

## School Finance is More than a Formula or a Number

### BACKGROUND

#### History

- Requirement for statehood, in Colorado's constitution: Thorough and uniform, Local control clause
- Initial educational objective was access and opportunity for all students

#### Standards arise in the 1990's

- Educational objective of universal proficiency (all students proficient), high stakes accountability and consequences for students, educators, schools and districts
- Looking at individual student growth, sub populations and closing achievement gaps, ensuring delivery of content standards and increased levels of achievement.
- States have made investments in programs (for example: pre-school and full day Kindergarten) and have seen increased academic achievement and long term academic and economic benefits

#### High Stakes Accountability has changed school finance

- School finance systems must provide revenue to support the academic objectives that have become high stakes (consequences for students, educators, schools and districts).
- Adjustments should be made in a finance system to allocate revenues based on both district and student characteristics.

### REVENUE

#### Where does the revenue for school finance come from?

- Local sources of revenue for School Finance Act:
  - Local property taxes (local share)
    - Local share varies widely by district. Today local property tax mills range from less than 2 to 27.
    - FY 2007-08 legislation passed bill to stabilize (freeze) district mill levies
  - State share is about 63% and local at 37% - opposite of 20 years ago.
  - Specific Ownership Tax (SOT - vehicle registration taxes)
    - Statewide projections: SOT provides an average of about 2.51% of Total Program funding
- State's contribution varies for each district.
- Prior to 1992, local mills could adjust up and down in a district, not placing increasing burden on the state.

#### Goal of 1994 School Finance Act

- Every district contributing around 40 mills
- 50% state and local contribution
- Local overrides allowed at 10% of total program; today has increased to 25%+. This raises issues of equity both for taxpayers and students.

#### Some districts have tried to supplement state shortfall with local mill levy override revenue elections.

- A temporary stopgap that isn't systematic or sustainable.
- The ability of districts to raise taxes varies widely by district.
  - FY 2014-15, 115 of 178 districts levied an override mill.
  - For information on district elections: <http://www.cosfp.org/CoSFPElections.html>
- Need a state solution.

## **School Finance is More than a Formula or a Number**

### **Negative Factor (additional factor created by legislation in FY2010-11)**

- This large reduction (over \$1B) has removed the equity that was in the formula (economies of scale, district and student characteristics).
- Impacts (reduces) what districts need for certain students and increasing costs. For information on District Budget Cuts: <http://www.cosfp.org/BudgetCuts.html>
- Negative Factor / Rescissions – 6 years through FY 2014-15
  - FY 2009-10: \$130M
  - FY 2010-11: \$381M
  - FY 2011-12: \$\$77.4M
  - FY 2012-13: \$1.001B
  - FY 2013-14: \$1.004B
  - FY 2014-15: \$894.3B
  - FY 2015-16: To be decided by 2015 Legislature
- Governor’s November 2014 proposed FY2015-16 budget: \$200M one-time Negative Factor reduction.

### **Capital Construction**

- School finance funds are not allocated to Capital/Building Funds other than limited dollars to BEST (Building Excellent Schools Today)
- In FY2014-15 State Education Fund moneys of \$13.5M distributed to “qualified charter schools.”

## **2015-16 DISCUSSIONS / OPTIONS**

### **With the economy recovering:**

- Increase K-12 revenue?
- How to distribute?
- Reduce Negative Factor

### **What options does the Legislature have without going to a vote of the people?**

### **Legislative Discussions**

- Who is the decision maker of distributing the dollars? Is it the state, the local school district or the school?
- Constitutional ramifications, tax generating consequences as well as accountability and accreditation consequences
- Example: Consistency of program offering? District expectations and economy of scale issues - how many different text books and computer platforms?
- Making the distinction of equity, adequacy and equality.
  - Equity: fairness
  - Adequacy: enough
  - Equality: equal quantities
- 2015-16 Legislative discussions include
  - Negative Factor reduction
  - 228 Transfers - \$259 million for 5 years
  - TABOR cap – what are options and opportunities

Want to know more about School Finance? [www.cosfp.org/CoSFPSchoolFinance101.html](http://www.cosfp.org/CoSFPSchoolFinance101.html)