

Colorado State Perspective for School Funding

**Presentation to the
Douglas County School Board
May 26, 2020**

**Tracie Rainey, Executive Director
Colorado School Finance Project**

TODAY'S TOPICS

Who is CSFP?
What do we do?

School Finance's
Collision with COVID-19

Potential Options:
1) Emergency Tax
2) Gallagher
3) Fair Tax Colorado
4) Energize Our Economy

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.*

Colorado School Finance Project (CSFP)

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/>
- Twitter: @cosfp

Welcome

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

Federal CARES UPDATE (5/20/2020):

- [Approved Uses for CARES \\$s](#)
- [Coronavirus Relief Fund Allocations](#)(Excel spreadsheet)

CASB Conversations: Budgeting During a Crisis 2.0 (5/20/2020):

- [Presentation](#)
- [Video](#)

Joint Budget Committee Funding Updates

- [General Fund Overview \(5/21/2020\)](#)
- [General Fund Overview \(5/20/2020\)](#)
- [General Fund Overview \(5/19/2020\)](#)
- [JBC Staff Memo: Additional School Finance Balancing Options \(Outside of the Long Bill\)](#)
- [JBC Staff Memo: Revised Long Bill Recommendations for School Finance \(OSPB Forecast\)](#)

UPDATED: [2008-2021 Budget Stabilization Factor: Looking at Potential Consequences in 2020-21](#)

CSFP's May 2020 VIRTUAL Advisory Meeting:

STARTING POINT

What we know

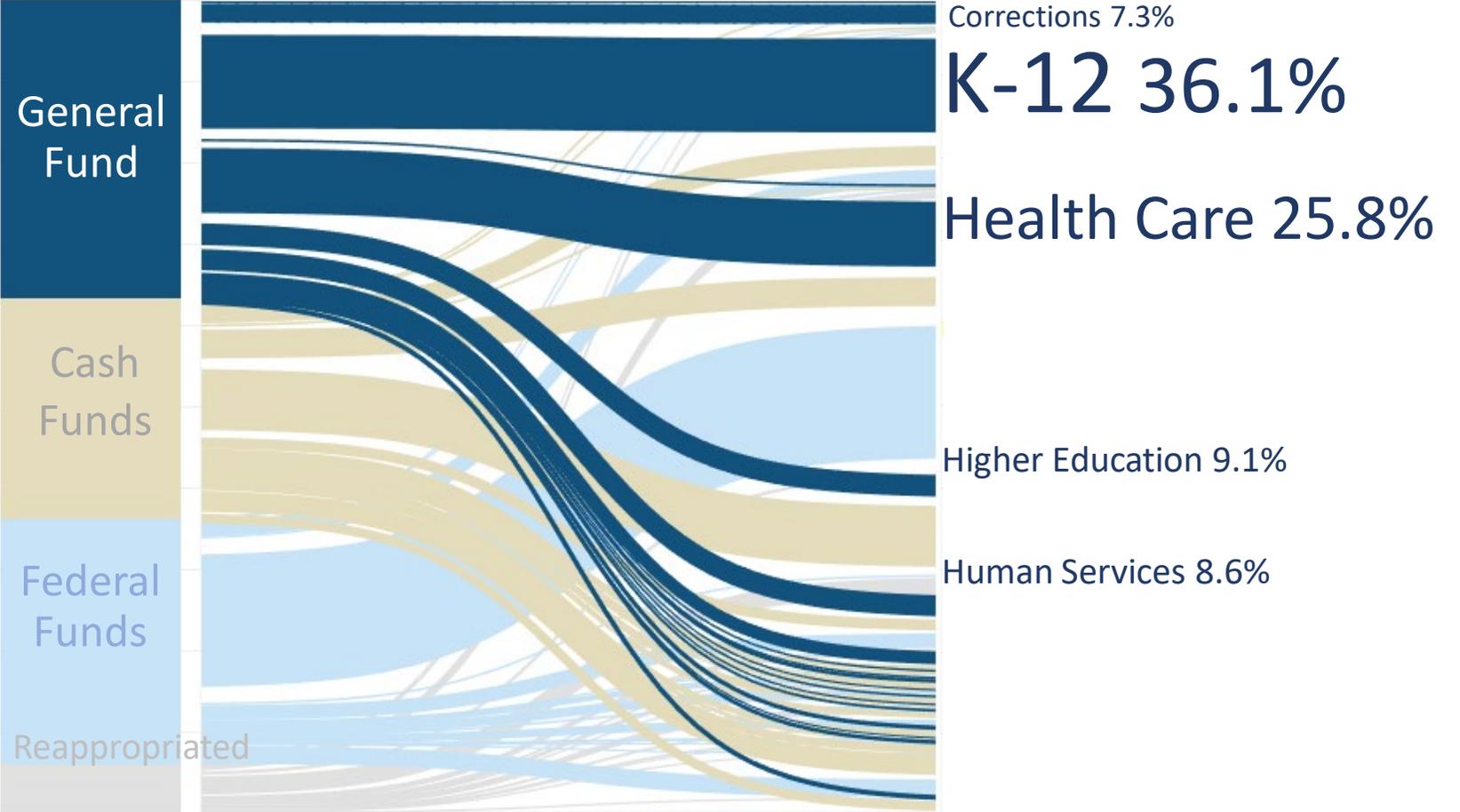
- What the state is solving for
- What percentage K-12 is
- What the local share challenge will be
- What the one-time money is

General Fund Budget

FY 2019-20: \$12.2 Billion*

Fund Source

Spending by Department



Data source: Joint Budget Committee Staff, Budget in Brief. *Subject to change with 2020 legislation.

Revenue inside the School Finance Act

Local Share – District Total Program = State Share

37%
Local Share
in DCSD

LOCAL SHARE
Local District Taxes:
Property Taxes
Ownership Tax

Local Share

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

63%
State Share
in DCSD

STATE SHARE
State Taxes:
General Fund
Education Fund

State Share

- State “backfills” to reach District Total Program.

RESIDENTIAL ASSESSMENT RATE

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

State backfill becomes more challenging and has resulted in **growing the B/S Factor**

What makes the COVID-19 downturn different

\$s cut –

More than \$3 billion dollars from
state's General Fund

Timing

Immediate – reductions in current
year and forecast period

Multiple years of impact

Loss of local share – permanently gone
unless constitution changed

LEGISLATIVE BUDGET

Budget Stabilization Factor
now \$1.1B- this assumes no
changes to proposed budget
during legislative process

UNKNOWNNS

Do not have numbers yet for K-12

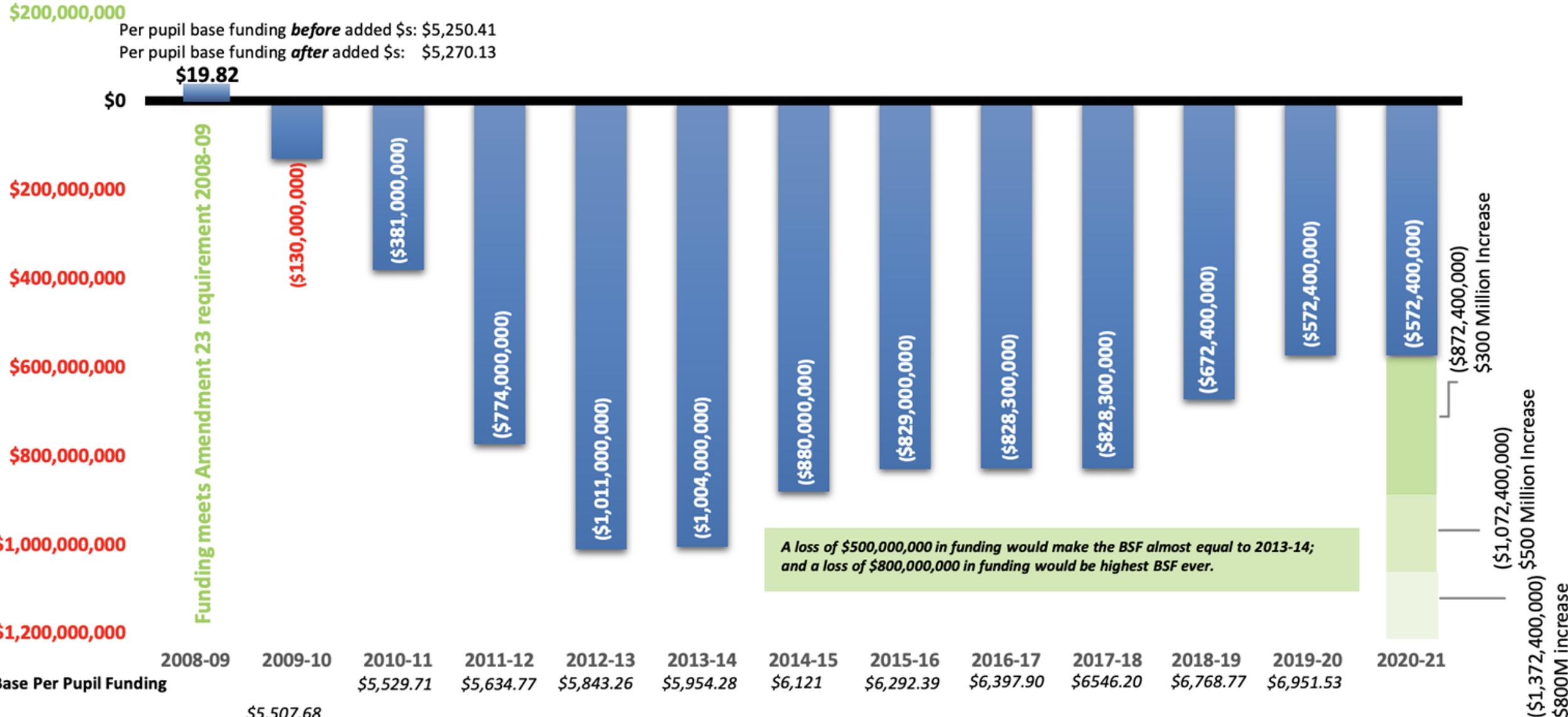
Iterative process for JBC also

Will have a better sense by Friday,
May 29

We don't know how long this will last — what's the **duration** of the recession?

Interruptions will cause budget pressures throughout the **next few years**

2008-2021 Budget Stabilization Factor: Looking at Potential Consequences in 2020-21



OTHER THINGS TO CONSIDER

- Continuous budgeting with a conservative approach
 - **Quarterly** forecasts
- **Don't use** one-time CARES money to address ongoing costs
- Prepare **multiple budget** scenarios to address
 - Reductions in state share funding (best case, worse case)
 - Traditional school
 - Hybrid model for schools
 - Remote learning in place

CHECKLIST TO HAVE IN PLACE BY BUDGET 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 FUNDING FOR SCHOOLS

Short-term efforts during the legislative session

- TABOR ***Emergency tax***
- ***Gallagher*** legislation to prevent cuts (does not increase funding)

Potential ballot initiatives that would impact school funding

- Initiative 271 — ***Fair Tax Colorado*** (cuts taxes and adds up to \$2billion annually)
- Initiative 306 — ***Energize our Economy*** (annual loss of revenue approx. \$160 million)

EMERGENCY TAX

- Provision under TABOR for legislature to impose a tax when there is an emergency such as COVID19 – **Health Emergency**
- Legislature needs 2/3 from both Chambers
- What is being proposed:
 - **TAX CUT** on first \$250,000 of income
 - Raise approximately **\$800 million** dollars from May-November
 - Only in place until November 30, 2020

INITIATIVE #271

INITIATIVE #271 WILL:

Repeal the constitutional requirement that all taxable net income be taxed at one rate.

Create a tiered tax structure helping to equalize across all taxpayers the portion of their income they pay in state and local taxes.

Establish a 25-member Fair Tax Commission

96%

of Colorado Taxpayers have taxable income less than \$250k

2.5%

of Colorado Taxpayers have taxable income between \$250k and \$500k

0.75%

of Colorado Taxpayers have taxable income between \$500k and \$1m

0.36%

of Colorado Taxpayers have taxable income over \$1m

All taxpayers pay a lower rate of 4.58% on first \$250k of taxable income

Subsequent \$250k will be taxed at 7.00%

Next \$250k in taxable income is taxed at 7.75%

Taxable income above \$1m is taxed at 8.90%

Income of \$250,000

Income of \$500,000

Income of \$1,000,000

How CAREs \$s can help

- 1) Expenses due to modifications necessary to ***comply with state and local public health orders***, including classroom and building reconfigurations, student health monitoring, transportation, smaller class sizes, and increased social distancing.
- 2) Expenses to ***prepare for school closures and reopenings***, including but not limited to planning, human resources, and parent communication.
- 3) Expenses to limit transmission of the COVID-19 virus among students and faculty including ***cleaning, sanitizing and ventilating*** school, and administration buildings.
- 4) Expenses to protect the health of students, faculty and administrators exposed or at risk of exposure to COVID-19, including ***nursing care, sick leave, temperature monitoring***, and school health clinics.
- 5) Expenses to meet the ***mental health needs of students*** experiencing trauma or mental health challenges as a result of the COVID-19 public health emergency.

How CAREs \$s can help

6) Expenses to facilitate ***distance learning for students and educators***, including technological improvements, in connection with school closings to enable compliance with COVID-19 precautions. This includes but is not limited to hardware, software, internet connections, curriculum development, professional development for educators, online learning materials, student and family outreach, engagement, and support, and reimbursement of these expenses incurred directly by educators when supported by appropriate documentation.

7) Expenses to ***recover lost learning time due to COVID-19***. This includes increasing instructional hours that were reduced due to COVID-19 and also includes adding instructional hours for vulnerable and at-risk children and youth. This includes but is not limited to outreach, afterschool programming, tutoring, summer school and instructional time with at-risk students, including English learners, students with disabilities, low-income students, and students experiencing homelessness as defined ^(P)_(SEP).

8) Expenses associated with the ***delivery and increased provision of school nutrition*** programs during school closures due to COVID-19.

9) Necessary expenses to comply with the provisions of this Notice of Award and Certification Letter as well as the allowable uses and conditions of use set forth in this addendum, including for ***administrative and accounting expenses***, up to 0.5% of the recipient's allocation.

QUESTIONS: NOW OR LATER

Tracie Rainey

- T.Rainey@cosfp.org
- 303-860-9136

Stay connected:

- www.cosfp.org
- @COSFP
- Colorado School Finance Project - Facebook