

**COMMUNITY COMMITTEE  
FOR EDUCATION (CC4E)**

**COLORADO SCHOOL FUNDING**

Frequently Asked Questions

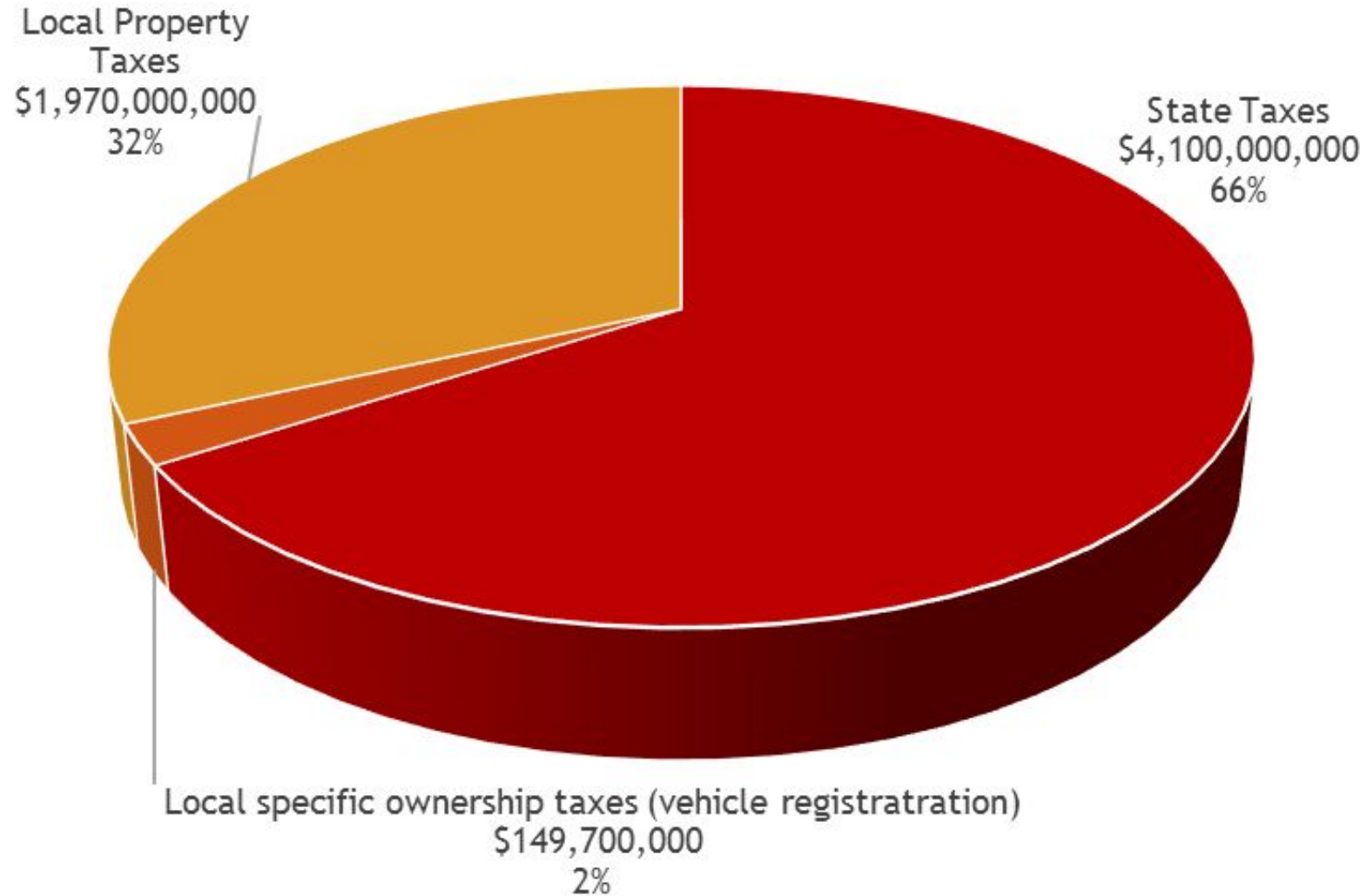
DRAFT

# How are Colorado schools funded?

- Colorado public schools receive funding from a variety of sources including local property taxes, state taxes and local specific ownership taxes (vehicle registration).
- Most revenues to Colorado's 178 school districts are provided through the **Public School Finance Act of 1994**.
- The **Public School Finance Act of Colorado** is a formula used to determine state and local funding amounts for districts and charter schools.

# How are Colorado schools funded?

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Budget Year  
2015-2016  
\$6.2 Billion

# What is the school finance formula?

The **School Finance Act** formula calculates **Total Program Funding** using the following:

- **Base Funding** - funding per pupil as of October 1 count, fixed amount.
- **Cost of Living Factor** - reflects the differences in the costs of housing, goods, and services for each district.
- **Personnel Costs Factor** - varies by school district based on enrollment.
- **Size Factor** - recognizes purchasing power differences among districts for example smaller districts (under 4,023) receive increased funding.
- **At-Risk Funding** - recognizes expenses among districts vary, as pupil populations vary.
- **Online Funding** - specific per pupil amount for students enrolled online, fixed amount.

# What is the Negative Factor?

## Response to the Great Recession - The Negative Factor

- Between 2009 and 2013, Colorado experienced the Great Recession and the beginning of an economic recovery. During this time, the Colorado State Legislature first instituted mid-year rescissions, and then created the **Negative Factor** (SB 15-267) to balance the state's budget.
- Acts as a reduction to other existing factors.
- Calculated by first determining the total state program.
- Reduces the statewide total program as determined by the Senate.
- Applies the same formula to each district - in 2014-2015 it was -12.13%. The Negative Factor grew to over \$1,000,000,000 and for 2014-2015 was \$894,300,000.

# What Colorado laws impact funding?

## **The Gallagher Amendment, 1982**

- Designed to maintain a constant ratio between the property tax revenue that comes from residential property and from business property.
- Reduced the assessment rate (the percent of property value that is subject to taxation) whenever statewide total residential property values increased faster than business property values.

## ***The net effect on Colorado School Funding:***

- Eroded the local property tax base by reducing the assessment rate (the percent of the value of a home that is taxed), a major source of school funding, due to Colorado population and increased residential real estate values.

# What Colorado laws impact funding?

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## **Taxpayer Bill of Rights (TABOR), 1992**

- Prohibits any tax increase without a vote of the people.
- Places strict limits on how much revenue the state can keep and how much it can spend.
- Limits are the strictest revenue and spending limits in the nation.
- Excess revenue collected by the state must be refunded.

## ***The net effect on Colorado School Funding:***

- took away the ability of districts to float their mill rates without a vote of the people and limited the state's ability to backfill the hole left by declining property tax rates - per pupil funding didn't even keep up with inflation in the 90's.

# What Colorado laws impact funding?

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## **Gallagher and TABOR combined effect on school funding:**

- The Gallagher Amendment formula has limited local revenues by cutting the residential assessment rate by two-thirds since its passage in 1982.
- Before TABOR from 1982 until 1992 districts could make up for the lower assessment rate by increasing their mill rate AND the state had the flexibility to increase state spending to make up for losses in the local property tax contribution.
- TABOR's revenue limits automatically cut mill rates in districts across Colorado limiting the state's ability to prop up school funding with state dollars.
- Because of the combined laws, the state has been required to fill in the amount that property taxes used to cover.



# What Colorado laws impact funding?

## **Amendment 23, 2000**

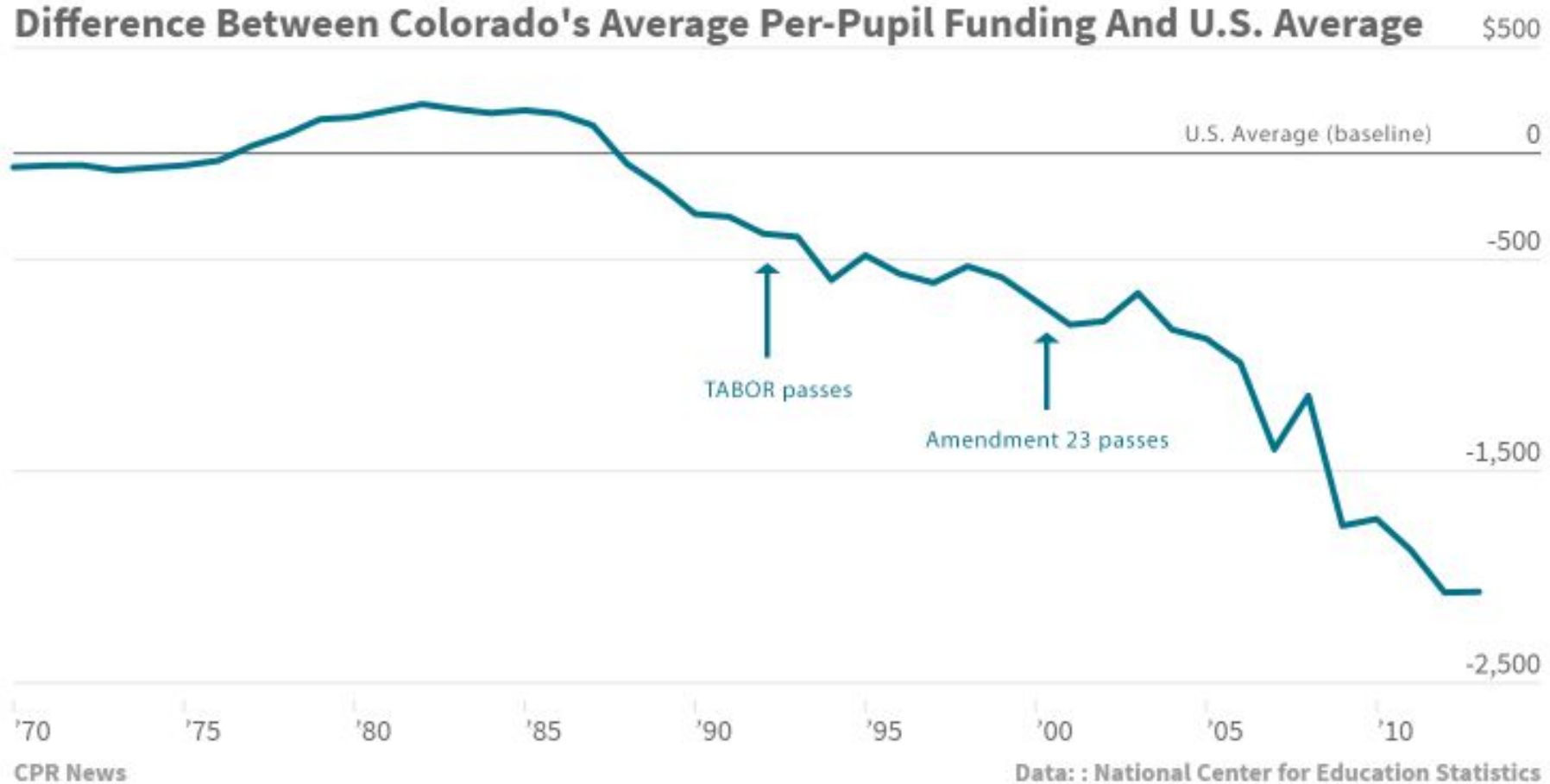
- Citizen's initiative creating constitutional change which was to prevent cuts from education funding and over a ten year time span to restore funding to 1988-89 levels.
- Requires K-12 funding to increase by inflation plus 1% from 2001-2011 and by inflation after.
- Not a tax increase, but a diversion of 1/3 of 1% of income tax to be deposited into the State Education Fund.

## ***The net effect on Colorado School Funding:***

- By 2007-2008, per-pupil funding was still \$1,400 below the national average and because of the economic downturn Amendment 23 was not fully implemented through 2011 and the negative factor was applied.

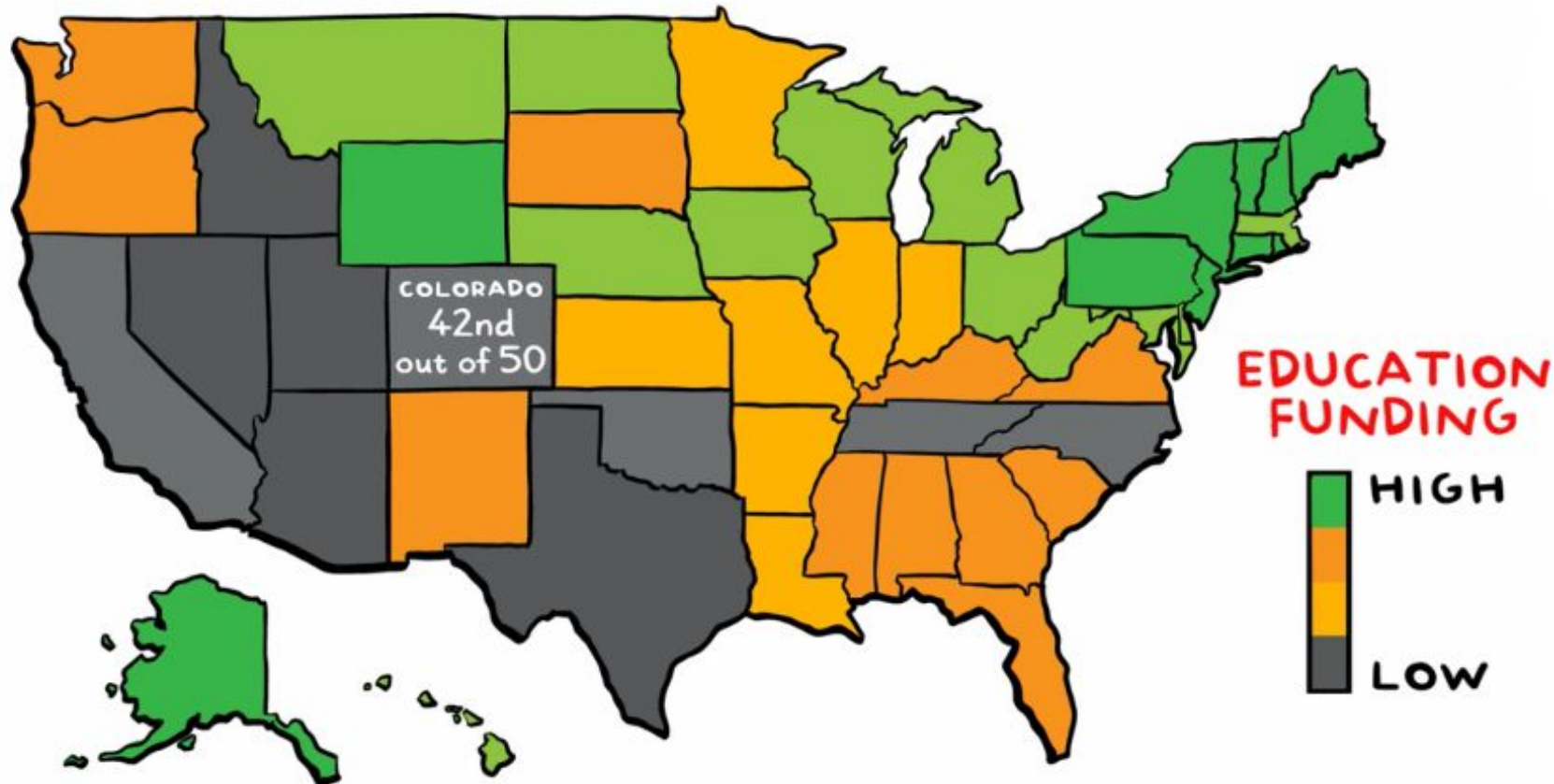
# How have the laws impacted funding?

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# How does funding compare?

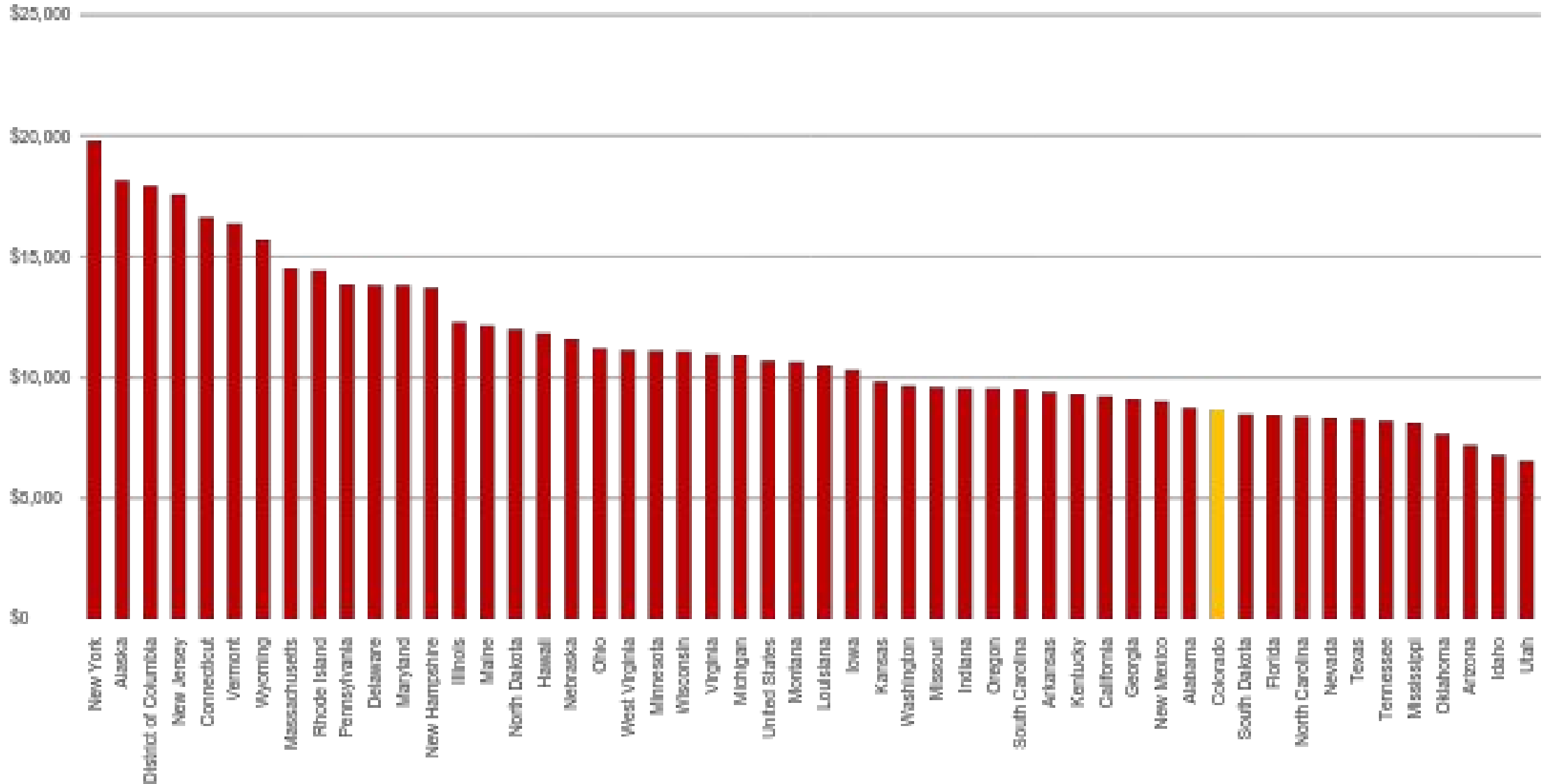
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- Colorado spends about 25% less than the national average per pupil.

# How does funding compare?

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# School Finance Overview/Timeline

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## Shrinking Funding for Colorado's Schools A Timeline of School Finance Legislation and Consequences

**Gallagher Amendment**  
Residential assessment rate to be adjusted every two years, and the state will adjust property tax assessment rates to maintain proportional relationship between revenue raised from residential and business property (With business representing 55% and residential 45%).

1982



**School Finance Act**  
Determines how most of the funding from state and local tax collections are distributed across Colorado's 178 school districts through a formula reflecting student and district characteristics, attempting to make adjustments for equity.

1994

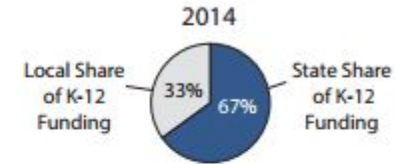
**Amendment 23**  
Established minimum increase in "base" per pupil funding by at least the rate of inflation and created the State Education Fund with the goal of catching K-12 funding up to 1988-89 levels adjusted for inflation.

2000



**Mill Stabilization**  
SB07-199 fixed the 1994 school finance law that automatically cut local property taxes (mill levies) when collections were estimated to exceed TABOR provisions on property tax collections.

2007



2009



**"Negative Factor"**  
Legislators decide that only certain parts of the school finance formula must grow by inflation. This allowed the creation of a budget stabilization factor that amounts to a reduction in revenue for schools. This allowed compliance with A23 while cutting K-12 funding.

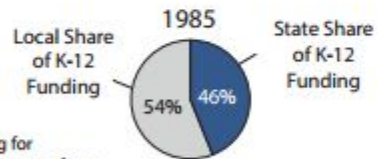
**Referendum C**  
Allowed Colorado to retain and spend revenue collected above TABOR limit for five years and allows the state to retain and spend all revenue up to a "cap," which is equal to the previous year's revenue allowance plus inflation and population growth.

2005

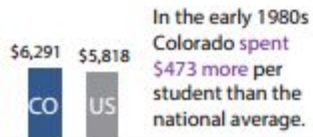
1992



**TABOR (Taxpayer's Bill of Rights)**  
Set limits on amount of revenue that can be collected by state and local governments, imposed a limit on property taxes, and eliminated the ability of elected officials to increase revenue or change property assessment rates.

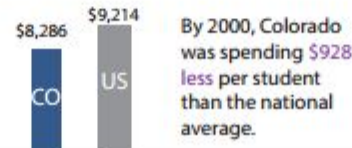


Funding for schools comes from two sources: local dollars (generated by property tax) and state dollars (from income and sales tax).

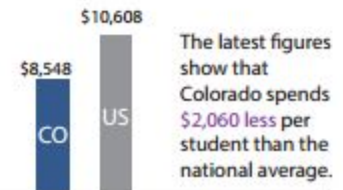


In the early 1980s Colorado spent \$473 more per student than the national average.

Inflation-adjusted per pupil spending (2012 \$) from NCES



By 2000, Colorado was spending \$928 less per student than the national average.



The latest figures show that Colorado spends \$2,060 less per student than the national average.

# Why school districts are in trouble?

## **Top Ten Reasons Why Colorado School Districts are in Trouble**

1. No stability or commitment to funding public education.
2. Enrollment as a state is increasing – impact to school districts varies.
3. No state commitment for capital needs of a school district.
4. Taxpayer equity issues impact local tax support for funding.
5. Student demographics changing – minimal differentiated financial support for programs.
6. Teacher recruitment a challenge for many districts.
7. Teacher compensation much lower than national average.
8. Length of school year has been shortened – furloughs and reductions.
9. Technology challenges: connectivity, broadband, equipment replacement, licensing costs.
10. Staff development need for new standards and academic expectations.

# Are there other ways to fund schools?

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**Local bond** (capital) and **mill levy** (operations) elections can help fund up until a specified level however:

- The economic vitality of many communities cannot support money raised through local bonds and mills.
- Wealthier school districts bump up against maximum spending caps that limit the local ability to support schools—caps that were designed to prevent massive inequities between low-income and affluent districts.

# Are there other ways to fund schools?

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**OPERATIONS** - State law enables districts to ask for additional revenue for operations through a voter approved **Mill Levy**.

1. **General Override** - Maximum is 25% of Calculated Total Program, 109 of 178 district have passed such measures. SSSD is at 13.6% of Total Program FY15.
2. **Transportation Override** - Allows a district to capture the remaining To and From Transportation expense that the State does not reimburse.
3. **Full Day Kindergarten Override** - Allows a district to collect the remaining amount that the State does not fund Full Day Kindergarten students, currently .42 FTE.



# Are there other ways to fund schools?

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## **CAPITAL PROJECTS** - Four distinct avenues for a school district to meet its **capital/building needs**:

1. **Bonded Indebtedness** - A district may hold an election to authorize it to issue bonds to meet its capital needs.
2. **Special Building and Technology Fund** - A district may hold an election to authorize it to levy up to ten mills for not longer than three years.
3. **Building Excellent Schools Today** - Provides a new funding structure for school capital construction projects, allowing school districts to enter into certificates of participation for lease-purchase agreements through the State Treasury for construction projects.
4. **Loan Program for Capital Improvements in “Growth Districts”** - A district which is identified as a “growth district” pursuant to C.R.S. 22-2-125, is eligible to apply for a loan from the State Treasurer.

# Sources/Appendix

1. Colorado Fiscal Institute

[www.coloradofiscal.org](http://www.coloradofiscal.org)

2. Colorado School Finance Project -

[www.cosfp.org](http://www.cosfp.org)

3. Colorado Department of Education

[www.cde.state.co.us/cdefinance/fy2015-16brochure](http://www.cde.state.co.us/cdefinance/fy2015-16brochure)

4. School Funding 101 Video on Vimeo - Created for Denver Public Schools

<https://vimeo.com/161963736>