The Conundrum of School Finance

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Evaluating where we are

• First – evaluating the revenue and funding of our current K-12 system
• Second – does the system address the student’s we are serving?
• Third – does the system address the district characteristics?
• Fourth – how do we move to a new system?
K-12 is 40% of State Budget

Revenue Source:
- General Fund
- State Education Fund

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

District A

LOCAL SHARE
Local District Taxes:
Property Taxes
Ownership Tax

STATE SHARE
State Taxes:
General Fund
Education Fund

District B

LOCAL SHARE
Local District Taxes:
Property Taxes
Ownership Tax

STATE SHARE
State Taxes:
General Fund
Education Fund
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 – districts who can pass elections and districts that can’t
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

• Annually 8-12 districts completely funded by local tax payer dollars

• Function of:
  – High property tax value
  – Lesser state dollars going into K-12
    • (increasing negative factor)
Local Revenue – Mill Levy Override (MLO)

• 88% of students in district with MLO
• 58 districts no MLO (33%)
• Mill Levy Overrides between 2010 - 2016
  – 75 successful MLO – 59% pass rate
• Mill levy dollar ranges 2015-16
  – $19 per pupil to over $3,000 per pupil
State Revenue

• K-12 has historically been about 42%-45% of the State budget – the % continues to drop, now around 37%.

• The reduction of state funds is the negative factor. This is a mechanism to take state dollars away from education.
Negative Factor

• Negative Factor: 2017-18 $876M (estimate)
  2016-17: $828M       2012-13: $1.001B
  2015-16: $831M       2011-12: $774M
  2014-15: $880M       2010-11: $381M
  2013-14: $1.004B     2009-10: $130M

• What does this mean for school districts?
• State leaders warn increasing negative factor
Impact of Increasing Negative Factor on Districts

Districts At Base & Districts With No State Funding
Students In Districts At Base

15.4%: Value of NF in 15-16 for same funding as 14-15.
School Finance Scenarios Going Forward

Total Program Funding Projections
LCS December 2015 Revenue Forecast

- Current funding level
  - Current law: constant $830.7M negative factor
  - Eliminate negative factor
  - JBC Staff Recommendation $40.8M one-time increase in negative factor

Statewide Base Per Pupil Funding

Current funding level

Billions of Dollars


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
• Less student growth
Colorado Conundrum

• 1982: Gallagher
• 1992: Article 10 Section 20 – Taxpayer Bill of Rights
• 2000: Amendment 23
• 2008: Mill Levy Freeze
• 2010: Negative Factor
Hands Tied? Or Not?

• Can state retain revenue it has collected above the cap?
• Hospital Provider Fee –
• Increase taxes – referred or citizens initiative
• Local mill levy increases for all K-12
• 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
Making positive changes

• What are the resources needed for K-12 in an adequate and equitable system?
• How does the work of the superintendent’s move this forward?
• Is the path with superintendent’s leading been tried in Colorado or other places?
Balancing Adequacy and Equity

• Adequacy – the resources needed to accomplish the goals the state has put in place for students, teachers and professionals to be held accountable to.

• Equitable – ensuring that certain student and district characteristics receive additional dollars – so they too can be successful
Funding systems

• Funding systems should not be equal – but intentionally have adjustments for student and district characteristics out of their control.

• Funding systems should be based on research, rationale and tied to tax payer objectives in addition to education objectives.

• Funding systems should be updated and reviewed every 5-7 years or when education goals change.
Questions & Concerns

• Today
• Later – contact me
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