Colorado K-12 Funding

CASB Convention 2015
School Finance – New Board Member Training

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State of Colorado

- 178 School Districts
- 20 BOCES
- 850,000 K-12 Students
  - Average Annual Increase 10,000/year
Role of the Board of Education

- Fiscal Stewards
- Financial Accountability (budget, audit, debt, and elections)
- Personnel Hiring
- Salary Schedule / Compensation Systems
- Adoption of Curriculum

Principles of a School Finance Act

- School finance systems should address:
  - Adequacy – Enough resources to accomplish academic expectations
  - Equity – Resource distribution to address school district and student characteristics
  - Stability – Consistency of Revenue
Colorado School Finance Act

- **Total Program Funding (90% of Revenues)**
  - Pupil Count x Per-Pupil Revenue
- **Total Program Components**
  - Property Taxes
  - Specific Ownership Taxes
  - State Equalization
- **School Finance Factors**
  - Size
  - Cost of Living
  - Personnel & Non-Personnel
  - At-Risk
  - Negative Factor (Reduction)
K-12 Funding vs National Average

Comparing a variety of sources, the funding gap between Colorado per pupil spending and the national average has continued to grow for almost two decades.

But Colorado’s Structural Budget Problems Will Worsen

Cumulative Growth Rates from FY 11-12 through FY 24-25 for General and State Education Fund Revenues and Departments of Education and Health Care Policy and Financing

[Graph showing cumulative growth rates]
Colorado K-12 Negative Factor

- Negative Factor 2016-17: $905M (projected)
  - 2015-16: $855M
  - 2014-15: $880M
  - 2013-14: $1.004B
  - 2012-13: $1.001B
  - 2011-12: $774M
  - 2010-11: $381M
- What does this mean for school districts?
- State leaders warn of increasing negative factor
- What happens when the negative factor maxes out?

State Medicaid Match

- Health Care Expansion
- Medicaid Expansion
  - State must pick up higher shares of cost of Medicaid expansion over the years.
  - 2015, 2016: Federal government picks up 100% of cost expansion through 2016
  - 2017: Fed picks up 95%
  - 2018: Fed picks up 94%
What About Pot?

• Difference between Medical and Recreational
• K-12 Funding set at $40M for Capital Construction
• Capital Construction through BEST grant
  • Best Grant Criteria includes local property wealth

Colorado Local Tax Collections

Table 1 - Combined State and Local Tax Collections
Per $1,000 Income, FY 2008-09
Source: U.S. Census Bureau.

<table>
<thead>
<tr>
<th>State</th>
<th>Rank</th>
<th>Tax</th>
</tr>
</thead>
<tbody>
<tr>
<td>Alaska</td>
<td>1</td>
<td>$206.46</td>
</tr>
<tr>
<td>U.S. Avg. (all states)</td>
<td>N/A</td>
<td>$102.10</td>
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<tr>
<td>Colorado</td>
<td>45</td>
<td>$86.82</td>
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<tr>
<td>South Dakota</td>
<td>50</td>
<td>$79.32</td>
</tr>
</tbody>
</table>
Colorado Combined State & Local Taxes

Table 2 - Combined State and Local Property and Sales Tax Collections Per $1,000 Income, FY 2008-09

<table>
<thead>
<tr>
<th>State</th>
<th>Rank</th>
<th>Tax</th>
</tr>
</thead>
<tbody>
<tr>
<td>Colorado (property)</td>
<td>31</td>
<td>$29.17</td>
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<tr>
<td>U.S. Avg. (all)</td>
<td>N/A</td>
<td>$34.05</td>
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<tr>
<td>Colorado (sales)</td>
<td>26</td>
<td>$23.45</td>
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<tr>
<td>U.S. Avg. (all states)</td>
<td>N/A</td>
<td>$23.37</td>
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</tbody>
</table>

Colorado State Tax Collections

Table 4 - State Tax Collections Per $1,000 Income, FY 2010-11

<table>
<thead>
<tr>
<th>State</th>
<th>Rank</th>
<th>Tax</th>
</tr>
</thead>
<tbody>
<tr>
<td>State Total Taxes</td>
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<td></td>
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<tr>
<td>Alaska</td>
<td>1</td>
<td>$175.30</td>
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<tr>
<td>U.S. Average</td>
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<tr>
<td>Colorado</td>
<td>48</td>
<td>$44.35</td>
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<tr>
<td>New Hampshire</td>
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<td>$40.32</td>
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<td>Colorado Income Taxes</td>
<td>27</td>
<td>$21.27</td>
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<tr>
<td>Colorado Sales Taxes</td>
<td>44</td>
<td>$10.18</td>
</tr>
</tbody>
</table>
Tax Comparisons to Other States

Combined State and Local Taxes: Colorado and Neighboring States
Per $1,000 Income, FY 2008-09

- Wyoming: $150.49, Rank: 2
- Utah: $96.31, Rank: 31
- Colorado: $96.82, Rank: 45
- Nebraska: $101.63, Rank: 22
- Kansas: $100.98, Rank: 25
- Oklahoma: $89.49, Rank: 43
- Texas: $89.34, Rank: 40

TABOR/Gallagher

- Article X, Section 20 of the Colorado Constitution
- FY92/93 Base Year
- Limits Government Growth to Inflation Plus Growth
- Spending and Revenue Limits
- Reserving Technique – Ties to Audit
- TABOR Emergency Reserve = three percent
- Gallagher Amendment
  - 55%/45% Ratio Assessed Property
  - Doesn’t Affect Per-Pupil Revenue
  - Limits Bond and Mill Levy Override Revenues
Challenges

- K-12 Initiatives (SB 163/191/212, Early Literacy and Common Core)
- Competitiveness of Salary and Benefits
- Declining Physical Plants and Grounds
- Aging Vehicle Fleet
- Technology Obsolescence

Challenges – (continued)

- Increasing PERA Pension Requirement
- Healthcare Costs and Affordable Healthcare Act
- Declining Reserves and Matching Grant Obligations
- Reporting Requirements and Automated Data Exchange
Questions and Contact Information

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