The Conundrum of School Finance

Western Slope Superintendents’ -2015

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Colorado School Finance Project

K-12 is 40% of State Budget

Expenditures:
1. SFA
2. Categoricals
3. Other: i.e. BOCES, Rural Funding, At-Risk Funding, Capital for Charter Schools, etc.

Revenue Source:
- General Fund
- State Education Fund
Comparing Colorado Per Pupil Spending from 2013 to 2008

1. Spent 12% below 2008 Per Pupil Spending (adjusted to 2013 dollars CPI-U).
2. In the bottom 5 states % change in per pupil spending.
3. Spent 8.37 percentage points below the US Average.

Representative sample of states. Data is audited data; lags behind current data.


Local Revenue

- 8 districts completely self-funded
  - 4 pay for categoricals via levy imposed by CDE
- Mill Levy Overrides (MLO): 2009 - 2014
  - 59 successful MLO. 56% pass rate. 51% of students
  - Range is from $1 per pupil to over $3,000 per pupil
Negative Factor

- Negative Factor 2015-16 projected: $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

State Budget - Moving Parts

- Typical yearly adjustments - Supplemental
  - K-12 enrollment changes
  - At-Risk count
  - Inflation
  - Local Share

- Past practice
  - Mid-Year Rescissions have occurred
    - 2009-10 $130M; 2008-09: $5.8M
  - State does not track Rescissions. CSFP does.
New Pieces Impacting K-12 Funding

• One-time? –
  – 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? Creates state budget pressures

228 Transfers

• Triggered: 5% growth in Personal Income 2014
• Requires General Fund transfer of $260 million
  Transportation and Capitol Construction
  – Years 1 and 2: requires 2.5% transfer
  – Years 3, 4 and 5: requires 3% transfer
• Can be halved or eliminated based on TABOR refund levels.
• Anticipated to be full transfer 15-16
TABOR Refunds

- Required refund to taxpayers when revenues exceed Ref. C TABOR cap.
- Refunds above $97.7M - EITC kicks in
- Refunds over $294.6M - Income tax rate reduction kicks in.
- What it means: Increases in revenues above the cap provide no additional revenue to state.
- Temporary reduction to income tax

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 growth and lower SEF funds, GF contribution needs to grow by approximately $350 million
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%

De-brucing

• Many options being discussed, which would eliminate TABOR refunds forever or for a period of time. Should funds have a designated purpose or should they be up for the General Assembly to decide?
• This is a temporary fix – with no guarantee of what it means for K-12 funding.
Health Care Provider Fee

• Discussions of introducing legislation again to create an enterprise from the Health Care Provider Fee. This would give about a ½ a billion dollars of room before hitting TABOR limit – unsure what means 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

Scenarios: 2015-16 Assumptions

• **Status Quo:** Statutory NF applied = PPR $7,294

• **State Shortfall**
  - Current $220M projected shortfall reduced $70M
  - Additional local property tax revenue
  - K-12 takes 40% cut of remaining $150M shortfall
  - = PPR $7,224

• **Additional Negative Factor**
  - K-12 same share of shortfall (40%)
  - Negative Factor increases to $900M
  - = PPR $7,172

• **If Negative Factor did not exist:** PPR $8,294
Scenarios: 2016-17 Assumptions

• **Status Quo**: Statutory NF applied = PPR $7,505

• **Additional Negative Factor**:
  - Negative Factor grows to $900M
  - = PPR $7,454

• **Negative Factor & Medicaid**:
  - Growth in Negative Factor to $950M
  - K-12 assumes 40% of the cost of the Medicaid expansion:
  - = PPR $7,379

• **If Negative Factor did not exist**: PPR $8,490

Scenarios: 2017-18 Assumptions

• **Status Quo**: Statutory NF applied = PPR $7,729

• **Additional Negative Factor**:
  - Negative Factor grows to $950M
  - = PPR $7,621

• **Negative Factor & Medicaid**:
  - Growth in Negative Factor to $1,000M
  - K-12 assumes 40% of the cost of the Medicaid expansion:
  - = PPR $7,526

• **If Negative Factor did not exist**: PPR $8,699
Questions & Concerns

• Today
• Later – contact me

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