School Finance 101

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School Finance Interim Committee
Objectives for Today’s Presentation

• Overview of formula & current funding levels

• Review important funding sources

• Recent changes to local share
School Finance Formula (Including SB 21-268)

Statewide Base Per Pupil Funding
- Determined by the General Assembly
- Must increase annually by at least inflation

District-Specific Per Pupil Funding
- Statewide base per pupil funding is adjusted by factors for:
  - cost of living
  - personnel costs
  - enrollment size

District's Total Funding for Pupils
- District-specific per pupil funding
  multiplied by
- District's Funded Pupil Count

District Total Program Funding
- Additional money allocated for the following programs:
  - At-risk students
  - ELL students
  - Online students
  - Extended high school students

District's Final Funding
- District’s total program funding is reduced by a certain percentage (budget stabilization factor) to achieve a targeted budget amount statewide
Base Per Pupil Funding (Base)

• School finance formula begins with the base per pupil funding amount.

• Amendment 23 requires the base increase annually by at least inflation.

• Established in statute through the annual school finance bill.

• For FY 2021-22, base is $7,225.28, up 2.0% ($141.67) from FY 2020-21.
Initial Adjustments for District Characteristics

- Formula increases the Base for districts with:
  - a higher cost of living (COL Factor)
  - larger share of personnel costs (PC Factor)
  - smaller district size (Size Factor)

- $[\text{Base} \times \text{PC Factor} \times \text{COL Factor}] + \left(\text{Base} \times (1 - \text{PC Factor})\right) \times \text{Size Factor}$

= Preliminary Per Pupil Funding
Added Funding Based on Student Characteristics

• **At-risk students (At-risk Factor)**
  – Eligible for free and reduced lunch
  – 12% increase in per pupil funding + an additional percentage for districts with a higher percentage of at-risk students than the statewide average.

• **ELL students (ELL Factor)**
  – Only limited (LEP) and non (NEP) proficient students
  – 8% increase in per pupil funding

• **Multidistrict online/extended high school students**
  – Same per pupil amount for all districts ($8,130 in FY 2021-22)
Funded Pupil Count

• **0.5 FTE** for preschoolers (based on allocated CPP slots)

• **0.58 FTE** for half-day kindergarten students

• Multidistrict online and extended high school students

• **1.0 FTE** for full time 1-12 students and full-day kindergarten students
  
  – **Averaging:** Use actual current year count, or average of current year and prior one, two, three, or four years, whichever is highest.

• Minimum funded pupil count of 50 FTE
District Total Program

Total Program Funding =

\[
\left(\text{Funded Pupil Count} - \text{Multidistrict Online and Extended High School}\right) \times \text{Preliminary Per Pupil Funding}
\]

+ At-Risk Funding

+ ELL Funding

+ Multidistrict Online/Extended High School Funding
Budget Stabilization Factor

• Applied to district total program

• Reduction applies only to state share

• Percent reduction in total program funding for most districts to reflect available funding for state share

• In FY 2021-22, the budget stabilization factor reduces total program by $571.4 million (6.7%)
Summary of FY 2021-22 Formula Funding

• Funded Pupil Count = **888,538**

• Total Program Funding After BSF = **$7.99 billion**

• Average Per Pupil Revenue = **$8,991**
  (Total program funding / Funded pupil count)

• PPR ranges from **$8,428 to $19,762** across districts
School Finance Funding Elements, FY 2021-22
Millions of Dollars

Before Application of Budget Stabilization Factor
Total Program Funding: $8,560.2 billion

- Base, $6,420
- Size, $354
- Cost of Living, $1,235
- At-Risk, $449
- ELL, $48
- Other, $55

After Application of Budget Stabilization Factor
Total Program Funding: $7,989.0 billion

- Base, $6,420
- Budget Stabilization Factor, $571
- All Other Factors, $1,569

Source: Legislative Council Staff
State Funding =
Total Program Funding
Minus
Local Share

Mostly Property Taxes
Specific Ownership Taxes

Federal Funds
separate from formula

General Fund / SEF

Income Taxes
Sales Taxes
Sources of School Finance Formula Funding

$8.0 billion in FY 2021-22

**State Sources:** $4.8 billion (61%)
- General Fund: $4.0 billion (83%)
- State Education Fund: $614 million (13%)
- State Public School Fund: $193 million (4%)

**Local Sources:** $3.1 billion (39%)
- Property Taxes: $2.9 billion (94%)
- Spec. Ownership Taxes: $205 million (6%)

Source: Colorado Legislative Council Staff
Who Pays for School Finance?

State and Local Sources of Funding Per Pupil, FY 2021-22
Before the Budget Stabilization Factor

<table>
<thead>
<tr>
<th>City</th>
<th>State Sources</th>
<th>Local Sources</th>
</tr>
</thead>
<tbody>
<tr>
<td>Denver</td>
<td>$10,010</td>
<td>$3,370</td>
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<tr>
<td>Boulder</td>
<td>$9,465</td>
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<td>Mancos</td>
<td>$10,656</td>
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<tr>
<td>Aspen</td>
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- **Denver**: Total funding per pupil = $10,010
- **Boulder**: Total funding per pupil = $9,465
- **Mancos**: Total funding per pupil = $10,656
- **Aspen**: Total funding per pupil = $12,337
Who Pays for School Finance?

State and Local Sources of Funding Per Pupil

After Budget Stabilization Factor

<table>
<thead>
<tr>
<th>City</th>
<th>Budget Stabilization Factor</th>
<th>State Sources</th>
<th>Local Sources</th>
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</thead>
<tbody>
<tr>
<td>Denver</td>
<td>$669</td>
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<tr>
<td>Boulder</td>
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<td>Mancos</td>
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<tr>
<td>Aspen</td>
<td>$9,944</td>
<td>$11,083</td>
<td>$2,000</td>
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</tbody>
</table>
Other Revenue – OUTSIDE of Total Program

Total program funding *only* includes money distributed through the formula. It does not include these other revenues:

• **Other Local Revenue**
  – Mill levy overrides ($1.4 billion in FY 2020-21)
  – Other local revenues (bonds, fundraising, grants, etc.)

• **Other State Revenue**
  – Categorical funding ($361 million in FY 2021-22)
  – Other state funds (READ Act, Counselor Corps, nutrition, etc.)

• **Federal Revenue**
  – $620.8 million reflected in FY 2021-22 Long Bill.
Major School District Funding Sources
State and Local Sources of Funding Per Pupil
Including Mill Levy Overrides

Denver
- Mill Levy Overrides: $2,549
- State Sources: $2,036
- Local Sources: $6,317

Boulder
- Mill Levy Overrides: $2,476
- State Sources: $1,620
- Local Sources: $6,412

Mancos
- Mill Levy Overrides: $124
- State Sources: $7,171
- Local Sources: $1,835

Aspen
- Mill Levy Overrides: $3,696
- State Sources: $1,712
- Local Sources: $8,796
The Constitution & School Finance

• Gallagher Amendment
  – 45/55 property tax base ratio
  – Reduced residential assessment rate from 21% to 7.15%
  – Repealed in November, 2020

• TABOR
  – Requires a vote to increase an assessment rate or mill levy
  – For districts that have not waived the TABOR revenue limit, requires mill levies to be reduced when revenue exceeds a district’s TABOR limit

• Amendment 23
  – Requires “base funding” to increase by at least inflation
State and Local Shares of School Finance
1983 to FY 2021-22

State Share
General Fund and State Education Fund (Mostly Income Taxes)
57%

Local Share
(Mostly Property Taxes)
43%

Note: Prior to 1993, K-12 funding was done on a calendar year basis
Source: Legislative Council Staff
Total Program Mill Levy Reset
House Bill 20-1418 / House Bill 21-1164

Background

• 1994 Act required reduction of mill levy based on TABOR revenue limit

• After 1994, most districts waived TABOR revenue limit, but still reduced mill levy

• 2007: General Assembly passed legislation to freeze reductions for districts that had waived TABOR limit and capped mill levies at 27 mills
Total Program Mill Levy Reset
House Bill 20-1418 / House Bill 21-1164

Reset district total program mill levies in 2020 to:

– If not subject to TABOR limit, lesser of:
  • mill levy without unauthorized reductions
  • fully funded mill levy
  • 27 mills

– If subject to TABOR limit, lesser of:
  • prior year mill levy
  • fully funded mill levy
  • TABOR mill levy
  • 27 mills
Total Program Mill Levy Reset
House Bill 20-1418 / House Bill 21-1164

Beginning in 2021, district mill levy is:

— If not subject to TABOR limit, lesser of:
  • prior year mill levy
  • fully funded mill levy
  • 27 mills

— If subject to TABOR limit, lesser of:
  • prior year mill levy
  • fully funded mill levy
  • TABOR mill levy
  • 27 mills
Total Program Mill Levy Credits
House Bill 20-1418 / House Bill 21-1164

• In 2020, districts granted mill levy tax credits equal to the increase in mills as a result of the reset

• Beginning in 2021, districts must decrease mill levy tax credits by 1 mill per year until taxpayers pay the number of reset mills
Total Program Mill Levy Credits

Estimated Increase in Local Share

- **FY 2021-22 (1st Year)**
  - $91.7 million

- **FY 2022-23 (2nd Year)**
  - $145.5 million (estimate does not include changes in AV)

- Full implementation in FY 2039-40
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Extra Slides.....
Other State Funding

• **Categorical Funding**
  – Special Education
  – Gifted and Talented
  – Vocational Education
  – English Language Proficiency
  – Small Attendance Centers
  – Comprehensive Health Education
  – Expelled and At-Risk Student Services

• **State Grant Programs** (BEST, specific purposes, etc.)
Senate Bill 21-268

Total Program Funding Formula Changes

• Expanded definition of at-risk students to include those students eligible for reduced price lunch
• Eliminated a portion of ELL students from the definition of at-risk
• Established a new ELL funding factor at 0.8 of preliminary total program
• Eliminated ELL funding for ELL professional development and student support
• Maintained ELL categorical program
School Finance Formula Funding (Statewide)

Funding Source and Per Pupil (PP labels), FY 2021-22

Actual Per Pupil Funding 6.7% lower than formula before “budget stabilization factor”

By Source
- Local Share (39 Percent)
- State Share (61 Percent)

Total Funding, Billions
- Actual $8.0B

Per Pupil
Before BSF
- $9,634 per pupil

After BSF
- $8,991 per pupil

Base
- $7,225 per pupil

Source: Colorado Legislative Council Staff
History of Per Pupil Funding

Not adjusted for inflation

Source: Legislative Council Staff
School Finance Historical Funding Levels with/without Budget Stabilization Factor

<table>
<thead>
<tr>
<th>Year</th>
<th>Total Program without Budget Stabilization Factor</th>
<th>Total Program with Budget Stabilization Factor</th>
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<tr>
<td>FY 2009-10</td>
<td>-$130M</td>
<td>-$1,052M</td>
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<tr>
<td>FY 2011</td>
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<td>FY 2012</td>
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<tr>
<td>FY 2022A</td>
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Source: Colorado Department of Education and Legislative Council Staff
Taxpayer Equity:
Property Tax on Statewide Median Value Home vs. State Share of Total Program, FY 2018-19

Source: Joint Budget Committee Staff and Legislative Council Staff