Goals of the Day

- **Learn / Understand**
  - **Colorado Conundrum** where additional revenue does not mean additional available funds for the General Fund.
  - **State’s current approach to budgeting for PK-12**.
  - **Impact of various budgeting scenarios** on PK-12 funding in 2015-16, 2016-17, and 2017-18.
  - **Potential impacts** on district financial planning

- **Provide documents and materials** to use with stakeholders.
State of the State

• Economy booming
• Unemployment very low
• Earnings increasing
• Strong housing market
• State population increasing
• Constitutional and statutory conflicts
  — TABOR, A23, Gallagher, SB228
• Implications looming for K-12?

School Finance Act/State Budget

• State’s contribution to SFA in 2000 was 43%, today is 41% (includes SEF)
• Populations and inflation continue to increase
• State moved from ability to pay to willingness to pay – a predetermined amount
• School finance calculated on statewide average
• PPR annually impacted
School Finance/State Budget

• Annual Reductions in Per Pupil Funding
  – Rescissions: Typically made mid-year in supplemental process
  – Negative Factor: A reduction from the A-23 formula
  – CDE Overhead Rescission: Dollars taken off the top of every PPR to support CDE

Building Excellent Schools Today (BEST)

• Legislation passed in 2008
• Statewide Facility Condition Assessment State Report FY09-10
  – **Over $13.9B in facility need** throughout the state
  – **2018 forecast: $17.8B**
## School Districts Trying to Cope

- **Making cuts over multiple years**
  - People
  - Programs
  - Pay
- **One-time vs permanent** reduction
- **Elections**
  - Mill Levy Overrides
  - Bonds
- **Grants**

### Districts with Voter Approved Overrides FY 2014 – part 1

- **Voter Approved Overrides:** $826,485,682
- **District Summary:**
  - 112 Districts with MLO 62.9%
  - 66 Districts with no MLO 37.1%
  - 178 Total School Districts
- **Membership Summary:**
  - 889,006 Total Membership
  - 778,676 Students w/Voter Approved Overrides: 87.6%
  - 110,330 Students w/o Voter Approved Overrides: 12.4%

Data source: CDE
Districts with Voter Approved Overrides FY 2014 – part 2

- MLO passed since Nov 1999
  - 55 MLO passed Nov 2010 - 2014
  - 112 MLO passed Nov 1999 - 2009
  - 167 Total MLO Passed
    (If districts passed multiple elections, each election counted)

- Voter Approved Overrides
  - Range: $34 - $4,167
  - Mean: $1,168.27
  - Median: $1,044.73

Data source: CDE
Steady Enrollment Growth
Student Count, Free & Reduced Lunch, English Learners
1994-95 - 2014-15 selected years

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<td>Membership</td>
<td>612,053</td>
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<td>-</td>
<td>6.3%</td>
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<td>English Learners</td>
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<td>-</td>
<td>-</td>
<td>12.1%</td>
<td>14.3%</td>
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Data source: CDE

Negative Factor – By Year

- 2016-17 & 2017-18 expected to continue
- 2015-16 $855.1M (estimated - $25M buy down)
- 2014-15 $880M ($100M buy down)
- 2013-14 $1.004B
- 2012-13 $1.001B
- 2011-12 $774M
- 2010-11 $381M (Negative Factor & Mid-year rescission)

Data source: Legislative Council
Mid-Year Rescissions – By Year

- 2010-11 $381M (Negative Factor & Mid-year rescission)
- 2009-10 $130.0M
- 2008-09 $7.5M
- 2002-03 $784.0M
- 2001-02 $1.7M

Data Source: Legislative Council, CDE

228 Transfers

- Implications:
  Triggered by a 5% growth in personal income in 2014. Requires 2.5% of GF to go to transportation in first two years and 3% in final three years. Can be halved or eliminated based on certain TABOR refund levels.
TABOR Refunds

• Implications:
  Required refunds to taxpayers when revenues exceed Ref. C TABOR Cap. If refunds above $97.7 million Earned Income Tax Credit (EITC) kicks in. Over $294.6 million income tax rate reduction. Effectively means that increases in revenues above cap provide no additional revenues to state.

Medicaid Expansion

• Implications:
  State must pick up higher shares of cost of Medicaid expansion over the years. The federal government picks up 100% of the cost of expansion through 2016, 95% in 2017, and 94% in 2018 – about $120 million per year on-going
Rescissions

- Implications:

  Based on projected funding for 2015-16, rescission may be necessary to balance budget according to current forecasts.
  5 rescissions since 2001

Negative Factor

- Implications:

  Statutory language exists to keep the negative factor at $855 million going forward. Modeling assumes this figure may need to change due to budget pressures.
State Considerations

• State Education Fund (SEF) balance is declining. Ending balance targets have been set by the state.

• If negative factor is to remain constant, then in conjunction with growth and lower SEF funds, General Fund contribution will need to grow.

Other considerations:

• Changes to the Hospital Provider fee, a decision on Dwyer in the plaintiffs favor, or a de-Brucing effort would cause a level of change that would make current modeling moot.
Scenarios

- Scenarios are based on conversations with multiple stakeholders around the state.
- They are meant to show the impact on the to K-12 funding due to various pressures on the state budget.
Questions & Concerns

• Today
• Later – contact me

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