



BUDGET UPDATE – FY2017-2018

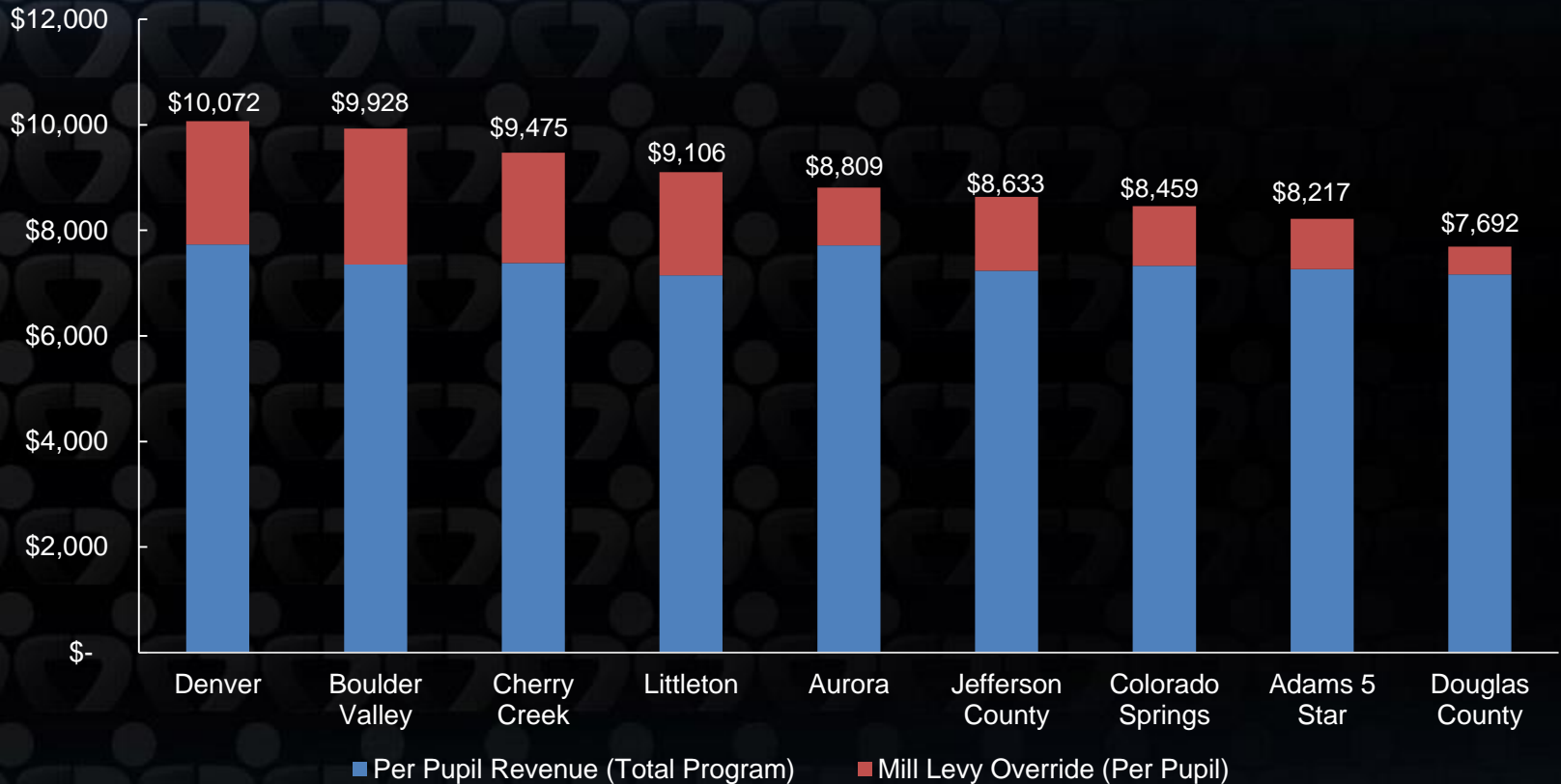
FISCAL OVERSIGHT COMMITTEE

AGENDA

- 
- School Finance Overview
 - Potential Impact of Gallagher Amendment
 - Budget Impact for 2017-2018
 - Budget Changes for 2017-2018
 - Schools
 - Departments

PER PUPIL FUNDING COMPARISON

Comparative Combined PPR and MLO Across Front Range Districts



- FY 2016-2017 Projected Per Pupil Revenue per CDE as of 3/21/2016 and FY 2016-2017 Mill Levy Override revenue including November 2016 election override increases using October 2016 funded pupil count per CDE on 1/6/2017

MLO FUNDING COMPARISON PER PUPIL


- Cherry Creek = \$2,091 DCSD = \$525
- \$1,566 * ~64,000 Funded Pupil Count = \$100M

10% Pay
Increase =
\$30M

\$575 per pupil
for SBB =
\$30M

\$30M for MCP
needs
annually

SCHOOL TAX BILLS

- 
- Property taxes make up a portion of Total Program
 - As those property taxes increase, the State can reduce their share of Total Program
 - Fixed at 25.440
 - Mill Levy Overrides are additional property taxes approved by local voters for operational expenditures
 - Additional local taxes from Mill Levy Override remain within the District and do not allow the State to reduce their contribution
 - General Obligation Bonds are additional property taxes approved by local voters to pay debt service (principal and interest)
 - Can only be used on capital needs
 - Do not affect State funding

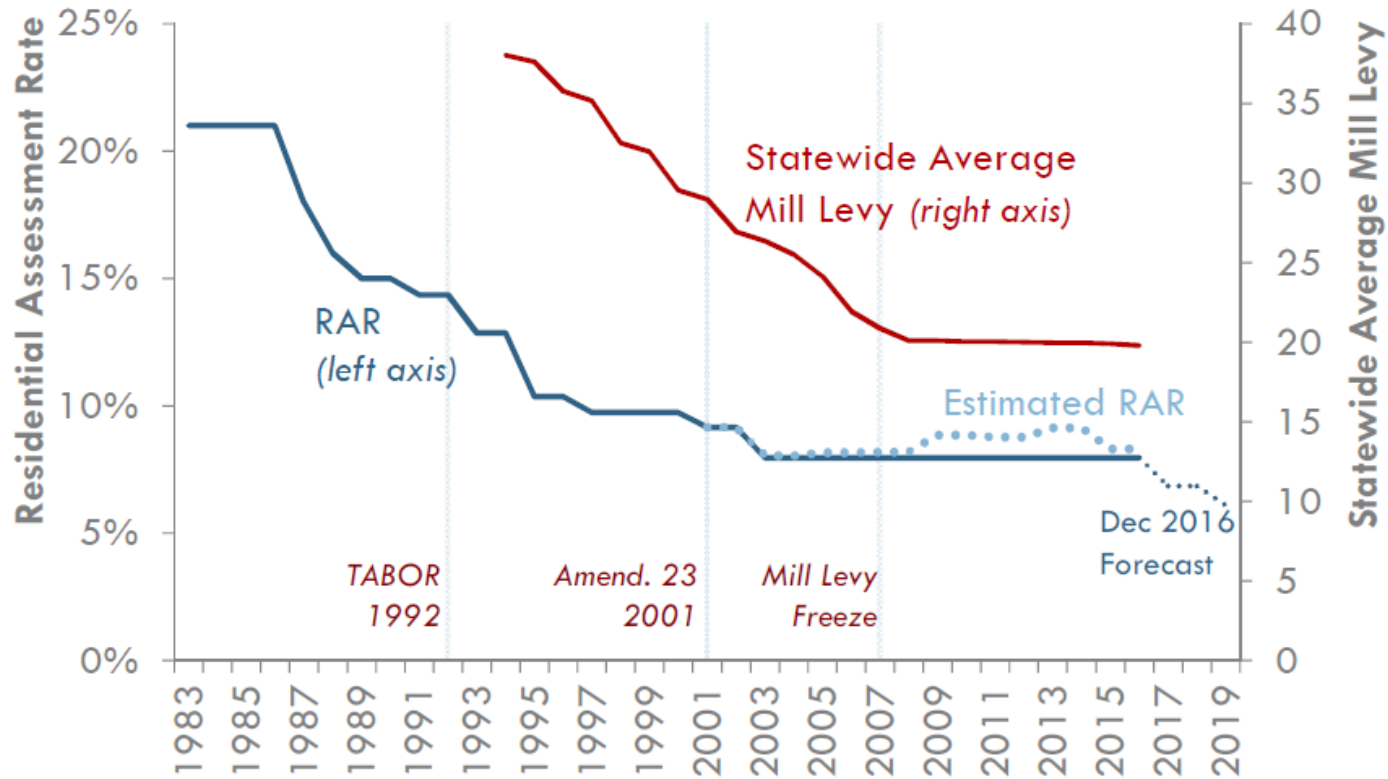
SCHOOL FINANCE OVERVIEW – TAX BILLS

- 
- Total Program = Local Share + State Equalization
 - DCSD Local Share = Assessed Value x 25.440 mils
 - Actual Value x Assessment Rate = Assessed Value
 - Assessed Value x Local Mill Levy = Taxes Owed
 - Residential Assessment Rate (RAR) = 7.96%
 - Non-Residential Assessment Rate = 29%

HISTORICAL PERSPECTIVE



State Constitution constraining property tax gains.... Residential Assessment Rate and School Finance Mill Levy



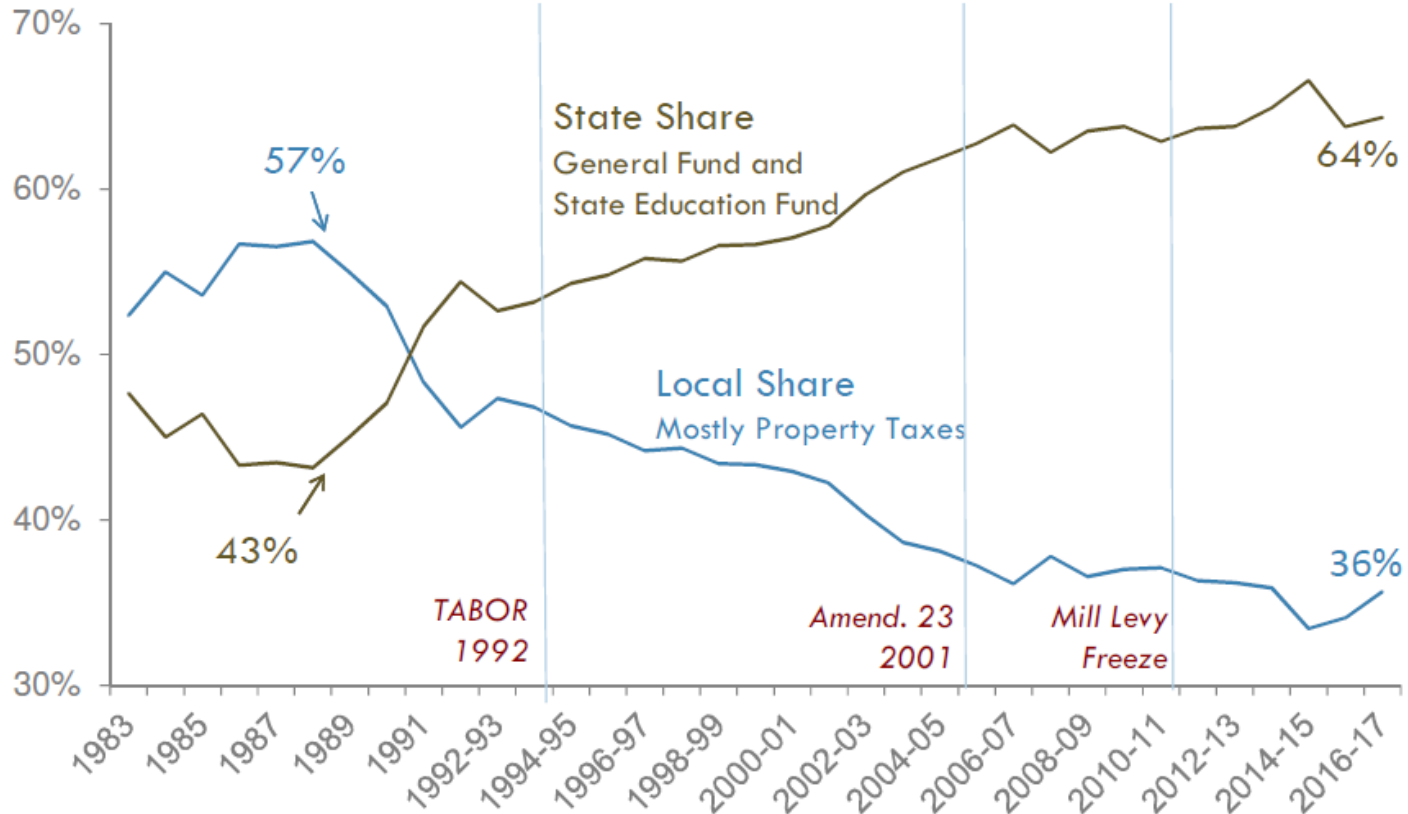
Source: Colorado Department of Local Affairs, Division of Property Taxation

3

HISTORICAL PERSPECTIVE



...and applying pressure on the state budget Relative State and Local Shares of School Finance



Note: Prior to 1993, K-12 funding was done on a calendar year basis.

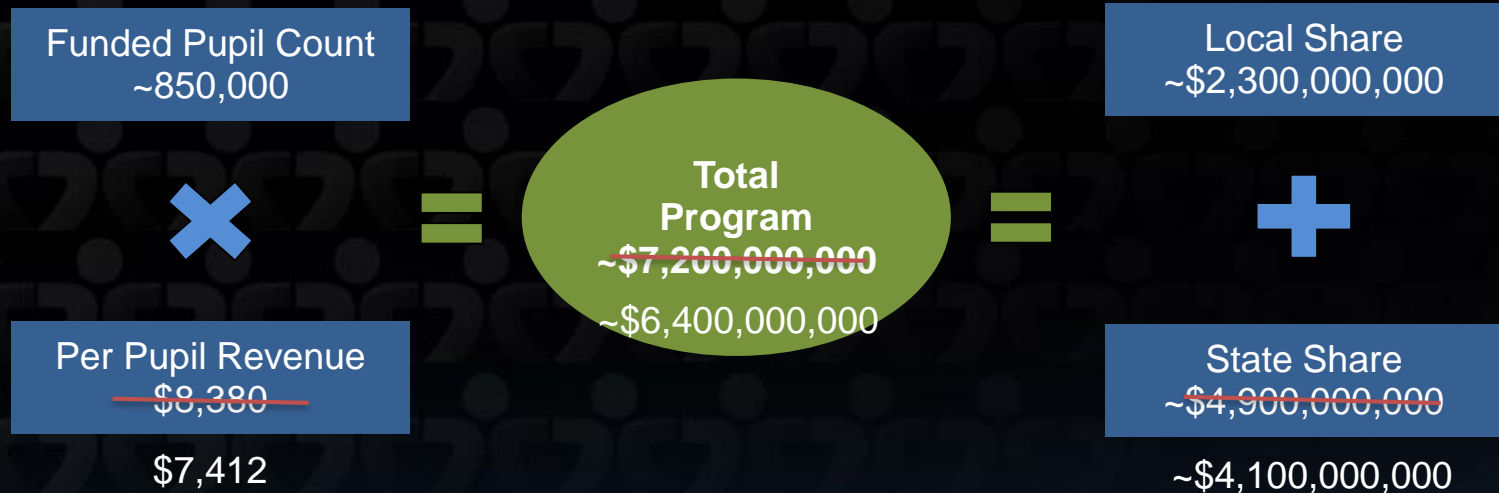
Colorado Legislative Council Staff

4


SCHOOL FINANCE OVERVIEW – STATE OF COLORADO

- Total Program – Local Share = State Share
- As the Local Share generates more revenue, it allows the state to reduce their contribution

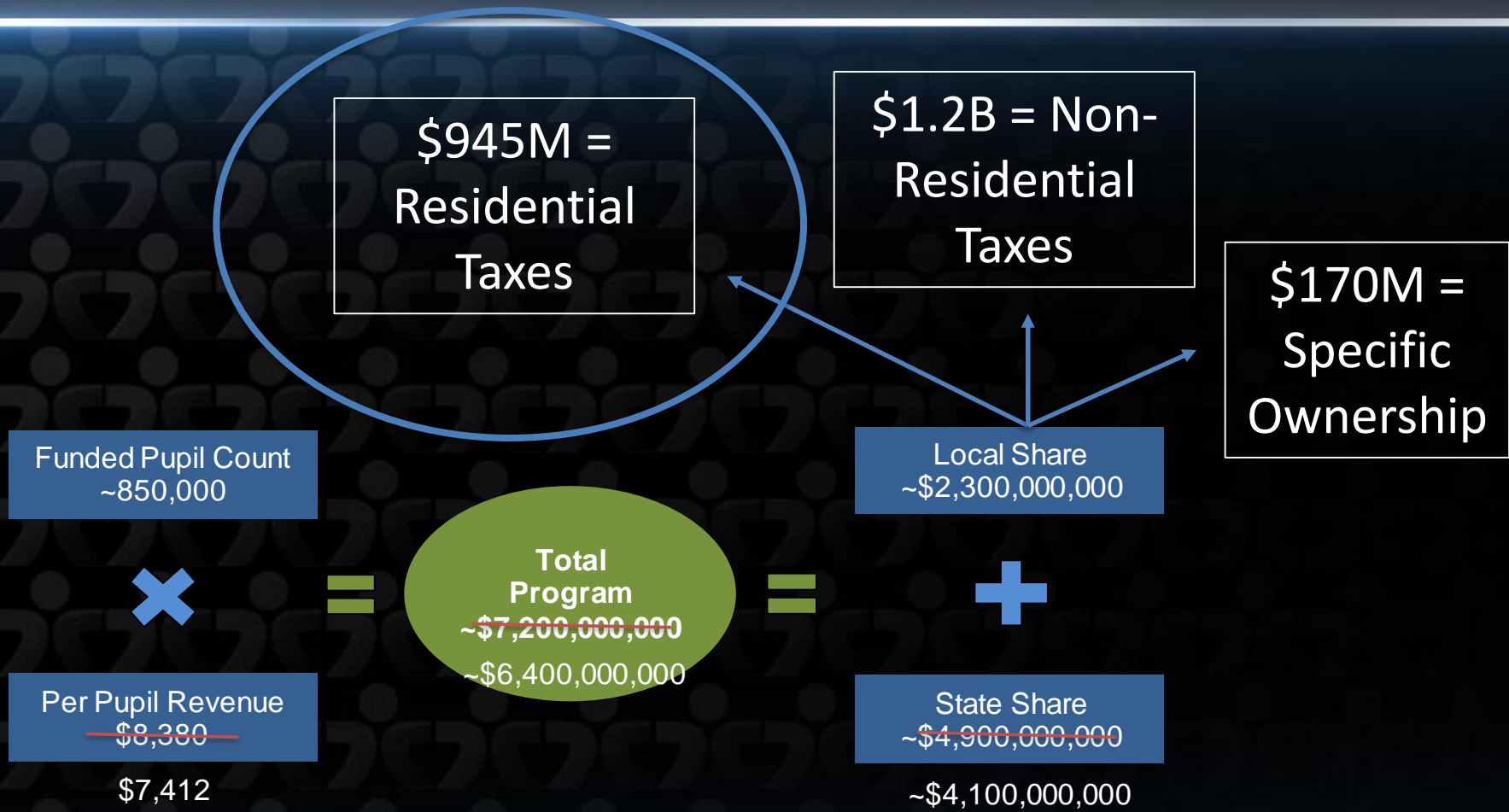
Colorado Total Program: FY 2016-2017(after Negative Factor)




IMPACT OF GALLAGHER AMENDMENT

- 
- Gallagher Amendment: Passed in 1982, was designed to maintain a constant ratio between the property tax base that comes from residential property and from commercial property. As a result, the assessment rate for residential property has declined by more than two-thirds
 - The Amendment specified that the total assessed value of residential vs. nonresidential property be maintained at roughly 45-55
 - TABOR – rate can't go up without a vote
 - Residential Assessment Rate projected to drop to 6.56% from 7.96%
 - 17.5% drop

SCHOOL FINANCE OVERVIEW




IMPACT OF GALLAGHER AMENDMENT

- 
- Current local share = \$2.1B
 - Residential property = 45% of assessed value (Gallagher)
 - Residential local share = \$945M
 - Reduced local share by 17.5% = \$165M
 - Potential loss to K12
 - Total pupils in K12= 850,000
 - Potential impact = \$190 per pupil **REDUCTION TO FUNDING** as compared to Governor's budget if Governor can't fill in drop in funding through marijuana tax and homestead exemption
 - Note: MLO funding and Bond Redemption funding will not be affected but tax rates will increase to offset the drop in the Assessed Value
 - Increase in tax rates will impact owners of non-residential property




BUDGET IMPACT – FY2017-2018

PROJECTED COST INCREASES FY2017-2018

- 
- PERA - \$1.4M (.5% increase in rate to 19.94%)
 - Medical – up to \$2.5M (8% increase)
 - SPED - \$2.2M
 - Mental Health – \$1.1M
 - Nursing - \$450k
 - Highly Impacted – \$1.65M (nearly tripled)*
 - Elementary AP Allocation - \$300k
 - Device Refresh - \$3M of additional ongoing budget (\$1M current)

* A portion of this allocation may be one-time

THREE POTENTIAL FUNDING SCENARIOS

- 
- Governor's Budget – “Best Case”
 - Full Gallagher Impact – “Worst Case”
 - \$100M increase to Negative Factor – “Possible”
 - Governor requested approximate \$45M increase to Negative Factor
 - Note: Legislature can do much better, much worse, or almost anything in between

GOVERNOR'S BUDGET REQUEST

- 
- Statewide average Per Pupil Revenue (PPR) growth of \$182
 - DCSD PPR growth of \$175
 - Approximately \$9.0M of new revenue for District-run schools and operations
 - Proposal requires Legislature to change many current laws including mandatory transfers to Transportation and Capital Construction, lowering reserve requirement in 2016-2017, moving some money from BEST to K-12 education, etc.

SCHOOL FINANCE OVERVIEW

- Governor's Budget for 2017-2018

DCSD Total Program: FY 2017-2018 (after Negative Factor)



SCHOOL FINANCE OVERVIEW – ILLUSTRATIVE ONLY

- Potential impact due to Gallagher – Assume Governor’s budget but all lost revenue due to Gallagher is directed toward K12 funding and the lost funding is taken out of the State Share (increase to Negative Factor). In reality, there would be a mix of local and state



Note: FY2016-2017 PPR is \$7,163

POTENTIAL FUNDING SCENARIOS – NEIGHBORHOOD SCHOOLS



	<u>Worst Case</u>	<u>Possible</u>	<u>Best Case</u>
Change to PPR	(\$15)	\$100	\$175
Impact to Funding	(\$765k)	\$5.1M	\$9.0M
Cost Increases (slide 14)	\$12.0M	\$12.0M	\$12.0M
Remaining Funding	(\$12.8M)	(\$6.9M)	(\$3.0M)

Note 1: Potential funding sources to fill in the gap: additional central administration cuts, vacancy savings (historically about \$1.5M), reallocation of Additional Pay budget (formerly Pay for Performance), eliminate device refresh, potential increase in SOT or abatement taxes (not realized until August 2017)

Note 2: Schools carried over \$16.9M in the General Fund last year. Currently, schools are projected to carry over \$15.7M

Note 3: Governor’s budget assumed inflation rate may be low and actual inflation may be higher which may lead to a larger amount of funding to fund “growth and inflation” – could be offset by increase to the Negative Factor

The background features a dark blue gradient. On the left, there are two large, stylized, overlapping shapes that resemble a figure or a logo. The top shape is a white circle, and the bottom shape is a white, rounded, open-bottom form. A bright blue light source is positioned at the junction where these two shapes meet, creating a lens flare effect. To the right of this graphic, the text "BUDGET CHANGES FOR NEXT YEAR" is displayed in a white, sans-serif font.

BUDGET CHANGES FOR NEXT YEAR

SCHOOL AND DEPARTMENT BUDGET CHANGES

• Schools – SBB Changes:

- SBBPA increased by \$60 per student to account for changes to average teacher salary
- SPED increased by \$2.2M
- Highly impacted more than tripled to \$2.4 M (some of this may be one-time depending upon final legislative decisions)
- Mental health and nursing increased by \$1.5M
- Assistant Principal formula increased by \$300k
- Change average teacher salary to average by school level as consistent with other positions

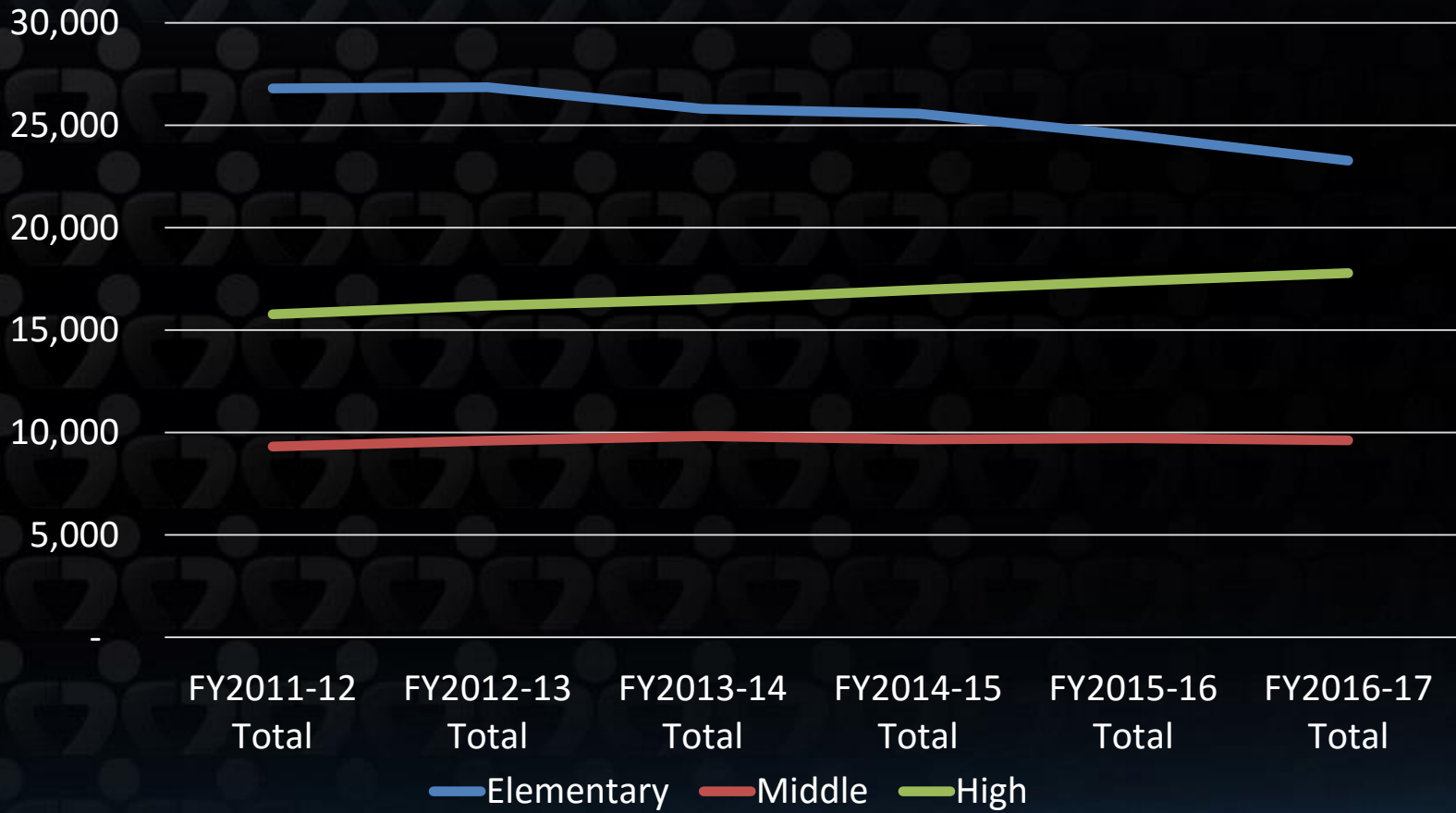
• Departments

- Zero-based budgeting
- Consolidation of departments and duties – elimination of positions

TOTAL ENROLLMENT BY NEIGHBORHOOD SCHOOL LEVEL



Total Neighborhood Enrollment by Level



IMPACT TO SCHOOL BUDGETS BASED ON ENROLLMENT



<u>Elementary</u>	<u>Enrollment Change</u>	<u>SBB \$ Change</u>
FY2015 → FY2016	(1,043)	(\$4.2M)
FY2016 → FY2017	(1,252)	(\$5.0M)
FY2017 → FY2018(p)	<u>(610)</u>	<u>(\$2.4M)</u>
Cumulative	(2,905)	(\$11.6M)

<u>Middle</u>	<u>Enrollment Change</u>	<u>SBB \$ Change</u>
FY2015 → FY2016	60	\$240k
FY2016 → FY2017	(107)	(\$425k)
FY2017 → FY2018(p)	<u>(304)</u>	<u>(\$1.2M)</u>
Cumulative	(351)	(\$1.4M)


<u>High</u>	<u>Enrollment Change</u>	<u>SBB \$ Change</u>
FY2015 → FY2016	426	\$1.7M
FY2016 → FY2017	392	\$1.6M
FY2017 → FY2018(p)	<u>139</u>	<u>\$550k</u>
Cumulative	957	\$3.8M

Notes: Enrollment based on October Count each year (FY2018 is projected). SBB dollar change is based on approximately \$4,000 per pupil which does not include site-discretionary nor non-discretionary allocations

A stylized graphic of a person's head and shoulders. The head is a white circle. The shoulders and upper torso are represented by large, white, curved shapes. A bright blue light emanates from the neck area, creating a lens flare effect. The background is dark blue with some faint, larger-scale white and blue shapes.


ANALYSIS OF SCHOOL GRADE LEVEL BUDGETS ON A PER PUPIL BASIS

PER PUPIL BUDGET AMOUNTS - ASSUMPTIONS USED

- 
- 2015-2016 data used at this is the most recent audited data available
 - Budget amounts includes allocations for SBBPA, Discretionary, and Non-Discretionary pulled directly from school SBBs and SPED staffing for center-based programs including Plum Creek
 - Fees, donations, scholarships, athletics transfer, utilities, etc. based on audited actuals
 - Includes: SBB allocations, FDK scholarships, athletic interfund transfer (coach pay and athletic trainers), device refresh, fundraisers / donations, department head pay at secondary schools, School Marshal / SRO cost, utilities, and BASE donations to elementary schools
 - Excludes: Gate receipts, athletic fees, FDK tuition, Nutrition Services, BASE, Personalized Learning itinerant teachers, and transportation to/from school

ANALYSIS OF DOLLARS AVAILABLE TO SCHOOLS

2015-2016 Per Pupil Amounts



	<u>Elementary</u>	<u>Middle</u>	<u>High</u>
SBBPA & Mill Levy	\$3,882	\$3,956	\$3,555

Note: FY2015-2016 is used as it is the most recent audited fiscal year

* Other includes FDK scholarships, SRO / School Marshal, Device Refresh, and Department Head Pay

QUESTIONS

