

Memorandum

TO: Members of the Sustainability Committee

FROM: James Jacobs

RE: Power Equalization in School Finance

Date: for May 11, 2010

The Colorado General Assembly adopted the Public School Finance Act of 1973 that sought to provide a foundation program of financial support for local school districts. A goal was to ensure adequate funds to meet educational needs and to reduce the importance of local property taxes. Through a “power equalization” formula, the state guaranteed that each district would be able to raise a minimum number of dollars per pupil for each mill levied. The state would make up the difference between what the district could raise on its on per pupil per mill and the guaranteed level.

A variety of changes took place in the years following the adoption of the finance act. As some districts were able to generate more money than the revenue guarantee per pupil per mill, a provision was added to give a “minimum” amount to those districts in state aid. This allowed those districts to reduce their local mill levies. A later provision was added to equalize expenditures among the districts. This “authorized revenue base” (ARB) was the sum of the 1973 property tax plus the state’s foundation program. This change, through a system of flat dollar increases, allowed the lower spending districts to increase their ARBs at a higher yearly rate than other districts, narrowing the disparity in per pupil revenues among the districts.

Sample Calculation

Authorized expenditures per pupil

1987 ARB	\$3,500.00
Plus statutorily allowed increase	<u>66.45</u>
Equals 1988 ARB	3,566.45

Eligible pupils	1,260
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District Total Program Cost	
District ARB	\$3,566.45
Times attendance entitlement	<u>1,260</u>
Equals district program cost	\$4,493,727.00

District Mill Levy	
1988 district ARB	\$3,566.45
divided by 1988 state guaranteed	
revenue per mill per pupil	<u>/107.95</u>
equals district general fund mill levy	33.04 mills

Local Share:

Local valuation for assessment	\$50,500,000.00
Divided by attendance entitlement	<u>1,260.00</u>
Equals assessed valuation per AE	40,000.00
Times one mill	<u>X .001</u>
Equals local share per mill per pupil	40.00
Times district mill levy	<u>X 33.04</u> mills
Equals local share per pupil	\$1,321.60

Total Local Share

Local share per pupil	\$ 1,321.60
Times attendance entitlement	<u>X 1,260.00</u>
Equals total local share	\$ 1,655,216.00

Total State Share

District total Program cost	\$ 4,493,727.00
Minus total local share	<u>- 1,665,216.00</u>
Equals total state share	\$ 2,828,511.00

1987 state guaranteed revenue per	
mill per pupil	\$ 107.95
minus local share per mill per pupil	<u>- 40.00</u>
equals state share per mill per pupil	\$ 67.95

The overall school finance act also included provisions for a minimum guarantee, an alternative minimum guarantee, increases in funding beyond the authorized levels, density factor, declining enrollment and increasing enrollment factors, small attendance centers and aid to districts with low income students.

In 1988, the General Assembly adopted a new school finance act with sought a uniform mill levy for most districts and allowed districts with lower mill levies to increase their mills and those with higher mill levies to decrease their mills.

From Legislative Council staff memo, Explanation of the "Public School Finance Act of 1973", June 21, 1988