Who are We?

- Colorado School Finance Project (CSFP)
  - Established in 1995
  - 2015 became a Non-Profit
  - Governed by a Board of Directors
  - Supported by contributions
    - School Boards / Districts
    - Educational organizations: CASE, DBO’s, CEA, BOCES and Rural Alliance
What We Do

• Our Mission is: to compile, collect and distribute research-based, non-partisan information and data on topics related to school finance for state and local policy makers.

• We provide relevant information for school districts as research, national or state data & information becomes available.

How We Operate

• Monthly Advisory Meetings - open to contributing districts.
  – guest speakers
  – provide information and encourage dialogue on school finance related topics

• Discussions:
  – Current topics / concerns
  – Additional research for future discussions
Proactive or Reactive

- Yes
- Provide information on what is happening in other states – broaden perspective for Colorado leaders – Proactive
- Provide analysis on policy – Reactive
- Provide updated information or trend data - Informational

Provide Education

- We provide information to various groups; creating awareness on school finance and budget issues.
  - Website: cosfp.org. Twitter: @COSFP
  - Gatherings such as this
  - Conferences by CASE, CASB, BOCES, Rural Alliance and others.
- Our focus: K-12 policy and resources for an adequate and equitable system
Today’s Topics

• Conundrum of school finance
• Negative factor
• State budget
• Ballot initiative - fall 2016
• Future planning
• Timing challenges – on going changes

K-12 is 40% of State Budget

Expenditures:
1. School Finance Act
2. Categoricals
3. Other: i.e.
   BOCES, Rural
   Funding, At-Risk
   Funding, Capital
   for Charter
   Schools, etc.
New Pieces Impacting K-12 Funding

• One-time funding?
  – Many dollars allocated out of the K-12 funding pot are not required:
    • to increase
    • to be accessible for all students
  – Available if revenue and political support remain strong

• On-going funding?
  – Creates state budget pressures

Revenue Sources

• Local Revenue – property taxes and ownership taxes.
• State taxes – general fund and Education Fund
• Federal Funds
• Local Mill Levy Overrides
Mill Levies - 2 “types”

- Local Mill Levies are certified by school districts so revenue can be collected from the county for a district’s portion for the school finance formula. (Mill levies *inside* the formula) Local Share + State Share.

- School districts can ask their voters to increase local taxes by raising mill levies for district needs – general operating and capital. (Mill levies *outside* the formula: supplemental)

Local Revenue

- 8 districts completely self-funded
  - 4 pay for categoricals via levy imposed by CDE

  - 68 successful MLO. 58.8% pass rate. 51.4% of students

Mill levy dollar ranges from 1988 - present:
  - Range is from $1 per pupil to over $3,000 per pupil
Revenue INSIDE the School Finance Act

Local Share – District Total Program = State Share

**LOCAL SHARE**
Local District Taxes:
- Property Taxes
- Ownership Tax

**STATE SHARE**
State Taxes:
- General Fund
- Education Fund

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

**State Share**
- State “backfills” to reach District Total Program.
State Revenue

- K-12 has historically been about 42%-45% of the State budget – this year will be down to 37%.
- The reduction of state funds has been a result of the negative factor.
- Negative factor: a mechanism for the state to take dollars away from education.
Negative Factor

• Negative Factor: 2016-17: $831M (projected)
  – 2015-16: $831M
  – 2014-15: $880M
  – 2013-14: $1.004B
  – 2012-13: $1.001B
  – 2011-12: $774M
  – 2010-11: $381M
  – 2009-10: $130M

• What does this mean for school districts?
• State leaders warn increasing negative factor
## School Finance Scenarios Going Forward

Total Program Funding Projections  
LCS December 2015 Revenue Forecast

<table>
<thead>
<tr>
<th>Fiscal Year</th>
<th>Current funding level</th>
<th>JBC Staff Recommendation</th>
<th>Eliminate negative factor</th>
<th>Current law: constant $830.7M negative factor</th>
<th>Statewide Base Per Pupil Funding</th>
<th>Current funding level</th>
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</thead>
<tbody>
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<td>FY 2015-16</td>
<td>$8.0B</td>
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<td>$40.8M one-time increase in negative factor</td>
<td>Eliminate negative factor</td>
<td>Current law: constant $830.7M negative factor</td>
<td>Statewide Base Per Pupil Funding</td>
<td>Current funding level</td>
</tr>
</tbody>
</table>

**Legislative Council, 02/2016**

### How is This Possible?

- State economy is robust
- Housing is strong
- Unemployment is low
- All the new cannabis industry revenue
- Increased valuation in residential property
- Low inflation
- Annual increase in K-12 students, but at slower rate
Hands Tied? Or Not?

- Can retain revenue state has collected above the cap – referred or citizens measure
- Hospital Provider Fee – constitutional or not?
- Increase taxes – referred or citizens initiative
- Other ideas?

Keep Revenue Already Collected

- Many options being discussed
  - Eliminate refunds forever or for a period of time?
  - Should funds have a designated purpose or should the General Assembly decide?
- 3 initiatives currently at the Title Board
- This is a first step in fixing the conundrum of school finance.
Health Care Provider Fee

• Discussions: Introduce legislation again to create an enterprise from the Health Care Provider Fee.
  – Would be about ½ a billion dollars of room before hitting the revenue cap – unsure what this does for K-12
• Thoughts are this can be done by legislature given this fee is newer than REF C established – so calculated outside of the REF C cap

Urgency

• Colorado cannot:
  – Grow our way out of the problem
  – Solve the problem by mill levy overrides – not all districts have that option
  – Benefit from a growing economy with the current revenue constraints
  – Depend on the Federal government to bail out Colorado
• Time makes the problem worse – not better.
State Budget Expectations

- State Ed Fund (SEF):
  - Balance is declining
  - Ending fund balance: $100 million goal
- General Fund (GF) Contribution - If negative factor to remain constant:
  - In conjunction with more students & lower SEF funds, GF contribution needs to grow by approximately $350 million annually

Results of Lack of Revenue

- No full day kindergarten
- Less programs available at all levels
  - Music, arts, technology, foreign languages, higher level classes, AP opportunities, Vocational Ed classes, etc.
- Less small classroom instruction for students trying to catch up and keep up.
Results of Lack of Revenue (cont.)

• Difficult to find educators & district leaders
• Difficult to find bus drivers, maintenance personnel, specialists or interventionist
• Maintenance of facilities – falling farther behind
• Colorado isn’t staying competitive when compared to other states and countries.

What’s in the Future?

• 2016 local and statewide elections
• ESSA – Every Student Succeeds Act
• Equity – Adequacy Gap
• State and National data/trend analysis
• Resources needed for students to meet the state and federal accountability requirements
Questions & Concerns

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