The Conundrum of School Finance

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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 Sources

1. Local Revenue – property taxes and ownership taxes.
2. State taxes – general fund and Education Fund
3. Federal Funds
4. 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)
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 & Local Share Varies

<table>
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<th>District A</th>
<th>District B</th>
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Local Revenue: OUTSIDE the School Finance Act

• Local School Board, via election, asks voters to increase local taxes by raising mill levies for district needs.
• Money remains under district control.
• General Operating (Mill Levy Override), Capital (Bond)

Local Override Revenues - Historical

• Provide additional revenue for school districts to implement local initiatives
• Not to support state expectations
• Concerns arise regarding equity
Local Revenue
OUTSIDE the School Finance Act
• Varies greatly between districts
• Local Mill Levy Override – some districts have many, some 1, some none
• Capital (Bond) – some districts have many, some 1, some none
• Other types: Transportation, Full-day Kindergarten, Technology (2-year)
• $ amount varies widely between districts

Self-Funded Districts
• 8 districts completely self-funded
  – Four pay for categoricals via a levy imposed by CDE
Local Revenue – Mill Levy Override (MLO)

• 91% of students in district with MLO
• 76 districts no MLO
• Mill Levy Overrides between 2010 - 2015
  – 62 successful MLO. 59% pass rate.
• Mill levy dollar ranges from 1988 - present:
  – $1 per pupil to over $3,000 per pupil
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. This has been a mechanism for the state to take dollars away from education.

Negative Factor

• Negative Factor: 2016-17?
  – 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
Impact of Increasing Negative Factor on Districts

School Finance Scenarios Going Forward

Total Program Funding Projections
LCS December 2015 Revenue Forecast

JBC Staff Recommendation $40.8M one-time increase in negative factor

Eliminate negative factor

Current law: constant $830.7M negative factor

Statewide Base Per Pupil Funding

Current funding level
**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
- Less student growth

**Colorado Conundrum**

- 1982: Gallagher
- 1992: Article 10 Section 20 – Taxpayer Bill of Rights
- 2000: Amendment 23
- 2008: Mill Levy Freeze
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?

Urgency

• Colorado can not:
  – grow our way out of the problem
  – solve the problem by mill levy overrides – as 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 does not make the problem better – only worse
Questions & Concerns

• Today
• Later – contact me

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