**Attachment A**

Presentation to the
House and Senate
Education Committees

**February 2013**

Support children.
Support the future.

By: Colorado School Finance Project

## Colorado School Finance Project

The Colorado School Finance Project (CSFP) compiles, collects and distributes research-based information and data on topics related to school finance.

The CSFP was created in 1995, following the passage of the 1994 School Finance Act. It is funded by contributions from Colorado school districts, the Colorado Association of School Boards (CASB), the Colorado Association of School Executives (CASE), the Colorado Education Association (CEA) and the Colorado BOCES Association.

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# School Finance Act – 1994
# Goals and Objectives

Goals and Objectives of the 1994 School Finance Act:

- To have a **50% state and 50% local** contribution in funding formula;
- To have all school districts participate around **40 mills**;
- To acknowledge some differences in student and district characteristics;
- To acknowledge regional cost differences – mechanism for adjustment;
- Allow for additional district participation – through an override system above state formula to implement local control clause;
- Promote universal access for students – ensuring students attend.

## Who are Colorado's Public School Students?

1. Enrollment has increased over 110,000 students in the past 10 years, now over 860,000.
2. Students identified at-risk (free-lunch proxy for district funding) are 33% of the student population (297,167). Including reduced-lunch students, brings this group to 41% (358,899) of the population. **Free and Reduced Lunch students are the fastest** growing population group in Colorado.
3. Colorado serves over 124,000 students (in 186 languages) – whose primary language is not English. The state provides funding that covers $.25 for every dollar spent by districts.
4. Colorado's special education population is less than 10% of its population, one of the lowest in the country. State and Federal funding cover about $.30 for every dollar spent by districts.
5. Colorado's gifted population continues to increase, now over 66,000 students, as funding has dropped to $139 per student per year.

Data Source: CDE: Instructional Program Counts; Understanding Colorado School Finance, July 2012

# Where are Colorado's Students?

**DISTRICT SIZE INFORMATION**

| District Size | Number of Districts | Percentage of Districts | Total Students | Percentage of Students | Average District Size |
|---|---|---|---|---|---|
| 0-500 | 83 | 46.4% | 19,865 | 2.3% | 239 |
| 501-1,000 | 22 | 12.3% | 15,555 | 1.8% | 707 |
| 1,001 - 5,000 | 42 | 23.5% | 86,047 | 10.1% | 2,049 |
| 5,001 - 10,000 | 11 | 6.1% | 75,035 | 8.8% | 6,821 |
| 10,001 - 20,000 | 9 | 5.0% | 131,393 | 15.4% | 14,599 |
| Over 20,000 | 12 | 6.7% | 525,512 | 61.6% | 43,793 |
| State | 179 | | 853,407 | | 4,768 |

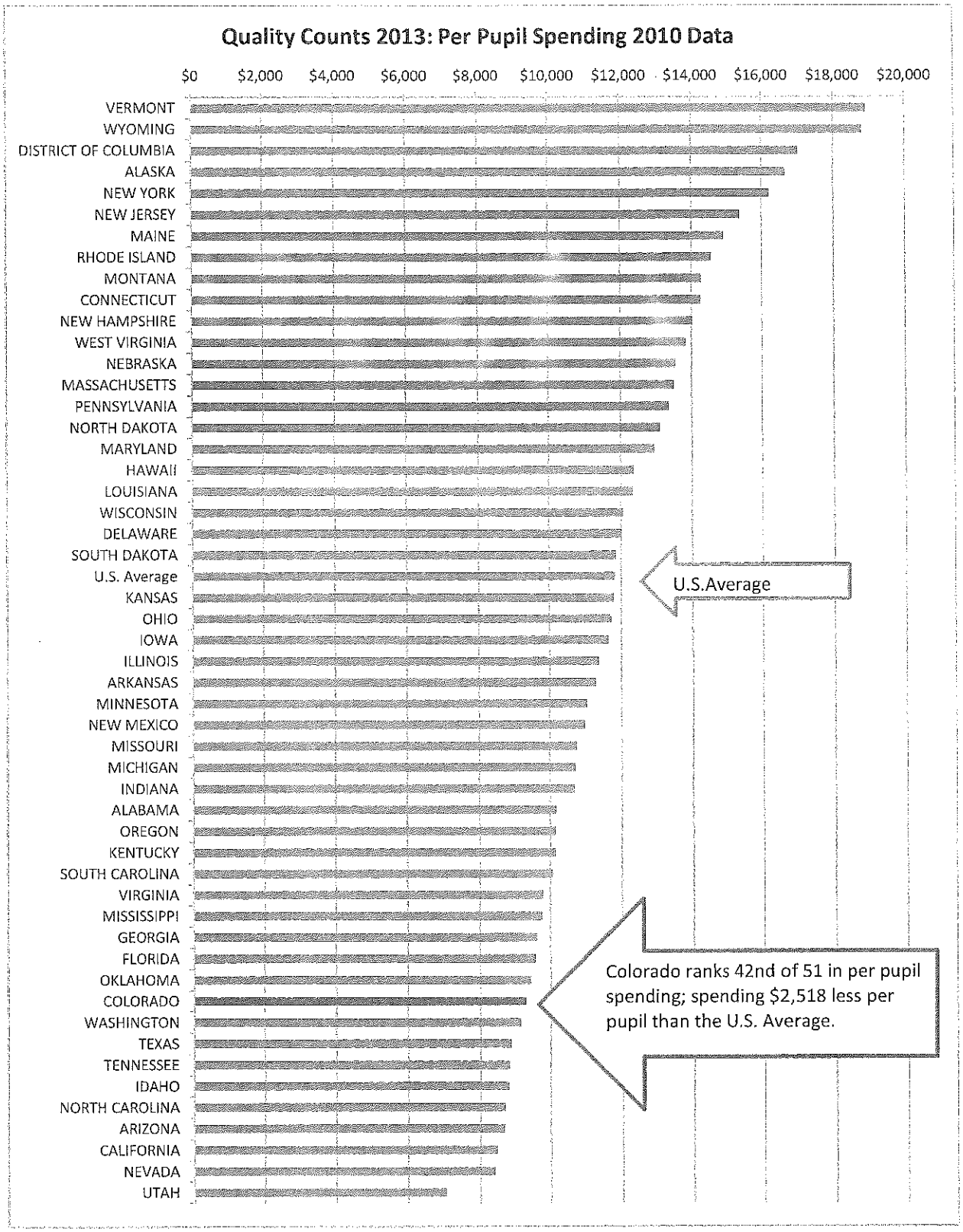
**DISTRICT FREE/REDUCED PRICE LUNCH INFORMATION**

| District Size | Percentage of Free Lunch | Percentage Reduced Lunch | Percentage Free/Reduced Lunch |
|---|---|---|---|
| 0-500 | 36.1% | 12.6% | 48.7% |
| 501-1,000 | 40.2% | 9.7% | 49.9% |
| 1,001 - 5,000 | 34.7% | 8.9% | 43.7% |
| 5,001 - 10,000 | 38.1% | 9.6% | 47.6% |
| 10,001 - 20,000 | 40.8% | 7.9% | 48.7% |
| Over 20,000 | 29.8% | 6.0% | 35.8% |
| State | 36.2% | 10.5% | 46.7% |

**FREE/REDUCED PRICE PERCENTAGES BY DISTRICT SIZE**

| District Size | 0 - 20% Free/ Reduced | 20 - 40% Free/ Reduced | 40 - 60% Free/ Reduced | 60 - 80% Free/ Reduced | 80 - 100% Free/ Reduced |
|---|---|---|---|---|---|
| 0-500 | | 26 | 38 | 16 | 3 |
| 501-1,000 | 1 | 5 | 9 | 6 | 1 |
| 1,001 - 5,000 | 5 | 13 | 15 | 9 | |
| 5,001 - 10,000 | 1 | 1 | 7 | 1 | 1 |
| 10,001 - 20,000 | | 4 | 2 | 2 | 1 |
| Over 20,000 | 3 | 5 | 2 | 2 | |

Data Source: CDE




Data Source: Education Week, Quality Counts 2013, 2009-2010 data.

## Profile Data: 2012 Highlights
## 2010-11 Data - What is new? What has changed?

1. First year of **Negative Factor** (reduction of statewide total program) in School Finance Act; **$1.1 billion** in K-12 reduction.
2. As the student population increased over 9,000 students, Colorado reduced the number of teachers by 500.
3. Colorado students identified as At-Risk (Free Lunch count):
    a. 35.5% of the K-12 student population; the highest level since 1992-93.
4. English Language Learners (ELL) – Funded for 2 years (ELPA), no funding for pre-K;
    a. Colorado districts served 117,369 English Language Learners, but only received funding for 35,354 K-12 students.
    b. 163 languages; 76% of Colorado's 178 districts served ELL students.
    c. Districts served 82,015 ELL students for which they received no state ELPA funding.
5. Teachers:
    a. Colorado's teachers made $-6,400 less per year than the national average.
    b. When adjusted for inflation, Colorado's teachers made $-5,200 less than a Colorado teacher in 1992-93, a -9.6% decrease. During the same time period, the national average teacher salary increased by over 2%.
    c. In 2010-11 Colorado's teachers were paid at the national average level five years ago.
6. Colorado's **personal income continues to grow**:
    a. If Colorado put the same effort toward K-12 as it did in 1992, there would be **$1.2 billion** more dollars for K-12 per year.
    b. If Colorado put the national average effort toward K-12, there would be **$2.248** billion more dollars for K-12 per year.

Reported by CSFP. Data sources: Colorado Department of Education, U.S. Census Bureau

Summer 2012

# School Finance Principles

What is a School Finance System?

Principles for a school finance system focus on academic expectations set forth in statute, the constitution and revenue distribution.

1. A system must be **"adequate"** which is defined by the constitutional language and state statute expectations. This is inclusive of **"Thorough and Uniform" and the "Local Control clause".**
2. A system must be **"equitable"** which is defined by student equity and tax payer equity.
3. A system must be **"sustainable"** which is defined by consistent and reliable revenue.
4. And it must be **"adaptable"** which is defined by adjusting to new statutes and expectations.

A School Finance System is a defined set of formulas (equations) that create a funding system that is adequate, equitable, sustainable and adaptable.

School Finance Systems begin with a **"base"** amount. The "base" is what every district needs for a student with no special needs to meet the constitutional provisions and the statutes.

Adjustments can be made off of the "base" amount. Adjustments/factors/weights are all items that vary by district and are differentiated from the "base" amount. Included in these adjustments are district and student characteristics.

### How does Student Count fit in?

The way students are included (kindergarten or Pre-K, for example) and how they are counted are mechanisms of how much revenue certain students receive in a School Finance System. The counting of students is a reflection of other policies, statutes or accountability systems. Student Count is not a part of the principles of a school finance system; rather it is a value that "plugs into" the School Finance formula.

## What are the New Reforms for School Districts in the Past 5 Years?

1. **CAP4K**
    a. New Standards
    b. New Assessments
    c. Early Childhood Readiness
    d. Post Secondary Workforce Readiness (21st Century ready)
    e. ICAP – Individual Career Plans for all students by 9th grade
    f. New individualized plans and assessments for special needs students (special education, English as a second language and gifted and talented)
2. **New Accreditation and Accountability**
    a. New annual assessment requirements
    b. Annual academic growth expectations for all students
    c. Focus on closing achievement gaps
    d. New accreditation ratings
    e. Annual unified improvement plans
    f. New State and Common Core Standards (Change/Modify curriculum, classroom materials, text & tech books)
3. **Educator Effectiveness**
    a. New annual review cycle for all teachers and school administrators
    b. New measurement of effectiveness
    c. Student achievement a component of effectiveness – thus requiring new assessments
    d. New/increased staff development and mentor expectations
4. **READ Act**
    a. Increased and additional expectations, assessments and interventions for students not reading at grade level by 3rd grade, potential retention.

## School Finance is More than a Formula or a Number

### BACKGROUND

History

- Requirement for statehood, in Colorado's constitution: Thorough and uniform, Local control clause
- Initial educational objective was access and opportunity for all students

### REVENUE

Where does the revenue for school finance come from?

- Local sources of revenue for School Finance Act:
  - Local property taxes
    - Local share varies widely by district.
    - FY 2007-08 legislation passed to stabilize (freeze) district mill levies
  - Specific Ownership Tax (SOT - vehicle registration taxes)
    - Statewide projections: SOT provides an average of about 2.51% of Total Program funding
- State's contribution varies for each district.
- Prior to 1992, local mills could adjust up and down in a district, not placing increasing burden on the state
- School finance funds are not allocated to Capital/Building Funds other than limited dollars from BEST (Building Excellent Schools Today)

Goal of 1994 School Finance Act

- Every district contributing around 40 mills
- 50% state and local contribution
- Local overrides allowed at 10% of total program; today has increased to 25%+. This raises issues of equity both for taxpayers and students.

Today mills range from less than 2 to 27.

- State's share is about 63% and locals at 37% - opposite of 20 years ago

***What are Local Override Revenues? Local overrides were to provide additional revenue for school districts to implement local initiatives – not to support state expectations. In 1994 the discussion of "equity" among school districts was of high concern.***[1]

Some districts have tried to supplement state shortfall with local mill levy override revenue elections.

- A temporary stopgap that isn't systematic or sustainable.
- The ability of districts to raise taxes varies widely by district.
  - FY 2011-12, 109 of 178 districts levied an override mill.
- Need a state solution.

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[1] Colorado Department of Education: Understanding Colorado School Finance and Categorical Program Funding, July 2011, Determining Local Share

# Where to Begin when Changing a School Finance Formula? Legislative Role

## How Do School Finance and Educational Reforms Fit Together?

### The Rise of Standards Since Mid-1990's

States and the federal government have pursued a standards-based reform to improve education, legislating specific expectations of student knowledge and performance, and creating statewide assessment procedures to measure school district and school performance in addition to educator effectiveness. Lawmakers have designed accountability systems to inform the public of a districts' progress and to provide justification for intervention if school districts and schools do not meet student academic standards or educator effectiveness expectations. While Colorado has created a strong accountability system and increased student achievement expectations it has not analyzed the cost of these reforms.

### What Approaches Can Be Used To Measure Costs?

**Research Approaches**
Professional Judgment
Successful School District
Evidence-Based
Statistical

### What Do The Results Produce?

**Results from analysis:**
A "base cost" and adjustments for a formula

**"Base Cost" Analysis**
This "base cost" reflects the cost of educating a student without special needs attending a school in a district that faces no uncontrollable cost pressures.

A "base cost" is used as a "foundation program" to allocate basic support to school districts. An adequate foundation program would incorporate a rational basis for setting the base or starting level in a formula.

A "base cost" must reflect the accountability and accreditation systems that require assessments of progress and performance and are tied to varying sanctions.

# Where to Begin when Changing a School Finance Formula? Legislative Role

**Students with Special Needs and District Adjustments**

To estimate the additional cost adjustments/weights/factors needed to serve students with special needs, such as special education, gifted and talented, students at risk of failure, English Language Learners (ELL), as well as school district size and adjustments for cost of living or cost of doing business.

The result of this analysis is a multiplier against the base to generate a dollar amount needed to provide a service for a student or to make adjustments for districts characteristics.

**Costs Not Included**

It is important to note that these analyses do not include facilities, transportation, adult or family education and food services.

**Do the Research Approaches all Produce Information for a Formula?**

In Successful School Districts, base cost applies to school districts that are currently successful at a point in time. This approach does not address students or districts with special needs.

Base cost in Professional Judgment approach reflects what programs are needed to meet the expectations in the future so as to meet the proficiency and growth goals. Items like preschool for at-risk students; all-day kindergarten, summer school programs, quality before- and after-school programs, yearly staff development, and technology with a replacement cycle are included. An adjustment for student and district characteristics can be arrived at which generates a percentage amount in each category

Evidence Based approach, indicates through research that certain programs may show improvement in academic success. It is not something that reflects specific states standards or all the requirements that are required. It is limited in its use but can be helpful when used with other approaches.

Statistical approach school level data is required for performance and for expenditure which is not attainable currently. It also assumes that all schools are structured identical so comparisons must be made cautiously

# Where to Begin when Changing a School Finance Formula? Legislative Role

## How to Use Results of a Study?

An example can illustrate how using a "weight" to reflect the relative cost (compared to the base cost) of serving students with a special need would work in determining the amount of revenue a school district needs – where "serving" students means providing the programs and services needed to raise the academic performance of those students to state expected levels.
Suppose the weight for "at-risk" students (eligible to receive free or reduced-price lunches) was .40 and the base cost was $5,000. If District A had 1,000 students and 300 (30%) of them were at-risk and District B had 25,000 students and 5,000 (20%) of them were at-risk, then district A would have a total cost of $5.6 million and a per student cost of $5,600 while District B would have a total cost of $135.0 million and a per student cost of $5,400.

## What Have Other States Done?

- Several states have enacted new school finance systems in the past few years (from Maryland in 2001 to Pennsylvania in 2009).
- Among other things, these systems are less complicated than the ones they replaced – because numerous programs aimed at the same target issue were merged -- and more equitable – because there was less reliance on local funds and the majority of local funds were wealth equalized.
- Follow up studies in Maryland point to more funds being spent on direct services to students and improvements in student performance.
- In most cases, new funds have been phased in over several years and the recession has slowed the ability of states to fulfill the goals they established.
- No systematic studies have been undertaken that have been designed to evaluate the impact of new funding on student performance or to compare the experiences of states that have modified their school funding systems with those that have not done so.

## Resource Needs Identified by the Professional Judgment Panels

While panels varied in the resources they identified as necessary to meet state standards and requirements, several key recommendations were seen across panels:

- Higher teacher salaries;
- Small class sizes: on average, 15:1 in K-3, and 25:1 in all other grades (same figures from evidence-based work), with lower class sizes in the smallest districts due to their size;
- An increased focus on educator effectiveness, including increased embedded professional development and instructional coaching for teachers and administrative personnel to conduct ongoing evaluations and provide instructional leadership;
- Additional counselors at the high school level to support the development of Individualized Career and Academic Plans and ensure that students are on track to be postsecondary and workforce ready upon graduation;
- Additional staff to support special needs students-Special Education, at-risk, ELL, gifted- such as specialized teachers, interventionists, psychologists, social workers and family liaisons;
- An extended school day for struggling students and an extended school year (10 days) for almost all students;
- A wide range of additional learning opportunities, including virtual, distance and online learning, and concurrent enrollment (onsite and at nearby postsecondary campuses);
- A technology environment to ensure that students acquire the 21st Century skills that the state expects of them;
- Full day kindergarten; and
- Preschool for all at-risk three and four year olds.

Following the professional judgment panels, APA made any identified adjustments to the resources from the first study, then "re-costed out" the resources using updated salaries from 2010-11.

# Colorado School Finance Project

## School Finance & Education Reform
Condensed Timeline 1980 - 2012

### 1980 - 1999

**1980 - 1989**

- 1982: Gallagher Amendment
- 1983 - 1987: **5 Mid-Yr Rescissions**
- 1988: School Finance Act

**1990 - 1999**

- School Reform during the 1990's:
  - New Content Standards, CSAP, Safe Schools Act, District Accreditation, Expanded Choice Legislation, Online Education, Basic Literacy Act, School Accountability Reports (SARs), Student Identification/Data Warehouse
- 1992: TABOR and Partial Fiscal Year
- 1993: **92-93 Mid-Yr Rescission**
- 1994: School Finance Act

### 2000 - 2009

- 2000: Amendment 23 (1% increase sunsets in 2011), Giardino Settlement
- 2002: No Child Left Behind (NCLB)
- 2004: CCHE Requirements (initial)
- 2006: Ref C (sunsets 2011)
- 2007: Mill Levy Stabilization, P-20, revised CCHE Requirements
- 2008: CAP4K, BEST, partial full-day K & pre-school funding, Counselor Corp, declining enrollment, P-20 continues
- 2009: **08-09 $5.8M Mid-Year Rescission**, ARRA Stimulus Revenue, Concurrent enrollment, Standards Review, CO Supreme Court Lobato "thorough & uniform," CAP4K Costing Out begins, Long-term Fiscal Stability Commission, School Finance Interim Cmte.

### 2010 - 2012

- 2010: **09-10 $130M Mid-Yr Rescission,** A23 not fully funded, **$231M (6.3%) cut,** Educator Effectiveness (SB191), new CO Accreditation Program takes effect, Fed Edu Jobs (one-time money, must be spent June 30, 2011), received EAGLE-Net Grant $101M for statewide district broadband (36 months)
- 2011: **10-11 $16M Mid-Yr Rescission** , A23 not fully funded, 1% increase from A23 & Ref C Sunset, ARRA Stimulus Revenue ends, **11-12 $338.9M cut (4.2% less than 10-11, -$344 per pupil)**, June Fed Edu Jobs ends, Lobato trial begins Aug. 1, Lobato District Court ruling: CO school finance system "irrational and inadequate, unconscionable" Dec 2011, Race to Top phase 3 $17.9M over 4 years, apply for ESEA waiver, Districts adopt State Standards
- 2012: Governor, State Board (SBE), Commissioner appeal Lobato District Court Decision - Supreme Court hearing Fall 2012, CAP4K Costing Out final report delayed, receive ESEA waiver, districts continue implement Ed Effectiveness, **2012-13 Negative Factor grows to 16.11% ( - $1B, districts continue multiple years of cuts)** , SB12-1240: SBE Grad. Requirements 5/15/13 (districts define for 2014-15 freshmen, districts develop graduation blueprint with community, CDE Cost Study for PSWR diploma endorsements 10/1/14, HB12-1345: READ $5.4M, $1.3B fund BOCES, CDE $3M acquire early literacy assessment tool RFP 10/1/12 (preference to high at-risk schools), $3.8M at-risk support, 6th graders register CollegeInColorado, safe schools, HB12-1124: CDE commission study (via gifts, grants, donations) of issues integrating digital learning due 1/31/13, SB12-172: SBE join testing consortium.

Update June 2012

## Results of the Costing Out Update

Using the base cost figure, weights, and pre-school costs, the resource needs for every district in Colorado can be modeled. APA used two main data sources to create such a model. The first is the 2010-11 school year funding simulation from the CDE website. The second is membership data for the 2010-11 school year, also from the CDE website. We attempted to utilize as much of the current school finance formula as possible in the model, although some changes were made. The primary difference is that APA's model uses student weights for the funding of special education, ELL and gifted students. In Colorado's current system these students are funded through categorical programs. Weights fund specific students whereas categorical funding is a lump sum payment that is not always student specific.

APA ran the model using both the SSD and PJ-derived base cost figures. As discussed in earlier chapters, the SSD base cost figure is $6,819 and the PJ cost figure is $7,837 (after the adjustment for COL).

## Applying the Figures to a Formula

The figures discussed above were used to determine total funding levels for each district. While we have not modeled a funding formula, the base costs and weights could be used to create a formula. The base cost figures could be applied to a formula in their current form as long as a COL adjustment is used and the adjustment were applied only in the positive, as is done today. The weights could be applied but should be adjusted for available federal dollars. The current weights generate the total resources need for special needs populations. Funding for these resources are currently available from federal sources for many of the special needs categories. The weights could be reduced by the federal amount available before being implemented in a state funding system.

The SSD total cost figure is $9.6 billion. This figure can be compared against 2010-11 funding levels, the most recent expenditure data available. Current expenditure data, excluding transportation and food service, were used from the CDE website. Each district's current expenditures were compared to the costing-out figure and, in total, districts would have needed an additional $2.65 billion to get to the SSD costing out total for 2010-11. The difference of $2.65 billion includes dollars currently raised by districts above the state's funding system through district override elections. These additional dollars are called override dollars and only some districts have these dollars available to them. If override dollars are taken out of the calculation and only those dollars allocated through the state's funding process are considered, districts would need an additional $3.31 billion. The totals do not include transportation or food service.

The PJ figure total is $11.0 billion. Districts would have needed an additional $4.06 billion to get to the costing- out total when compared to all available funds. If override dollars are taken out of the calculation districts would need an additional $4.72 billion.

The SSD figure using the adjusted SSD weights figure total is $9.88 billion. Districts would have needed an additional $2.94 billion to get to the costing- out total when compared to all available funds. If override dollars are taken out of the calculation districts would need an additional $3.59 billion.

During the update PJ panelists discussed the need for access to pre-k for all four year olds, not just at-risk four year olds. The models above did not make this change but we did model the additional cost of this intervention. The additional cost of moving from at-risk to all four year olds is $129.1 million.

Support children.
Support the future.

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Research and analysis of school finance information
for school districts and state policy makers since 1995.

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