

The Conundrum of School Finance

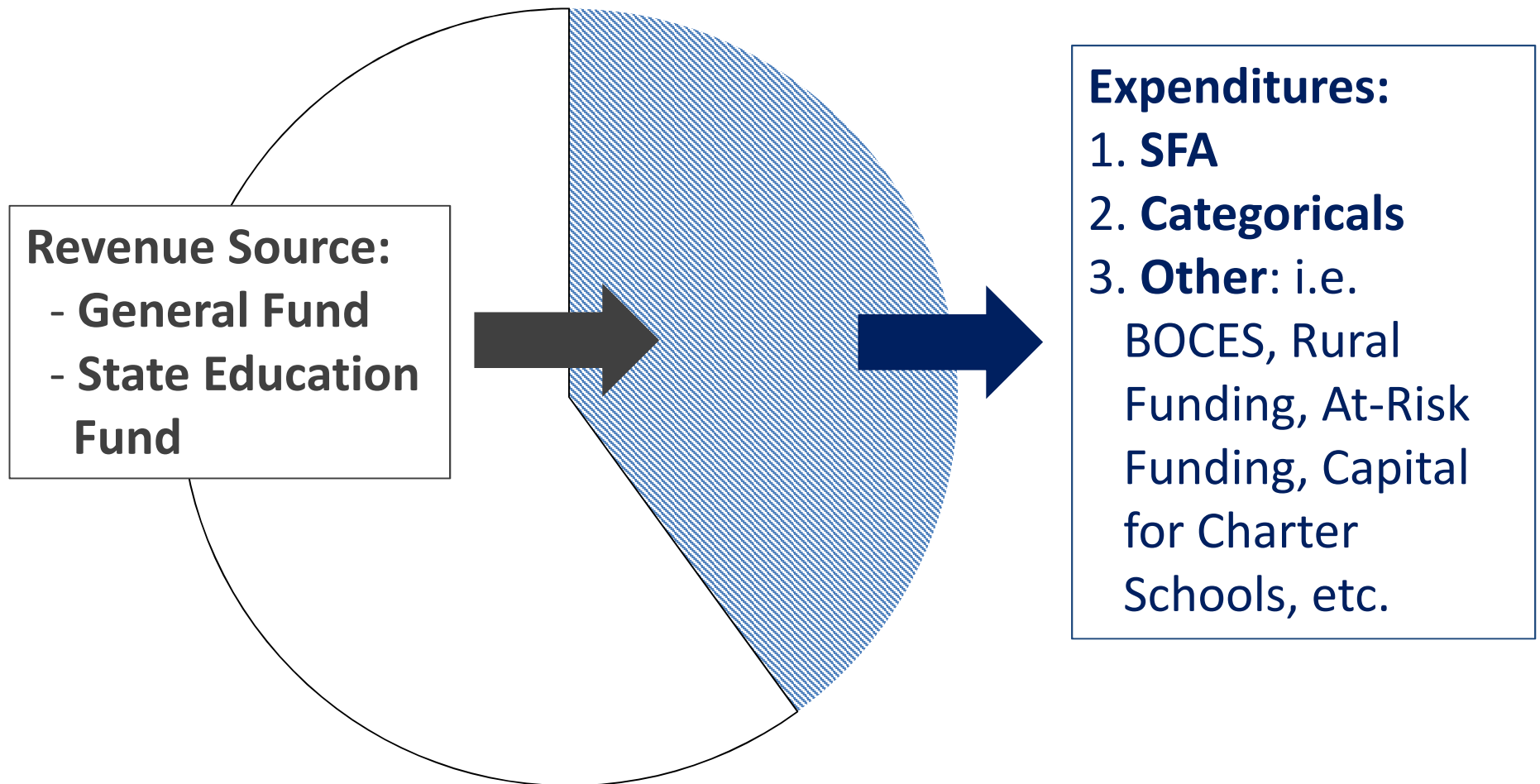
2017 Action Summit
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Tracie Rainey
Colorado School Finance Project

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 Sources

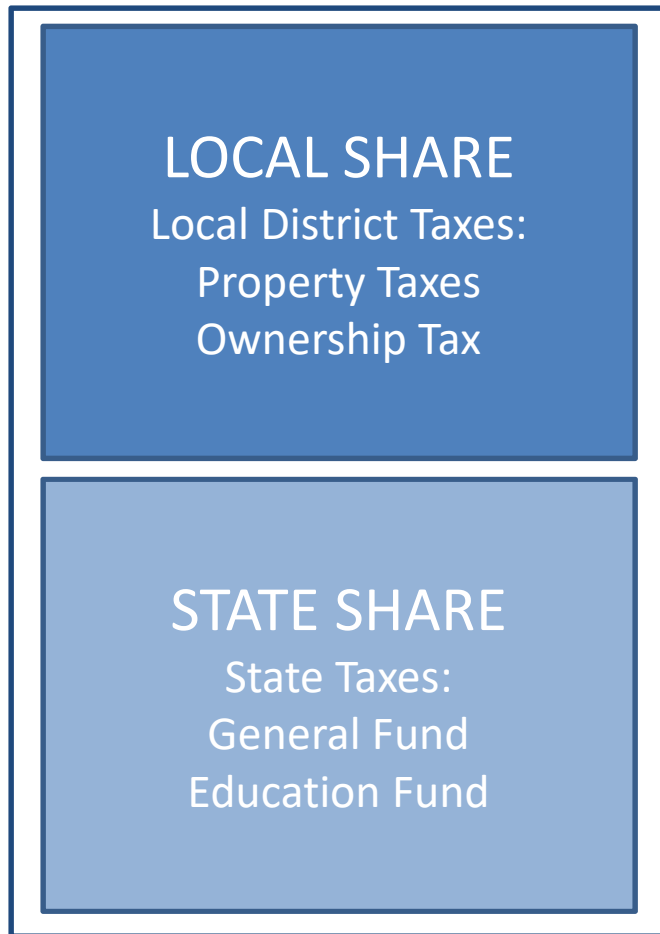
1. Local Revenue – property taxes and ownership taxes.
2. State taxes – general fund and Education Fund
3. Federal Funds
4. Local Mill Levy Overrides

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

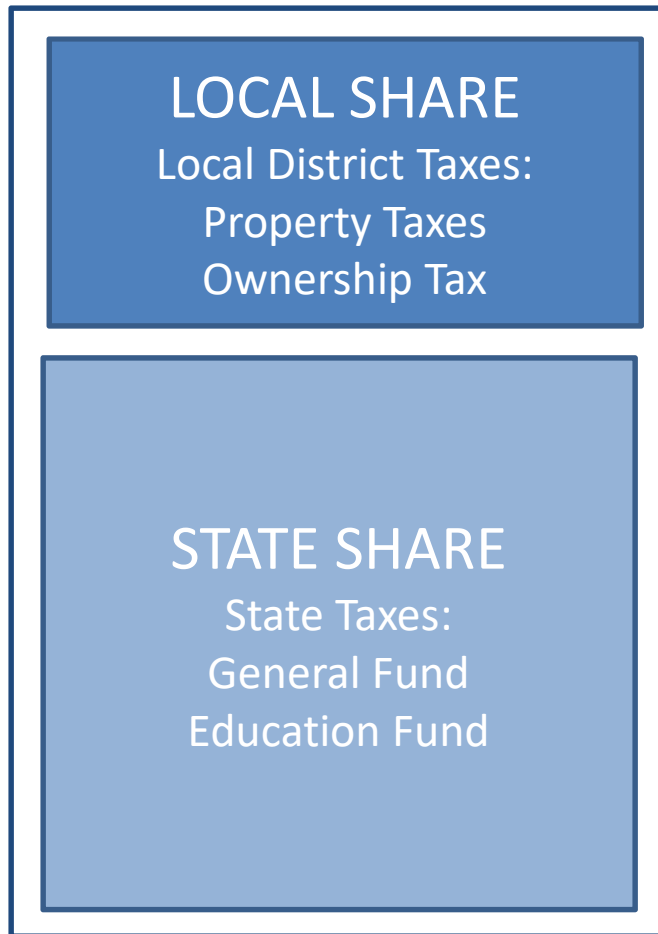
- Property tax
- Starting point for determining state share of District Total Program
- Remains in the district

State Share

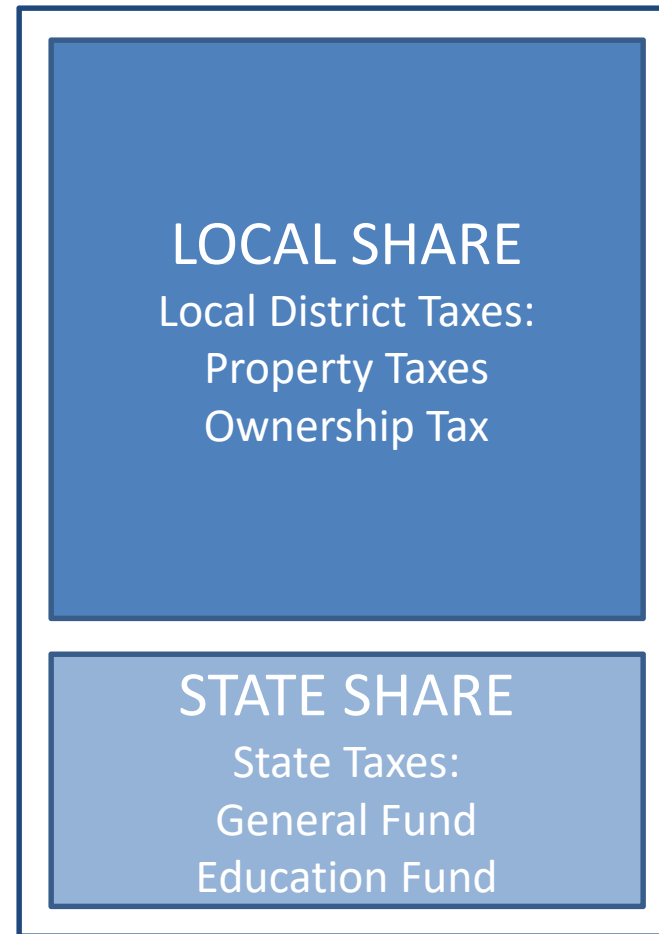
- State “backfills” to reach District Total Program.

State & Local Share Varies

District A



District B



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

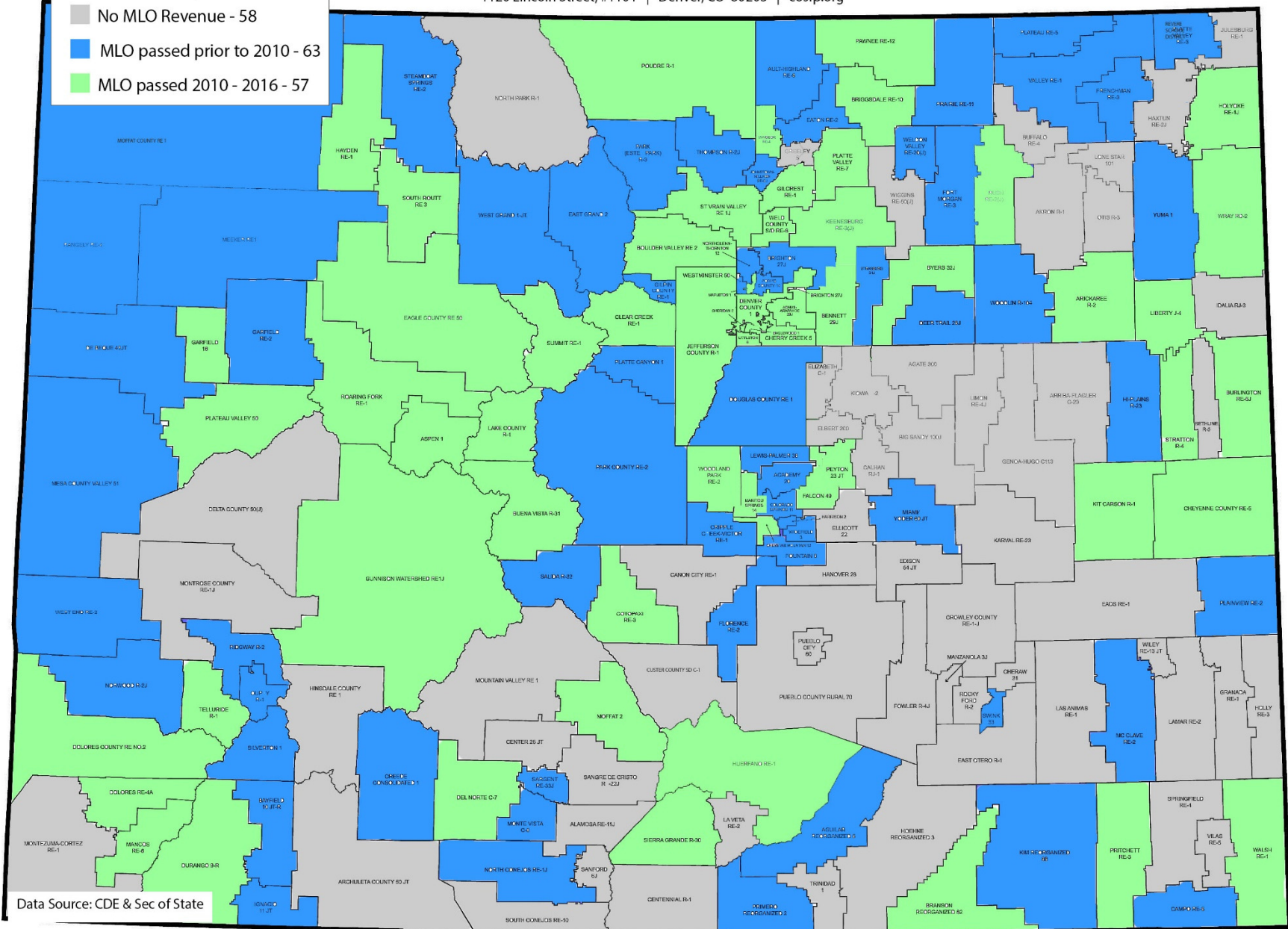
- Annually 8-12 districts completely funded by local tax payer dollars
- Function of:
 - High property tax value
 - Lesser state dollars going into K-12
 - (increasing negative factor)

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

District Mill Levy Overrides

- No MLO Revenue - 58
- MLO passed prior to 2010 - 63
- MLO passed 2010 - 2016 - 57



Data Source: CDE & Sec of State

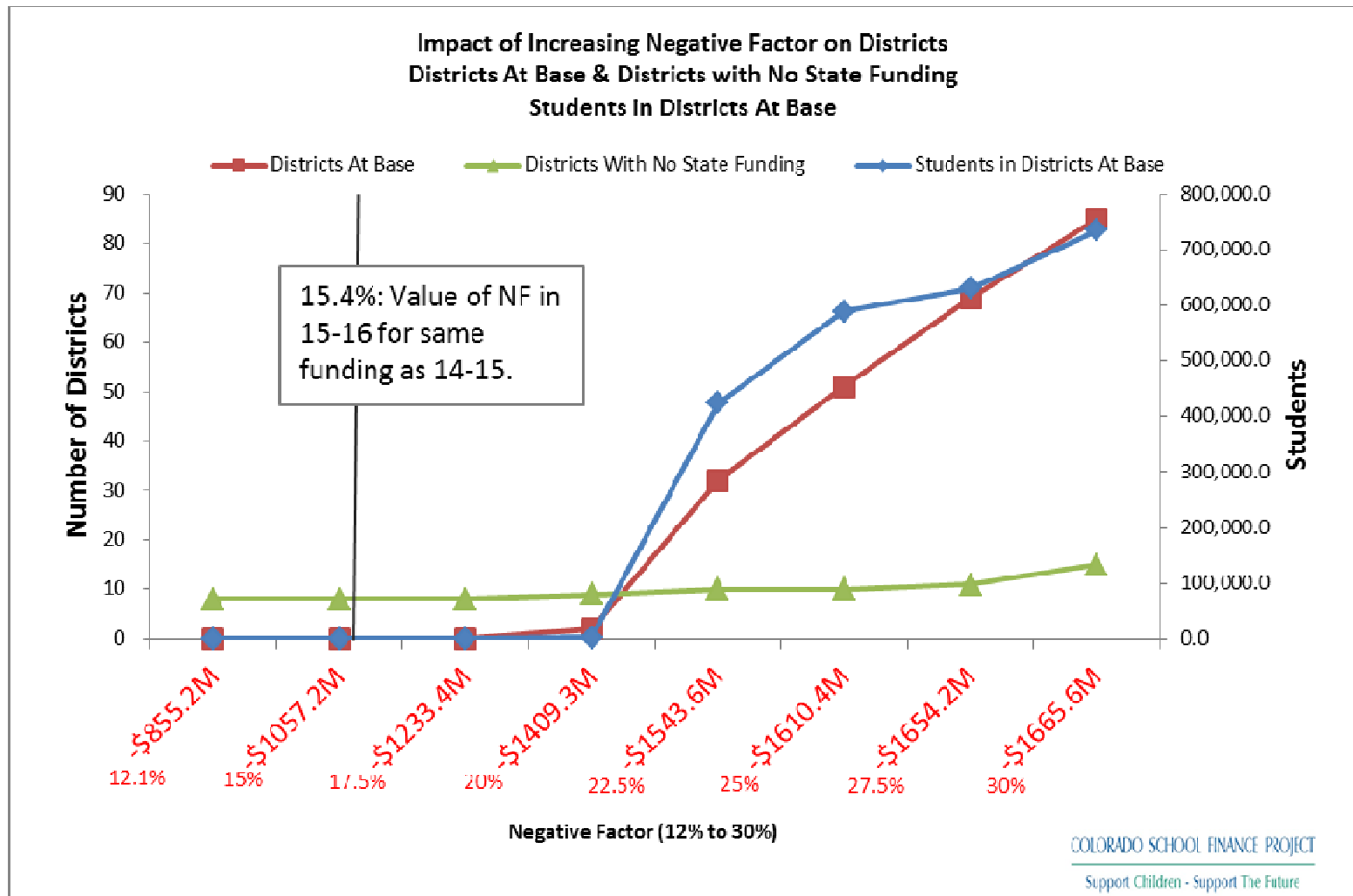
State Revenue

- 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

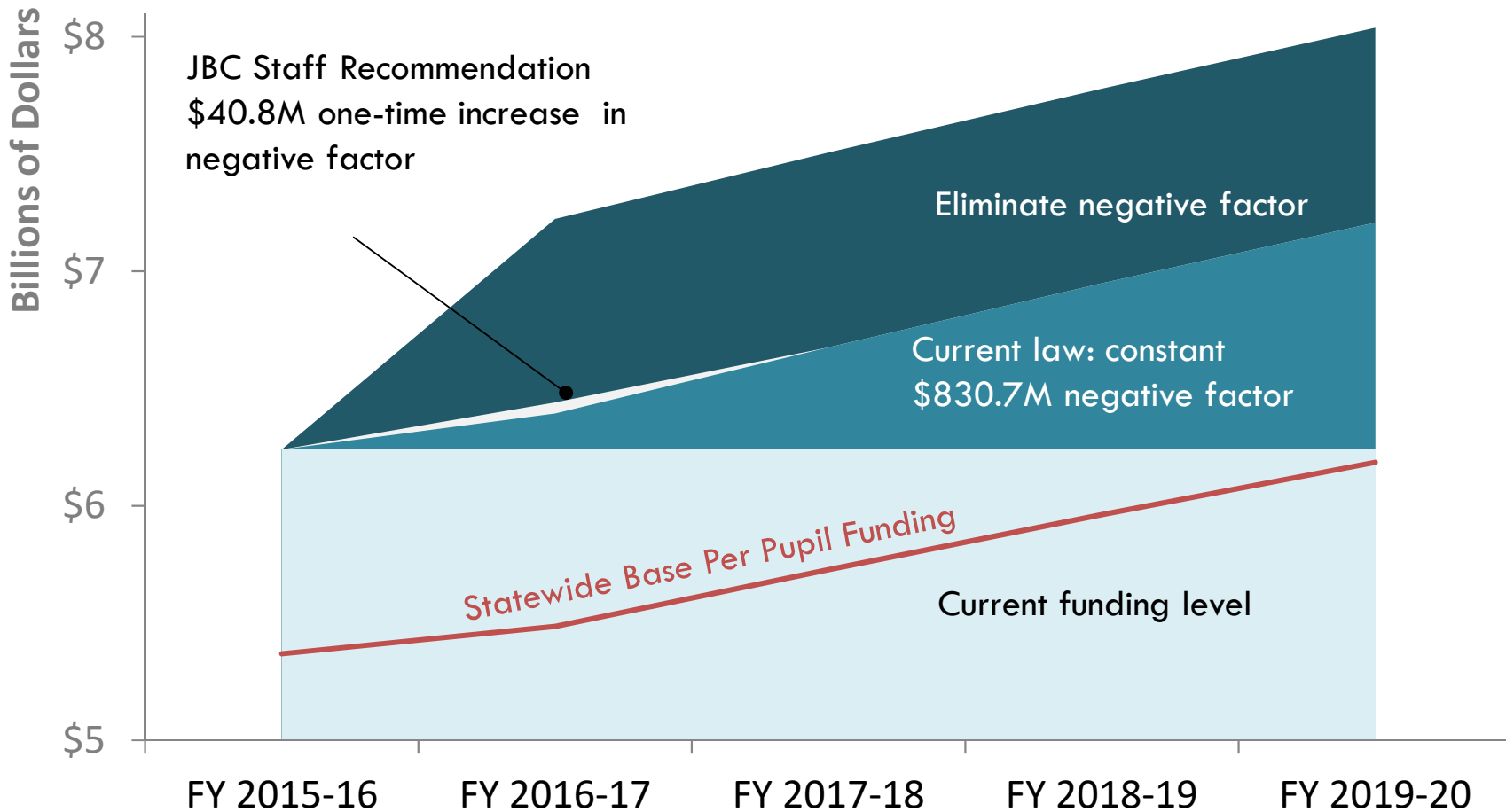
Impact of Increasing Negative Factor on Districts



School Finance Scenarios Going Forward



Total Program Funding Projections
LCS December 2015 Revenue Forecast



Legislative Council, 02/2016

4/21/2017

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



Contact Information

- Tracie Rainey – 303-860-9136
- T.Rainey@cosfp.org
- cosfp.org | @COSFP