

School Finance Revenues in Colorado

Interim Committee on School Finance

Craig Harper

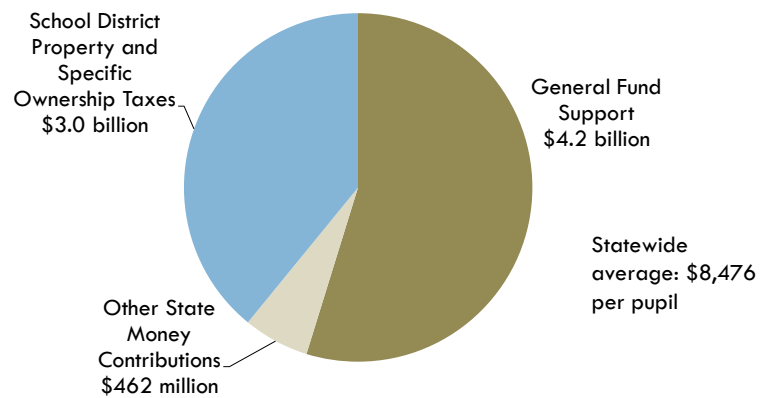
Joint Budget Committee Staff

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Sources of Revenue (Total Program ONLY)

Total Pie in FY 2019-20 = \$7.6 billion (after BSF)



Total Program Funding: Formula sets the goal.

Statutory formula produces a total program amount for each of Colorado's 178 districts. Statewide total program funding is the sum of those amounts (\$8.2 billion in FY 2019-20). The formula does not consider revenue sources.

Statutory
Total
Program
Goal:
\$8.2 B
in FY
2019-20

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Total Program Funding: Local share is the foundation.

The local share (including property tax generated by each district's *total program mill levy* and specific ownership taxes paid with vehicle registrations) provides the foundation. Property taxes provide about 93 percent of the local share.

Local
Share:
\$3.0 B

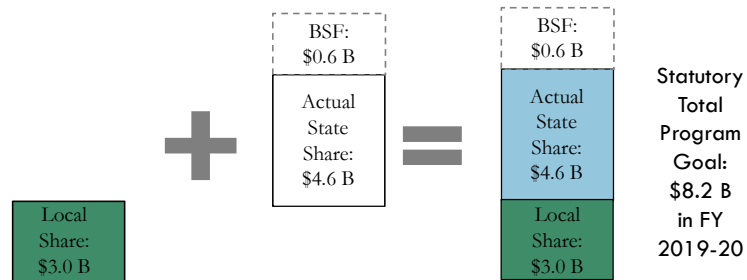
Local
Share:
\$3.0 B

Statutory
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Total Program Funding: State aid fills the gap.

The state share (state aid) fills the gap between the local revenues available for school finance and the total program amount for each district. The budget stabilization factor represents the shortfall in available funding (\$572.4 million in FY 2019-20).



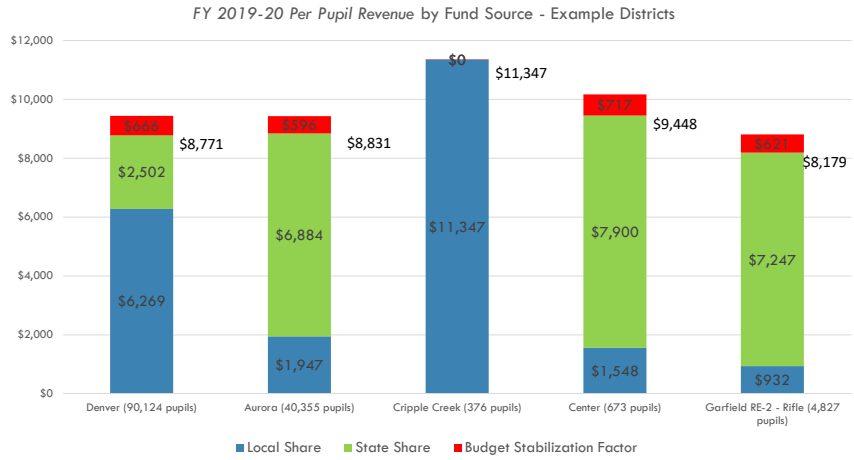
FY 2019-20 Sources of State Revenue for School Finance

State funding for school finance comes from three sources:

- \$4.2 billion from the **General Fund** (primarily income and sales and use taxes). Represents 90.0 percent of the state share and 54.8 percent of total program in FY 2019-20.
- \$393.6 million from the **State Education Fund** (income tax diverted pursuant to Amendment 23). Represents 8.5 percent of the state share in FY 2019-20.
- \$68.8 million from the **State Public School Fund** (primarily federal mineral lease revenues, with some marijuana taxes and interest earnings from the Permanent Fund). Represents 1.5 percent of state share in FY 2019-20.

Who Pays for School Finance?

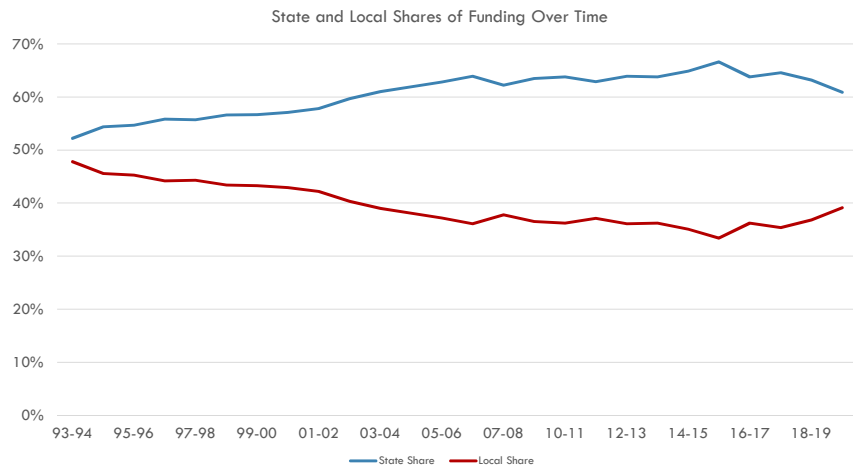
It largely depends on the school district's property tax revenues.



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State and Local Share – Changes Over Time

Local share has decreased from 57 percent in 1988 to 35 percent in 2018. Projected to support 39 percent in FY 2019-20.



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Three constitutional factors have driven the change in state vs. local shares.

Two provisions have put downward pressure on local property tax revenue:

- 1982 – Gallagher Amendment sets target ratio between residential and non-residential property taxes and has decreased the statewide residential assessment rate from 30.0 percent to a current rate of 7.15 percent.
- 1992 – Taxpayer Bill of Rights (TABOR) has reduced local *mill levies* to stay within revenue limits, with disparate impacts statewide depending on local changes in property values. Total program mill levies currently range from 1.6 mills to 27.0 mills depending on the school district.

Meanwhile, Amendment 23 (passed in 2000) has driven increases in total program funding based on inflation and enrollment growth.

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Other Revenues – OUTSIDE of Total Program

Total program funding *only* includes the money distributed according to the formula and does not include other sources of funding. For example, it does not include:

- *Mill levy overrides* - \$1.3 billion in FY 2018-19 (subject to local votes and outside the formula).
- Other local revenues (bonds, fundraising, private grants, etc.).
- Categorical funding (special education, transportation, etc.) - \$338 million in STATE funds in FY 2019-20.
- Other state funds (READ Act, Counselor Corps, English language learners, nutrition, etc.).
- Federal revenues (variety of purposes) - \$619 million reflected in FY 2019-20 Long Bill.

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