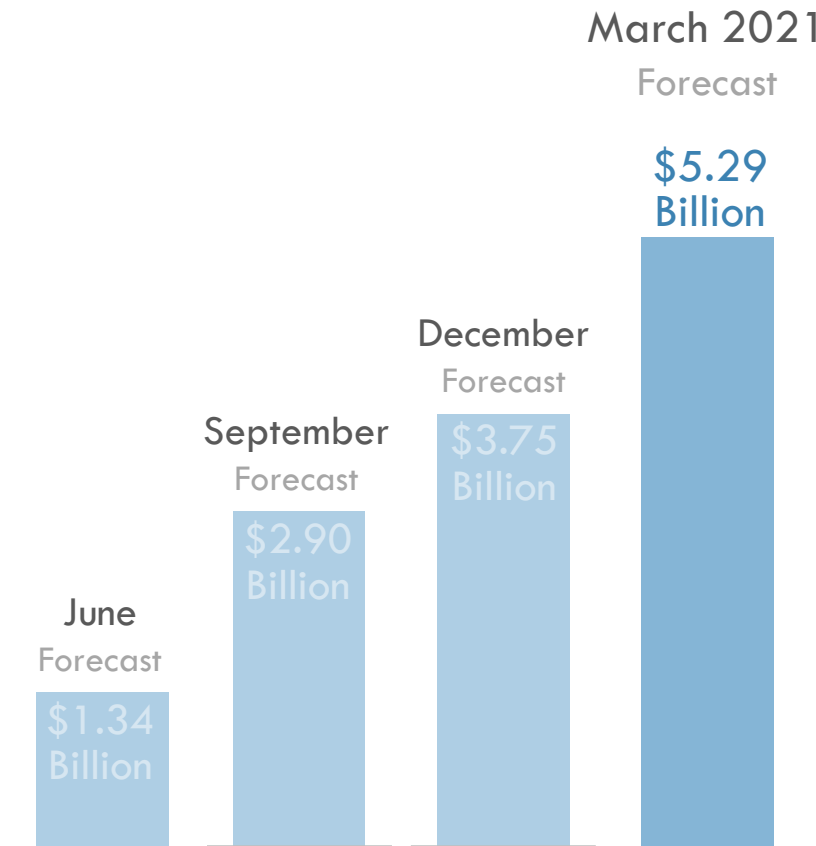
Net transfers and appropriations

- Reduced relative to FY 2019-20 levels when set budget (June)
- Increased with special session legislation, November election outcomes (Dec)
- Reduced appropriations, increased transfers with supplementals (Mar)

Source: Legislative Council Staff forecasts based on current law.  
See Table 2 in the March 2021 forecast for more information.

# Next Year | FY 2021-22 Budget Outlook

Additional revenue available to spend or save above FY 2020-21 spending levels. Amounts hold FY 2020-21 appropriations constant and incorporate the revenue forecast, current law transfers, rebates and expenditures, and the 2.86% reserve requirement.



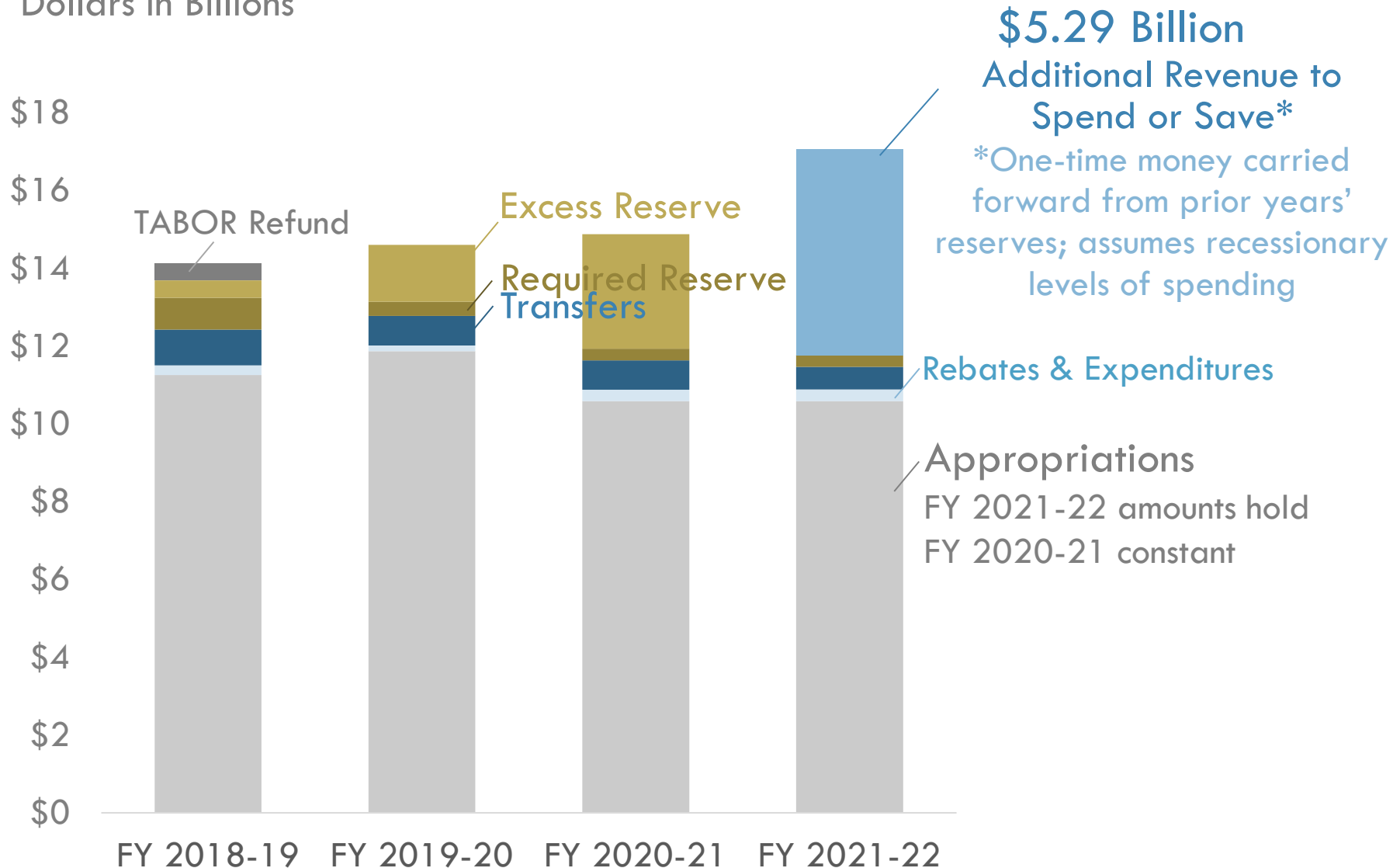
Outlook improved on higher beginning balance rolled over from FY 2020-21 and increased FY 2021-22 revenue expectations

## Considerations

- Amounts do not account for caseload growth, inflationary, or other budgetary pressures
- Any changes made to FY 2020-21 budget will impact this amount
- Elevated uncertainty: Still learning about FY 2020-21 collections
- Amounts do not include federal American Rescue Plan funds

# General Fund Budget (Spending or Saving)

Dollars in Billions



Source: Legislative Council Staff March 2021 forecast and current law.

# Risks to the Forecast

## Ongoing risks

- Pandemic's trajectory (mutations, variants, vaccination rates)
- Extent of the pandemics lasting effects (“scarring”)
- Income tax policy change impacts still yet to be seen
- Additional federal stimulus: How much of a boost to consumer and business activity? What happens when the stimulus wears off?
- Measures on the ballot in November?

## Overall risks skewed to the upside

- Collections continue to surprise to the upside, additional stimulus, resiliency and innovation
- If upside risk materializes, revenue will be constrained by the Referendum C cap

...stay tuned for the June forecast.

## Additional Resources

LCS Revenue Forecasts: [leg.colorado.gov/economicforecasts](http://leg.colorado.gov/economicforecasts)

JBC Budget Documents: [leg.colorado.gov/content/budget/budget-documents](http://leg.colorado.gov/content/budget/budget-documents)

Governor's Budget Documents: [www.colorado.gov/governor/ospb](http://www.colorado.gov/governor/ospb)

Explore the Budget: [leg.colorado.gov/explorebudget](http://leg.colorado.gov/explorebudget)

## Questions?

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