

WHERE DO PUBLIC SCHOOLS IN COLORADO GET REVENUE AND HOW DO THEY SPEND IT?

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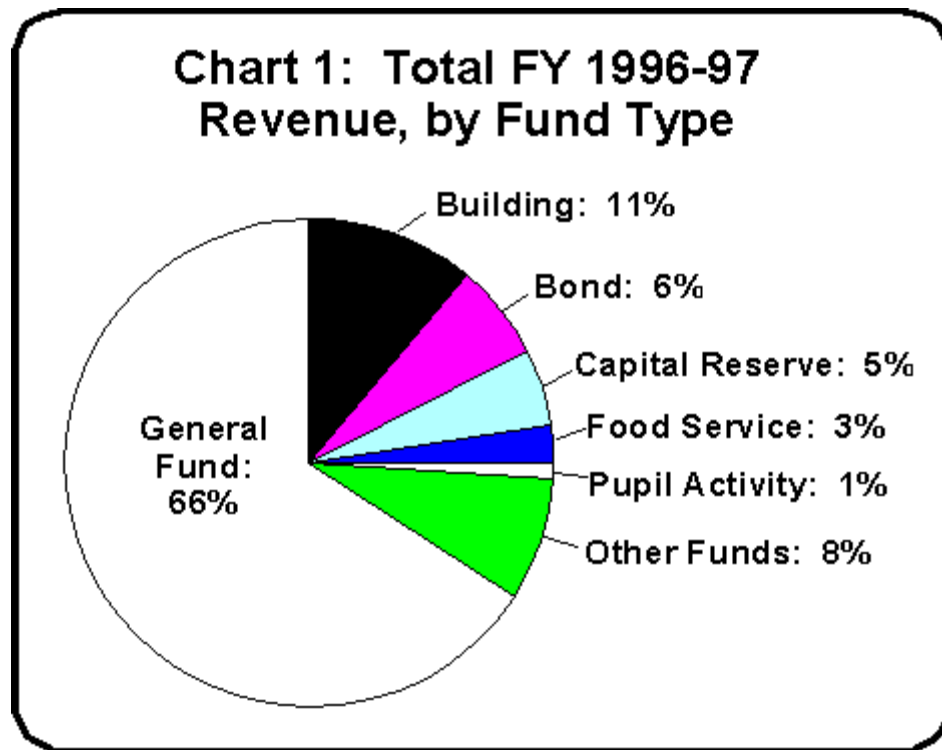
This pamphlet describes where public schools in Colorado derive operating and other revenue and how that revenue is spent for public K-12 education

Generally, school districts get revenue from local property taxes, specific ownership (vehicle) taxes, locally-imposed fees, state aid, and federal aid. The money is spent on instruction, support, and administration, including salaries and benefits, supplies, and capital.

SCHOOL DISTRICT REVENUES ACCOUNT FOR OVER \$4 BILLION

Colorado public schools account for over \$4 billion in state, local, and federal revenue. School districts credit revenue, approximately \$6,500 per pupil in FY 1996-97, to a variety of funds for a variety of purposes, as shown in Chart 1. In addition, building fund bond receipts total about \$450 million statewide. Because of the importance of the school district general fund, it is the primary focus of this publication.

School District Funds and Their Respective Roles. The *general fund* is the primary fund used by a school district for collecting operating revenue and paying operating expenses. It is also the repository for any revenue not otherwise committed. In FY 1996-97, the most recent year for which data are available, the general fund accounted for two-thirds of all revenue and 62 percent of expenditures.



The second largest share of revenue is used for facilities via the *building fund* and the *bond redemption fund*. Proceeds from the sale of bonds are deposited in the building fund, while tax revenue to pay off the bonds is deposited in the bond redemption fund. As such, the amount of money in these two funds is heavily dependent on school construction activity.

The *capital reserve fund* and the *risk management fund* are relatively minor in importance when compared to the three preceding funds. However, all districts must allocate a minimum amount of revenue between the two funds under the school finance act. The capital reserve fund is used for long-range capital outlay expenditures; a risk management fund is used to insure the district. Districts may create a number of other funds for other purposes, including the *pupil activity fund* and the *food service fund*. The relative importance of these two funds is indicated in Chart 1.

**THE STATE PROVIDES OVER
HALF OF SCHOOL DISTRICT
GENERAL FUND REVENUE**

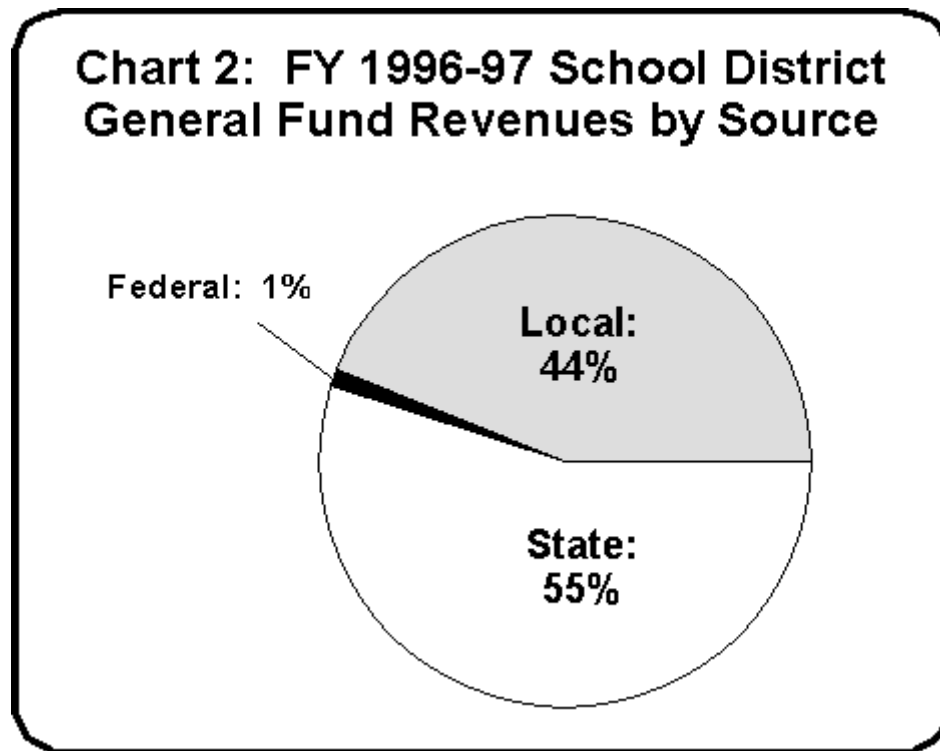
Sources of School District General Fund Revenue. The revenue in school district general funds comes from a variety of sources. In FY 1996-97, approximately 55 percent of school district operating revenue was derived from state sources, 44 percent from local sources, and one percent from other sources, primarily the federal government.

The direction of school district general fund revenue reflects an interesting trend. The state's share of a school district's general fund revenue has been increasing. In FY 1992-93, the split between state and local shares of district revenue was roughly even, with each providing about 50 percent. Today, the state accounts for 55 percent of school district general fund revenue.

State Revenue. The state provides most of its school funding – over 90 percent – through the school

finance act. This total has climbed to over \$1.7 billion. The remaining state revenue is distributed in the form of funding for categorical programs, including vocational education, special education, and transportation.

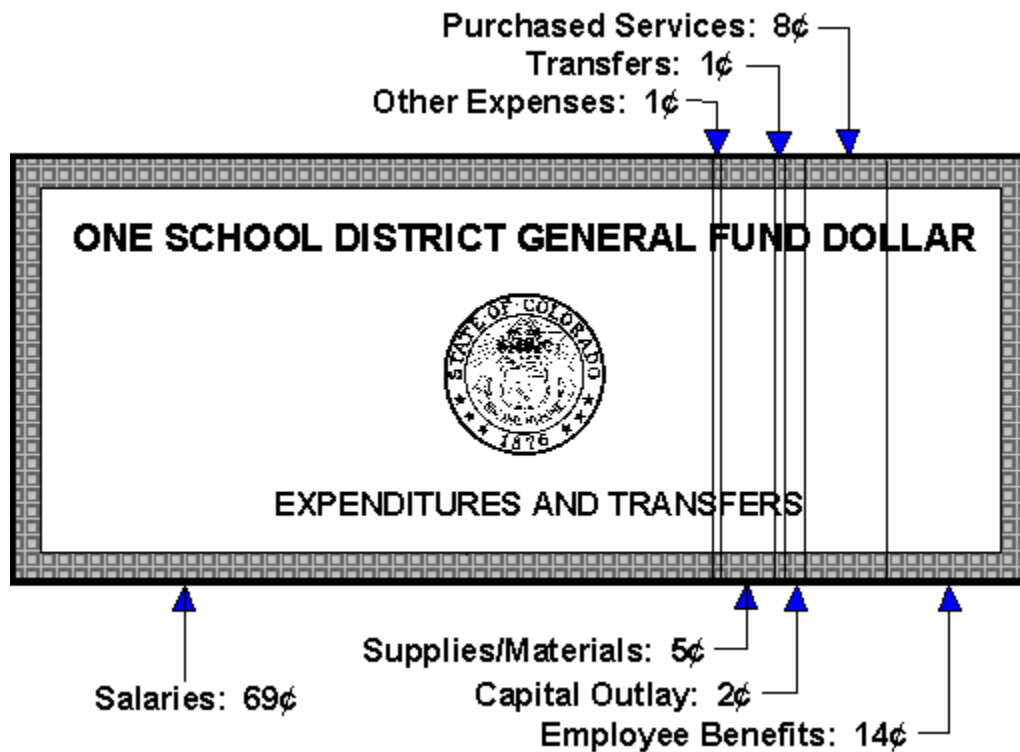
Local Revenue. The predominant source of local revenue is the property tax, accounting for 87 percent of local operating revenue. Specific ownership taxes are the second largest contributor from local sources, at 7 percent. Delinquent taxes, penalties, and interest; tuition, transportation and other fees; and other local revenue comprise the remainder of local source revenue.



Other Revenue. School districts also receive other moneys, primarily from the federal government. Federal revenue is generally provided for specific purpose programs, such as special education, vocational education, and Chapter 1, which provides funding for at-risk youngsters. Other local revenue includes grants and payments from counties in lieu of taxes. Much of the revenue from federal and other local sources is not deposited in district general funds and thus is not represented in Chart 2.

MOST SCHOOL DISTRICT GENERAL FUND SPENDING IS FOR PERSONNEL

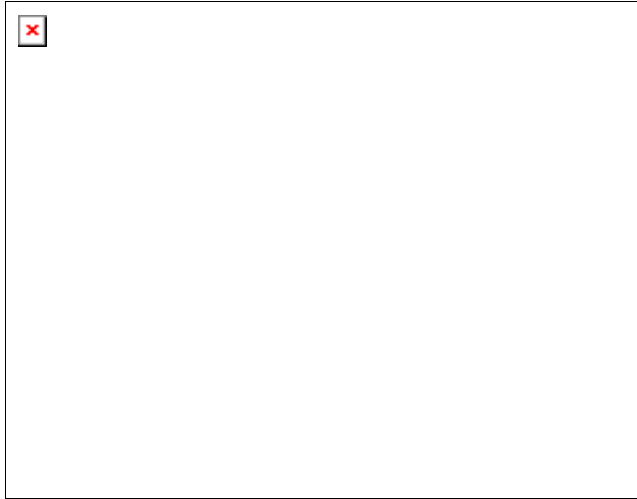
Categories of School District General Fund Expenditures. On average, school districts spent about \$4,700 per student from the general fund in 1996-97. School district expenditures can be placed into seven broad categories: salaries, employee benefits, purchased services, supplies and materials, capital outlay, other expenses, and transfers. Salaries account for the largest chunk of school district expenditures – over two-thirds of the general fund dollar. Employee benefits and purchased services comprise the next highest expenditure categories. The term "purchased services" refers primarily to contract services – services provided by someone who is not on the payroll of the district. In total, expenditures for personnel – salaries, employee benefits, and purchased services – make up almost 90 percent of school district budgets.



Other more minor expenditure categories include transfers, the bulk of which relate to the capital and insurance reserve funds, and supplies and materials. Capital outlay and other miscellaneous expenses make up the remainder of the general fund dollar. The relative share of these expenditures is reflected in the previous dollar graph.

INSTRUCTION ACCOUNTS FOR ALMOST TWO-THIRDS OF SCHOOL DISTRICT GENERAL FUND EXPENDITURES

Instruction now accounts for 62 percent of school district operating expenditures. Support services, at approximately 38 percent, comprise the other major segment of a district's expenses. Support services encompass a wide range of activities, including attendance, social work, guidance, and health services, as well as general and school administration, business support services, operations and maintenance functions, pupil transportation, and food service.



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