

Colorado School Finance Project
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CASE Convention

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Agenda

1. What does a good finance system look like and how does Colorado compare?
2. National Trends – formulas, funding, budgeting, transparency, student count
3. Foundation formulas - philosophy of districts - FTE, student based and combinations
4. Colorado's formula – an in-depth walk and what a "tweak or change" can mean

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Good Finance Formula

- Allocation is positively related to needs of school district
 - Foundation formulas generally include adjustments for student and district need
 - **Colorado** adjusts for Size, At-risk, and COL inside the formula but leaves ELL and Special Education outside the formula

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Good Finance Formula

- Allocation of state support is inversely related to wealth of school district
 - Foundation formulas are often wealth equalized
 - **Colorado** equalizes funds inside the formula and it is based on wealth as measured by property wealth. Gallagher and TABOR have interacted with formula to change relationship.

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Good Finance Formula

- Allocation of state support is sensitive to the tax effort made by school districts
 - Foundation formula can include differentiated funding based on local effort
 - **Colorado** - Gallagher, TABOR, and Stabilization Act have all created less sensitivity

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Good Finance Formula

- Amount of funding reflects the costs districts are likely to face to meet state expectations
- This can ensure adequacy and equity of funding
 - Foundation formula does not guarantee either
 - **Colorado's** formula is not based on the needs of students or districts

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Good Finance Formula

- Districts have a reasonable amount of flexibility to determine how much they want to spend and all districts have same opportunity to generate revenues to reach those levels
 - Foundation Formula can allow for additional tiers of funding.
 - **Colorado** allows districts to pass overrides which increase flexibility.
 - Since the overrides are not equalized, many districts lack capacity to generate many dollars if passed and many fail to pass when put to voters

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Good Finance Formula

- Finance systems covers current operating AND capital outlay and debt service
 - Foundation Formulas do not guarantee this; capital is often handled outside formula.
 - **Colorado** does not support capital outlay and debt service for districts.

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Good Finance Formula

- Aid that is not sensitive to need and is not equalized is limited
 - Foundation Formulas can include many types of funding, don't need additional funds
 - Maryland went from 53 funding streams outside of formula to just three
 - **Colorado** has a number of funding streams outside of equalized formula including special education
 - Proposed ballot measure (gambling initiative) would make this worse for Colorado

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Good Finance Formula

- Property taxpayers are treated equally
 - Foundation formula does not guarantee equal treatment; must be intentionally included in system
 - **Colorado** mill rates vary dramatically across the state, many differences due to Gallagher, TABOR and stabilization

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Good Finance Formula

- State has a procedure to define and measure equity and periodically assesses
 - Foundation formula does not guarantee, must be part of overall system to measure and adjust formula as needed
 - **Colorado** does not define or assess

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Good Finance Formula

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National Trends

- Many states are assessing and reworking state formulas, some key areas are:
 - Increasing funding for targeted student populations including At-Risk and ELL
 - Funding supporting academic achievement gap areas
 - Accounting of dollars through transparency
 - Examining student count methodologies
 - Thinking about Return on Investment

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National Trends

- Funding support academic achievement
 - Preschool, full day kindergarten, early reading intervention
- How does state governance impact funding formulas and district distribution?

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How Formulas Impact District Policy

- States can influence district policy with state policy
 - In some states it is explicit
 - Alabama minimum salary schedule with unit based funding
 - New Mexico three tier salary structure
 - Local control states it is generally more implicit

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How Formulas Impact District Policy

- Areas that state policy can impact with finance formula
 - Type of student count
 - Teacher pay levels
 - Specific program funding
 - Budgeting decisions
 - Transparency and reporting of data

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Colorado's Formula

- A walk thru of worksheet – examples and discussion

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