

Kiowa Schools: Where the Money Comes From and Where it Goes

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Overview

The vision of Elbert County School District C-2 (Kiowa Schools) is:

Each student graduates prepared for tomorrow.

Let's break that down.

Each student. We don't get to pick and choose our students. Some students come armed with self esteem and an attitude of success. Some students come to us with parents in jail or live in abusive homes. But for us, each student graduates prepared for tomorrow.

Graduates. That means with integrity. Each student graduates having met the standards set for graduation by our community (Board of Education) and our State (educational standards set by the Legislature).

Prepared for tomorrow. That means each student in our school is prepared to accept the next challenge in his or her life. That may be college, vocational school, working on the ranch with Dad, becoming a parent. This means they learn more than reading, writing, and arithmetic. Each has learned skills to examine other's opinions, to manage finances, to become a responsible citizen, and to continue learning.

Quick Facts: 2015-16 School Year

Schools

- Kiowa elementary school educates preschool through fifth grade (132 students)
- Kiowa middle school teaches sixth, seventh and eighth grade (65 students)
- Kiowa high school teaches ninth through twelfth grade (89 students)

Students

A total of 286 students for the 2015-16 school year

Free and Reduced Lunch

37.6 % Free and Reduced Lunch

It's important to note that users of free and reduced lunches are NOT a drain on the system. In fact, the higher our free and reduced lunch count, the better the school as a whole benefits financially. This is because there are more at-risk dollars from the state and federal governments, and more grant dollars available from many sources.

School Board

The highest and final authority governing our school district is our five-member elected Board of Education. Each elected member serves a four-year term and is term-limited after serving two full terms. All members are "at-large;" that is, they do not need to live in a prescribed area within the school district.

These dedicated volunteers are non-partisan; that is, there are no political designations when they run for office. As you'll see if you attend school board meetings, their highest priority is to ensure all systems and policies are in place to give our students the best education they can receive.

Budget And Finance Calendar

There are some tricky elements to school budgets because funding is driven by student enrollment as counted in October:

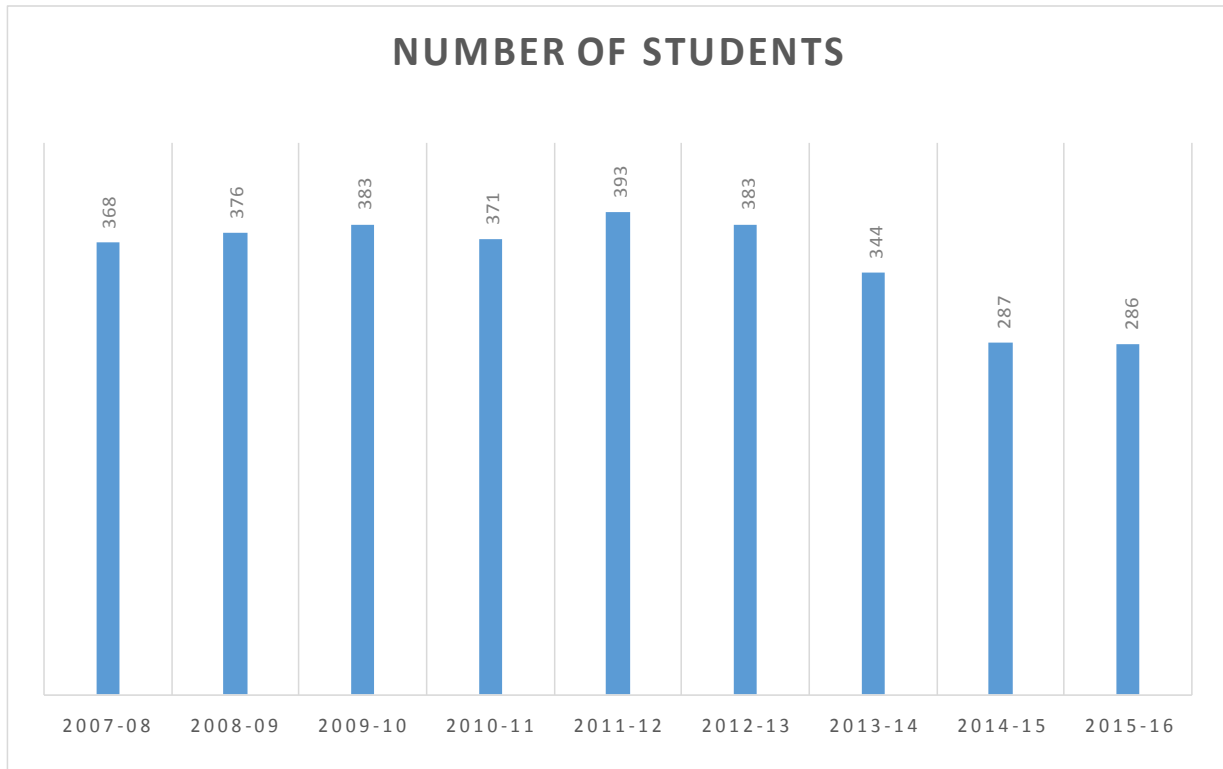
- By May, the School Board must settle on a projection of how many students will enroll in August
- No later than June 1, the school Board must approve all contracts to teachers for the upcoming school year
- By June 30, the School Board is required to adopt a budget for the upcoming new year
- By January 31, the School Board can revise their initial budget based on actual funding they are receiving. However, any contracts issued by the June deadline must be honored for the full year, despite enrollment numbers

July	Beginning of Fiscal Year using budget adopted at the June School Board meeting
August	Start comparing actual enrollment numbers to projections made and approved in June budget.
September	Begin making adjustments in the budget based on actual enrollment numbers
October	Official Pupil Membership count to determine funding for the current year, commonly referred to as October count. First quarter reporting of actual expenditures
January	Final budget adopted for the CURRENT school year (2015-2016) Second quarter reporting of actual expenditures
February	Begin gathering data for next year's budget
April	Propose next year's budget Third quarter reporting actual expenditures
May	Approve teacher contracts for new fiscal year
June	Adopt new fiscal year budget for the NEXT school year (2016-2017)

Student Enrollment History and Future Trends

Kiowa Schools has a general trend of declining enrollment, a situation that creates challenges in budgeting since funding is dependent on actual enrollment in the student body.

Major growth is not expected for Kiowa Schools unless residential development occurs. Current housing remains generally unchanged and it seems unlikely that large enrollment gains can be made without new housing.



A Word about Funds

We track our revenues and spending in special funds. Each is designated for its own purpose.

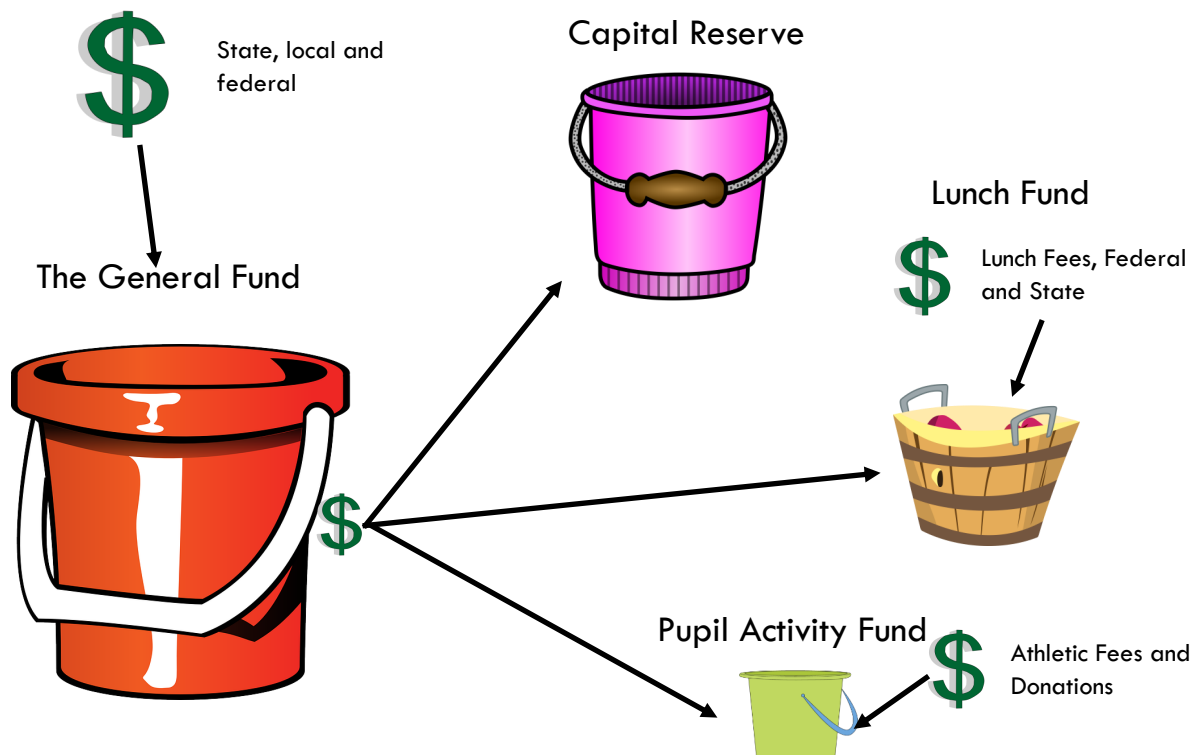
The **GENERAL FUND** is used to receive and expend all funds unless accounting rules or the School Board require the use of a different fund. It is the primary operating fund of the district. Nearly all of our money comes into that fund and some of it is transferred out to other funds.

The **CAPITAL RESERVE CAPITAL PROJECTS FUND** is used to track expenses of special capital projects identified by the School Board. In order to qualify for this fund, expenditures must exceed \$1,000, but not all expenditures exceeding \$1,000 are required to be run through this fund. Such expenses can also be tracked through the general fund.

The **PUPIL ACTIVITY FUND** is used to track sports costs, academic trips and related events. If you pay athletic fees, your fees are deposited into this fund. Because our fees do not adequately cover the costs of sports, we transfer money from the General Fund to this fund to make up the difference.

The **FOOD SERVICE FUND** records all financial transactions related to our food service program. Federal money is received to run this program. However, between the federal funds received and the prices we charge for lunch, there is not enough to cover the entire program. Therefore, we transfer money from the General Fund to the Food Service Fund each year.

The **STUDENT ACTIVITY FUND**. Absolutely no tax dollars go into this fund. Activities, like scholarships, yearbook, various school clubs, homecoming week, and student dances including prom, to name a few, are kept track of in this fund. These activities are typically supported by fund raisers.



Sources of General Fund Revenue

Kiowa Schools receives revenue from a variety of sources: local, state, and federal.

Local Revenue

This revenue includes the property tax you pay and any Specific Ownership Taxes (SOT). SOT is our proportionate share of license fees you pay with vehicle registration. This is locally raised revenue and stays within the district where it was raised. As you can see from the chart below, our taxpayers fund a fairly low percentage of our schools.

State Revenue

This is by far the single largest revenue source for our school. This funding comes from revenues the State receives from us as income tax and sales tax primarily.

Federal Revenue

This is mainly comprised of Title, REAP (Rural Education Achievement Program), and IDEA (Individuals with Disabilities Act) funding and are dependent on federal legislation to fund them. Title funding is based on student demographics year-to-year and is raised or lowered based on the national economy. REAP is a special federal grant for rural districts, one for which we applied several years ago. So far, this grant is reauthorized each year, but the amounts per year have steadily declined. IDEA funding provides a small amount to offset the extra costs to educate children with special needs.

The following charts show all our revenue sources for the general fund budgeted for 2015-16

Local Revenues	Amount Budgeted
Property Taxes	\$573,122
SOT	92,476
Other	14,850
Local: Total	\$680,439

State Revenues	Amount Budgeted
Program Funding	\$2,382,231
One time capital reserve funds (2015-16 only)	\$78,000
Categorical Funding and misc	63,748
State: Total	\$2,523,979

Federal Revenues	Amount Budgeted
All Programs	\$44,444

Total Revenues:
\$3,248,862

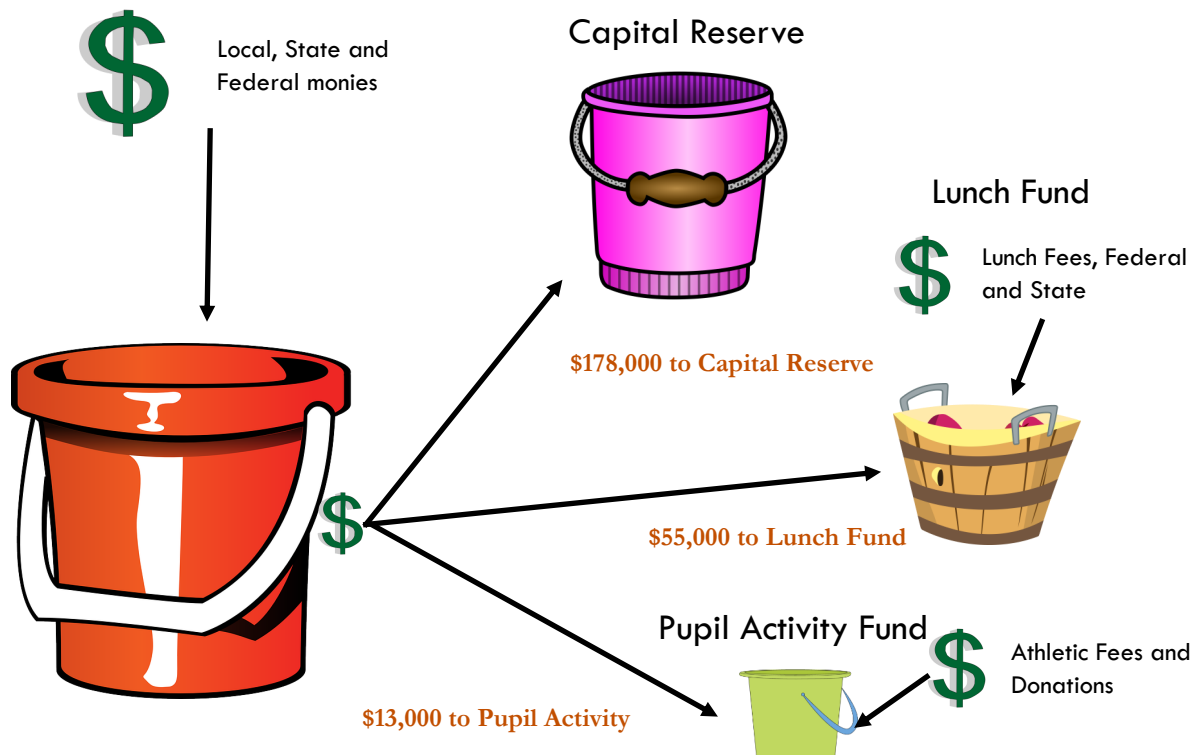
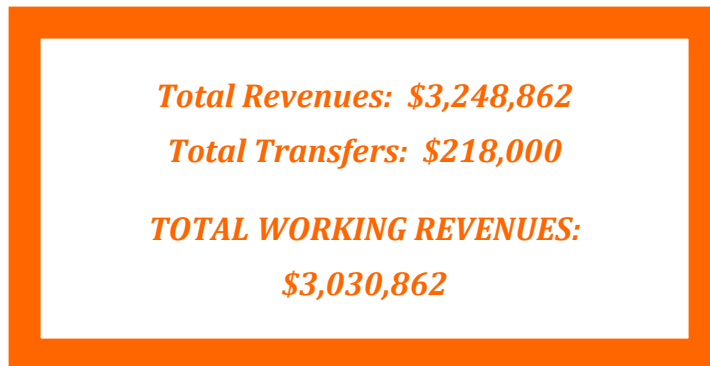
Let's Get Back to our Buckets

In order to keep our facilities running, and our food service and athletic programs running, they need funds.

Our **facilities** were built from the 1950s to 1997. They are all aging and require maintenance or renovation to keep them in good working order.

What we charge students to **eat in the cafeteria** and **to play in sports** does not cover our costs.

Let's take another look at how these transfers affect our revenues.



A Bit About State Revenues

This is our single, largest source of revenue and a brief review of how the State determines what we get is helpful in understanding how we budget.

The primary roadmap for school funding is in the School Finance Act, which contains a series of formulas based on educational challenges faced by Colorado schools. This Act is re-introduced each year in the State Legislature, and new numbers are plugged into the existing formulas, based on first, how much money the State has, and second, how much of that they want to spend on education. Once this is determined, we know what the “Total Program” funding will be for our district. Our total program consists of the following:



Per Pupil Base

Equal funding per pupil across all districts, increases annually by inflation

Factors and At-Risk

Adjusts the base Per Pupil Revenue (PPR) funding by the following categories:

- Cost of living
- Size of district
- Personnel costs
- At-risk pupils

Total Per Pupil Program Funding for each District

Equal funding per pupil across all districts, increases annually by inflation

Total Pupils as recorded in the October count, as averaged over 5 years

Not all students are paid for on a one-to one basis. Only 9 preschool students are funded, as half students. All kindergarten students are funded, but only as half students. For example, in 2014-15, we had 283 students, but only 251 were funded.

Where's the Marijuana Money?

In 20xx voters approved the legalization and taxing of recreational marijuana sales. Many speculate that one reason this measure passed is because some of the money was going to help schools.

Specifically, the ballot measure said the first \$40 million collected in excise taxes would go to help with capital construction needs—buildings.

This money has been collected and is being distributed to the BEST (Building Excellent Schools Today) program, as outlined in the law. The BEST program focuses on helping public schools with a multitude of capital construction needs, from new roofs and boilers to major renovations and new schools. The goal of the BEST program is to provide first class, high performing, 21st century facilities and to help alleviate health and safety concerns throughout Colorado.



The BEST Program is a competitive grant program available to all public school districts, charter schools, institute charter schools, boards of cooperative educational services and the Colorado School for the Deaf and Blind.

Kiowa has already benefited from the BEST program by receiving three different grants.

1. A one million dollar project to improve energy efficiency. We replaced light bulbs throughout all three schools to more energy efficient T8 fluorescent bulbs, replaced windows in the middle school, added a geothermal heating system for the high school, and replaced an aging and underperforming dishwasher in the kitchen.
2. A \$45,000 project to replace the aging phone system in all three schools, which also added a phone in every classroom, for the purpose of improving the safety of all students.
3. A \$1.1 million dollar project to replace the roofs at the elementary and adjacent gym and to repair the roof at the high school. This grant also improved the drainage throughout the campus and stopped water from leaking into the high school from the exterior.

How We Spend in the General Fund

As you can see below, 93 cents of every dollar goes to students in the form of direct instruction or instructional supports. Only seven cents is spent on administration.



50¢ is for Direct School Funding

43¢ is for Student Support
Services

7¢ is for
District
Admin-
istration

Direct Student Funding: This is how much we actually budget in the classroom on teachers, textbooks and supplies.

Student Support Services: This is how much we actually budget to directly support student learning like libraries, counseling services, principals, secretaries, technology, and building and bus maintenance.

District Administration: This is how much we spend taking care of purely business functions like superintendent, human resources, risk management, payroll and accounts payable.

An Important Note:

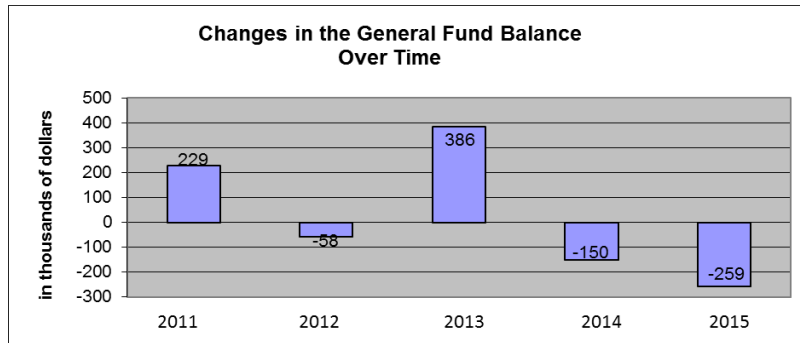
As school's get smaller, spending on direct school funding versus school support services decreases. While cuts are made in both areas where appropriate when enrollment declines, some things are difficult to cut. As long as we have three buildings open, they will have to be maintained and be provided utility services. Grounds do not shrink with smaller enrollment, so grounds maintenance, including irrigation costs, are seldom cut. All buildings must be kept clean.

A minimum number of staff are needed to maintain required educational mandates. These include services to special needs students, delivery of a certain number of courses, evaluation mandates for teaching staff and nutritional mandates for student meals. A minimum number of buses must be maintained in order to deliver students to activities. A minimum number of secretaries must be at each building to maintain security, no matter how many students attend that school.

Nor can critical business functions be set aside. We are required to pass budgets, meet payroll, pay bills and track everything we do. We are required to be audited. Hiring, benefit selections, worker's compensation, unemployment issues, and running elections, to name a few, are tasks that must be completed no matter the enrollment.

What's a Fund Balance?

Each year when Kiowa Schools prepares their budget, the goal is to spend no more than comes in that year, and hopefully less. For every year when the District spends less, we add to our beginning fund balance, or, as some have called it, our savings account. Below is a history from several past years that shows what we added or took away from our beginning fund balance.



A closer look at these numbers is in order as they are distorted by two issues: The negative factor and a loan of \$1.25M for facility work.

The negative factor is discussed separately, but let it suffice to say here that each year the state made significant cuts to our program. The only way to not spend down our beginning fund balance was to cut expenses.

In the 2012-13 school year, we received a **special government loan program called QZAB**. We banked the entire \$1.25M proceeds from the loan. That is why we added so much to the beginning fund balance for that year; we simply could not spend it all from October to December. It took us three years to spend the money, which is why we had negative amounts the following two years.

Where we stand today. At the end of the 2014-15 school year our total ending fund balance was \$1,559,191, which, of course, is our beginning fund balance for the 2015-16 school year. The 2015-16 budget projects an ending fund balance of \$1,558,119, or a deficit of \$1,072. It is most likely that we will finish by **INCREASING** our fund balance, as not all contingencies built into the budget occur.

The Negative Factor

Beginning in fiscal year 2009-10, the Colorado Legislature implemented the “Negative Factor,” because of lower revenues associated with the economic downturn.

Just what is the negative factor?

Amendment 23, the citizen’s ballot initiative passed in 2000, mandates that “base” per pupil funding increase each year by the rate of inflation. To determine how much each district will receive under the School Finance Act, that “base” is run through a complex formula that includes variables such as school district size, local cost-of-living, and the number of “at-risk” kids (eligible for free lunch) in a district.

These variables are called “factors” and they substantially increase average per pupil funding received by school districts to reflect the very different costs districts experience. The factors exist to address the increased per pupil costs that result when, for instance, a high percentage of pupils are from at-risk populations or when the necessary costs of running a school and hiring staff are divided among a small student population in a rural district.

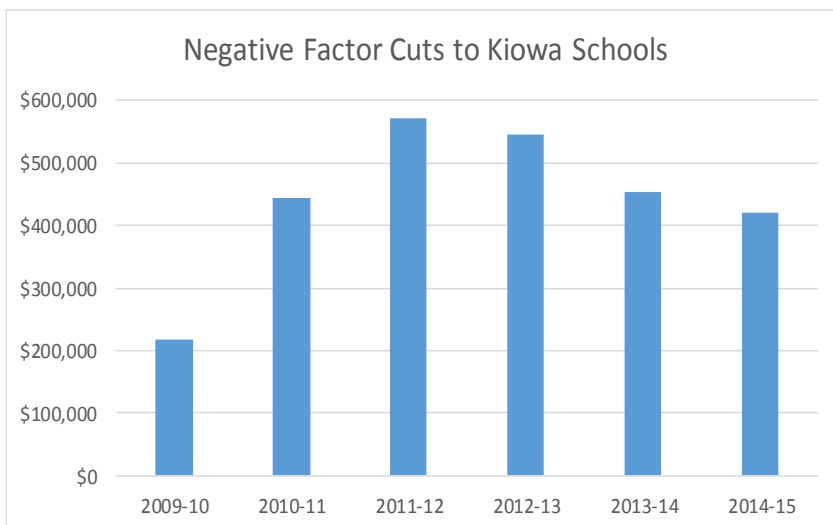
In 2009, the legislature reinterpreted Amendment 23 to mean that only the base amount was covered by the mandatory increases — not the factors. Under this interpretation, the legislature could (and did) cut total spending from one year to the next and claim compliance with Amendment 23 — despite voter intent to increase funding.

Starting in 2009, in order to make across-the-board cuts from all districts, the legislature added a new “budget stabilization” or “negative factor” to the School Finance Act formula. In effect, the legislature now decides how much it wants to spend on school finance, and then adjusts the negative factor to meet that funding target.

Because those cuts are all coming from the factors, which are designed to make school funding more fair, equitable, and responsive to actual costs, these cuts exacerbate inequities in Colorado’s school finance structure, making educational opportunities even more dependent upon a student’s zip code.

The \$1 billion negative factor has resulted in larger class sizes, narrower curriculum, reduced instruction time, and less support and individual attention for students.

By the end of fiscal year 2014-15, Kiowa School’s total share of the Negative Factor was \$2,653,000. Here’s how we were cut each year. Unless there are some changes at the State level, the only way for schools to generate more revenue is to go to the local voters and ask for a mill levy increase.



These cuts are expected to rise again in 2015-16 due to TABOR refunds.

Our Capital Needs

This year our budget was set up to transfer \$150,000 to the Capital Reserve Fund. This was made possible because of a law that was passed by the Colorado Legislature in 2015. They set aside some money to be used on ONE-TIME type expenses. Why? After years of negative funding due to the Negative Factor, they knew that schools put what money they had into actual instruction and cut back on capital needs. Buses are aging, buildings are not getting the proper maintenance and this deferred maintenance problem only grows. As more fixes are put off, more will be needed at some future time. For Kiowa, this 2015 law should net us about \$78,000. By law, this must be spent on capital, or one-time expenses.

In our case, we had to borrow money to take care of some serious facility problems in 2012. This came in the guise of a QZAB loan, mentioned earlier. Below are two lists; one that contains recent work completed and one that contains known and probable work in the future.

Recently Completed Work	Identified work in the future
Coach activity bus: \$73,000 Network switches: \$9,580 Wi-Fi upgrade: \$14,958* Security lighting: \$17,095 Boiler in MS: \$4,250 Walk-in cooler: \$23,115 Booster for dishwasher: \$2,241 MS roof repair: \$2,774 Concession trailer and pad: \$32,000 Parking lot reseal: \$27,454 Server room build: \$11,060 <u>QZAB loan work: \$1.25M</u> Roof repairs and replacement Drainage corrections Landscaping to reduce water use Security upgrades Locker and bathroom renovations Promethian boards * Grant will pay for 60% of cost	Crumbling cement around campus Older HVAC units in ES, gym and MS East wall of HS has water issues MS plywood panel facades in poor shape MS back entryway has rotting roof and cracking cinder blocks Electrical changes need to be made to separate HS cafeteria from kitchen appliances Separate freezer behind kitchen is very old but kept going with repairs The reach-in refrigerator is close to failing Food-warming table is very old, but still working Stove is oldest appliance in kitchen, but still working Milk case is reaching the end of its life Some bleachers need repair Some metal work around campus is rusting out

School Finance Basics

Colorado invests in K-12 public schools through a combination of local property taxes and state revenues, with some aid from the federal government. Here are some key factors affecting public school funding.

Amendment 23: Passed by the voters in 2000, Amendment 23 requires the state's investment in K-12 education to increase by the rate of inflation thereafter. Amendment 23 was designed to restore education funding to 1988 levels. After almost 16 years of Amendment 23, Colorado has fallen increasingly behind the national average of per pupil spending. See the chart on the next page.

Federal Funding: School districts receive funding from several federal programs and are required to follow specific and complex regulations as a condition of receiving these funds. School districts must also contribute significant local funds to qualify for most federal programs. The largest federal programs are Individuals with Disabilities Act (IDEA) and ESSA (Every Student Succeeds Act), known as the replacement to No Child Left Behind.

Gallagher Amendment: Passed in 1982 and designed to limit residential property tax increases by maintaining a constant ratio between property tax revenues that come from residential and business properties. The net effect of Gallagher has been to shift much of the burden of property taxes from residential to business property owners. This shift has made it difficult to get business support for school mill levies.

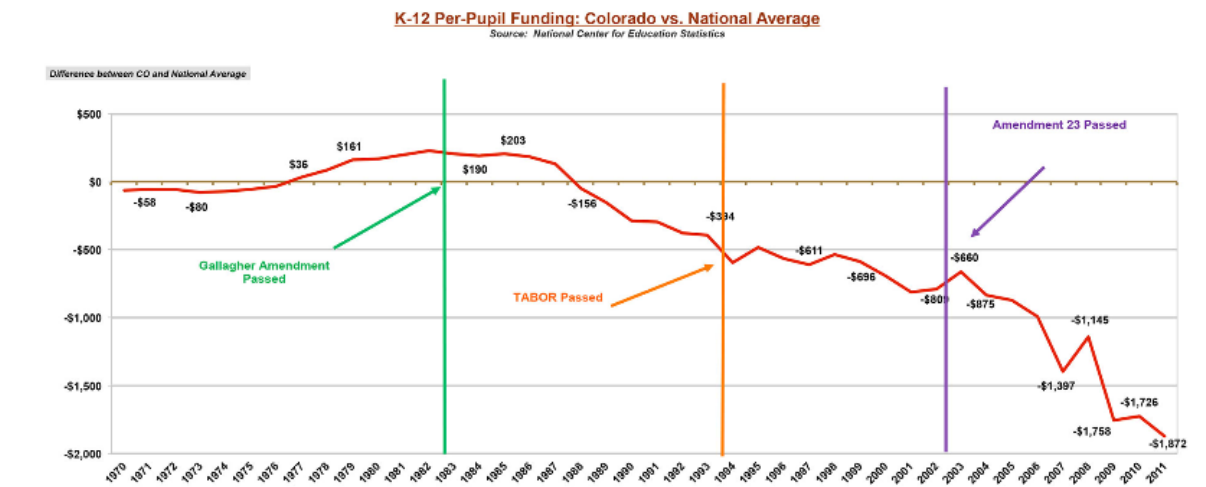
TABOR: The Taxpayer Bill of Rights, passed in 1992, and the most restrictive tax limitation in the country, prohibits any tax increase without a vote of the people. TABOR also prohibits a state or district from keeping revenues from all sources in any year that are more than the revenues received the previous year plus inflation and growth. Any revenue collected in excess of TABOR's revenue limits must be returned to the taxpayers, unless those restrictions have been lifted by voter approval. TABOR freezes all taxes and limits all revenues at both the state and district levels. Kiowa School voters did authorize that those restrictions be lifted for our school district, but the State has not received any such relief.

TABOR and Gallagher: The combination of these two provisions has shifted the majority of funding for schools from local property taxes to the State general fund. Thus, the State now provides close to 65% of school funding, where the State used to provide less than 40%. In addition, the interaction between TABOR and Gallagher has destroyed the state legislator's effort to maintain equitable property tax rates in Colorado school district.

How Colorado Laws Have Affected Student Funding

The chart below shows how far our per pupil funding has dropped as compared to the national average. Thanks to Great Education Colorado for this chart. They can be found at

www.greateducation.org



Questions?

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