CASB 2015 Convention

Colorado K-12 Funding
School Finance – New Board Member Training

December 3, 2015

Glenn Gustafson
Colorado Springs D-11 Deputy Superintendent / Chief Finance Officer

Tracie Rainey
Colorado School Finance Project Executive Director
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## Contact Information:

Glenn Gustafson, Colorado Springs D-11: glenn.gustafson@d11.org
Tracie Rainey, Colorado School Finance Project: t.rainey@cosfp.org
State of Colorado

- 178 School Districts
- 20 BOCES
- 850,000 plus K-12 students
  - Average annual increase 10,000/year

Role of Board of Education

- Fiscal Stewards
- Financial Accountability (budget, audit, debt and elections)
- Personnel Hiring
- Salary Schedule / Compensation Systems
- Adoption of Curriculum
CSFP Briefing Document: School Board Responsibilities

Board member responsibilities:

- hiring your superintendent, your auditor, and your attorney,
- financial decisions for employees,
- contracts the district enters into,
- the configuration of district facilities,
- adoption of curriculum, and
- a strategic plan for addressing the academic goals of your students.

In many communities you are the largest employer and your facilities are used for multiple purposes to support your broader community. You may have been elected by a larger voting community than your state legislator or county commissioner.

School Boards have a responsibility to create a vision and mission for a district and allow for public input in that decision making process. Creating a meeting plan for a year is critically important ensuring that a Board meets expected timelines driven by the state and district policies. Many financial items are driven by a state required timeline: quarterly financial review, budget adoption, audit completion, certification of mill levies, election deadlines for example. Other decisions may be more flexible, but can be influenced by surrounding districts’ policies such as open enrollment, staffing decisions, hiring timelines, contract renewals, course offerings, etc.

A new challenge for school districts is the fluctuation of resources given the fiscal challenges of the state. This fluctuation may cause a revision of budgets two, three or even four times during a year. The changes at the state level may be after the district adopted budget, hired staff, offered contracts and committed to program and course offerings – forcing districts to make changes during a year. These changes create great challenges for school districts and add to the critical importance ongoing community discussions.
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)
CSFP Briefing Document: How are Colorado School Districts Funded?

School districts are funded by a combination of sources as defined in the School Finance Act.

The formula for total program funding is defined by the legislature in the School Finance Act. Local revenue + State revenue = Total Program Funding for a district.

1. How are the local and state revenues determined?
   a. **Local revenue is determined first:** Generated by local property taxes and specific ownership tax.
   b. **Next, Local revenue is subtracted from the amount designated in the School Finance Act.**
   c. The **result is the State revenue portion.** (State revenue comes from sales and income tax.)

2. The **formula also calculates the “Negative Factor” and an amount is deducted from the State’s portion of funding for each school district.** The impact varies by school district as the calculation is on the statewide average, not calculated for each school district. Otherwise there would be 178 school finance formulas.

Additional revenue streams to districts:

1) **Federal Funds:** flow to districts that are tied to certain programs or students.

2) **State funds:** “Categorical” dollars for special education, English language learners, gifted and talented, Vocational education, transportation and small attendance centers. (source: Sales and Income Tax collected by state)

3) **Local override dollars:** Voter approved increases in local tax dollars for local programs and priorities. These dollars are outside the mills raised for the school finance act.

4) **Grants:** Typically for a specific purpose and for a particular length of time.

5) **Bond Dollars:** Voter approved increases primarily approved for capital construction. Bond dollars cannot be used for general operations in a district.
K-12 Shift from Local to State Funding

![Graph showing the shift from local to state funding](image)

K-12 Funding vs National Average

![Graph showing funding vs national average](image)

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.
Colorado’s 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?
CSFP Briefing Document: Why Resources Matter

The How, What and Why Resources Matter to Districts

1. Time as a variable – to better serve students
2. Need updated materials to meet the revised standards
3. Manageable class sizes to accommodate differentiation and high quality instruction
4. An array of program offerings to help students be successful and to explore interests and passions
5. State of the art facilities – reflecting today’s work environment
6. Adequate revenue to offer a high quality education for all Colorado students – the economic future of the state
7. Other states are making investments in education – realizing that high quality Pre – School, all day Kindergarten, high quality interventions, and after school programs make a difference
8. Colorado was once a leader in education – in the 1970’s and early 1980’s
9. Schools look different today than they did 25, 30, 40 years ago
10. Expectations are that every child be successful, not just some – great goal, big challenge, a new norm from the past.
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%
  - 2015: 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
CSFP Briefing Document: Reasons Districts in Trouble

Ten Reasons Colorado School Districts are in Trouble

1. No stability or commitment to funding public education
2. Enrollment as a state is increasing – impact to school districts varies
3. No state commitment for capital needs of a school district
4. Tax payer equity issues impact local tax support for funding
5. Student demographics changing – minimal differentiated financial support for programs
6. Teacher recruitment a challenge for many districts
7. Teacher compensation much lower than national average
8. Length of school year has been shortened – furloughs and reductions
9. Technology challenges: connectivity, broadband, equipment replacement, licensing costs
10. Staff development need for new standards and academic expectations
## 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>

[Graph showing tax collections from 1997-98 to 2008-09]

- **All States (Avg.)**
  - 9.1% Decline (10-yr.)

- **Colorado State and Local Taxes**
  - 24.3% Decline (10-yr.)
# 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>
</tr>
<tr>
<td>U.S. Avg. (all)</td>
<td>N/A</td>
<td>$34.05</td>
</tr>
<tr>
<td>Colorado (sales)</td>
<td>26</td>
<td>$23.45</td>
</tr>
<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>
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<td>U.S. Avg. (all states)</td>
<td>N/A</td>
<td>$23.37</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
$86.82
Rank: 22

Nebraska
$101.33
Rank: 45

Kansas
$100.98
Rank: 25

Arizona
$91.18
Rank: 38

New Mexico
$103.99
Rank: 17

Oklahoma
$88.49
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 = 3%
- Gallagher Amendment
  - 55% / 45% Ration 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 & Common Core)
- Competitiveness of Salary and Benefits
- Declining Physical Plants and Grounds
- Aging Vehicle Fleet
- Technology Obsolescence
- Increasing PERA Pension Requirement
- Healthcare Costs and Affordable Healthcare
- Declining Reserves and Matching Grant Obligations
- Reporting Requirements & Automated Data Exchange
CSFP Briefing Document: What is the timing for school finance? Are adjustments made throughout the year?

The timing of the legislatures work on school finance and school district decisions for their budget do not tie together neatly.

Legislature: January – March/April/early May: The legislature convenes in January and begins work on School Finance in March or April for the upcoming school year. (i.e. January – May 2016 convening, determining funding for 2016-17 school year.)

To determine funding for the upcoming 2016-17 school year the legislature uses the following estimates. Once actual numbers are available and state forecasts are updated, the legislature may adjust funding to districts.

i) An estimated enrollment count (from May 2016) is used until CDE releases the October Membership Count in December 2016.

ii) An estimated local share (local property taxes and specific ownership tax) is used until the final mill levy certification, which is determined in December 2016.

iii) In January, via the Supplemental Process, the legislature makes adjustments to the district funding. The desired outcome is to increase revenue to reflect enrollment changes and local property tax collections. When the state does not pick up the new dollars needed it is the taken back from a school district in the form of a mid-year rescission.

School Districts: Will have made decisions for the upcoming school year in many areas prior to knowing the revenue they will actually receive. Districts must finalize the upcoming fiscal years’ budget by the end of June.
Colorado Springs School District 11
Budget Development Process and Calendar
FY 2014-2015

The District business plan and board goals will be the basis for the budget development process. Other influences on the budget development process include pupil count projections, estimated property assessed valuations, estimated beginning fund balance, Unified school and district improvement plans, capital plan update and technology plan update.

2013

- **December 11** Mill levy certification for property tax collection in calendar year 2012
- **December** District-wide pupil projections due from the Enrollment Office

**Winter 2014**

- **January 8** Board non-action on mid-year budget modifications to the FY13/14 accepted budget
- **January 22** Board action on mid-year budget modifications to the FY13/14 accepted budget
- **February 1** Revised school pupil projections due
- **February 15** Per-pupil allocation budgets due to school principals

**Board Deliberations**

**Spring 2014**

- **March 12** Board non-action on preliminary budget development assumptions
- **March 19** Board action on preliminary budget development assumptions
- **May TBD** Last day of state legislative session
- **May 2** Delivery of proposed budget to the Board of Education (delivery no later than May 31) C.R.S. 22-44-108(1)(c)
- **May 3** Publish notice to the public that the proposed budget is available for review per C.R.S. 22-44-109(1)
- **May 7** Board budget work session
- **May 14** DAC Budget Subcommittee’s annual report
- **May 28** Board non-action and public hearing for adopted budget and the following resolutions: Use of Portion of Beginning Fund Balance; Appropriation; Designation of Fund Balance; Reserves and Designations Applied to Fiscal Year Spending; Interfund Borrowing; and Student Fees, Fines, and Charges
- **June 4** Board budget work session (if needed)
- **June 11** Board action for adoption of FY14/15 budget and all resolutions C.R.S. 22-44-105(5) and C.R.S. 22-44-105(1)(c.5)

July 1, 2014 Post Uniform Budget Summary to district’s website for FY14/15 C.R.S. 22-44-105(5) and C.R.S. 22-44-105(1) (c.5)
# Sample District Budget Development Calendar for 2016-17 School Year

*Italics = State Level*

<table>
<thead>
<tr>
<th>July 2015</th>
<th>August 2015</th>
<th>September 2015</th>
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<tr>
<td>New Fiscal Year Begins</td>
<td>District: Plan budget calendar for 2016-17. BOE: Long-range budget forecast discussions with BOE. Decision due for Mill or Bond election. District: Receive preliminary assessed valuation</td>
<td>State: 2016-17 Revenue Forecast BOE receives quarterly financials</td>
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<table>
<thead>
<tr>
<th>October 2015</th>
<th>November 2015</th>
<th>December 2015</th>
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<tr>
<td>October Student Count (10 day window)</td>
<td>State: Governor’s Budget District: Mill or Bond election, Odd years: School board election</td>
<td>State: 2016-17 Revenue Forecast. CDE releases student Membership Count. District: Receive final assessed valuation from county assessor. BOE: Certify mill levies property tax collection figures to county commissioner. BOE: Revised 2015-16 Budget Approved &amp; Quarterly financials</td>
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<thead>
<tr>
<th>January 2016</th>
<th>February 2016</th>
<th>March 2016</th>
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<th>April 2016</th>
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**Supplemental Process**: Adjustments for October enrollment count and estimated local share. Desired outcome is to increase revenue to reflect enrollment changes and local property tax collections. When the state does not pick up the new dollars needed it is taken back from a school district via a mid-year rescission.