

DISTRICT COURT, DENVER COUNTY, COLORADO
1437 Bannock Street
Denver, Colorado 80202
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Plaintiffs:

Lindi Dwyer and Paul Dwyer, as individuals and parents of Jayda Dwyer, Joslyn Dwyer, Janesha Dwyer, and Jentri Dwyer; **Terry Siewiyumptewa**, as an individual and as parent and natural guardian of Shane Siewiyumptewa and Kristen Johnson; **Tracey Weeks and Monty Weeks** as individuals and as parents of Jared Weeks and Jordyn Weeks; **Terri Piland and Jeffrey Piland**, as individuals and as parents of Joseph Piland and George Piland; **Colorado Rural Schools Caucus**, a/k/a Rural Alliance; **East Central Board of Cooperative Educational Services; Colorado PTA; Boulder Valley School District, Colorado Springs School District No. 11, Mancos School District, Holyoke School District, and Plateau Valley School District 50**

v.

Defendants:

The State of Colorado; Robert Hammond, in his official capacity as Commissioner of Education of the State of Colorado; and **John Hickenlooper**, in his official capacity as Governor of the State of Colorado

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COMPLAINT	

Plaintiffs, for their Complaint against Defendants, allege as follows:

INTRODUCTION

1. In November 2000, the People of Colorado voted in favor of this State’s future by amending our Constitution to prioritize education over competing budgetary demands. This amendment (“Amendment 23”), now enshrined as article IX, section 17 of the Colorado Constitution, is the subject of this lawsuit. Plaintiffs must bring this lawsuit because the General Assembly, after honoring Amendment 23 for this Century’s first decade, reversed course in 2010 when it began cutting almost \$1 billion annually from education funding.

2. Amendment 23 requires annual minimum increases in education funding, with the goal of returning funding to 1988 levels and then keeping pace with inflation. The People

deemed these constraints necessary because steadily declining education funding was failing to provide Colorado students the resources necessary to compete in the new Millennium. Had the General Assembly stayed the 2000-2010 course by continuing to comply with Amendment 23, education funding would have been restored to 1988 levels by 2011.

3. In budget year 2010-11, however, and continuing each succeeding fiscal year, the General Assembly reversed course and began violating Amendment 23 by slashing education funding by \$1 billion annually. It has done so by creating a so-called “Negative Factor” through new “Subsection (g)” to Public School Finance Act, C.R.S. § 22-54-104(5)(g).

4. The Subsection (g) Negative Factor and resulting funding reductions are causing irreparable harm to students, districts, and educational organizations across our state. Plaintiffs ask this Court to remedy the violation by declaring that Amendment 23 requires increasing (not slashing) education funding, by declaring Subsection (g) unconstitutional, and by enjoining Defendants from effectuating that unconstitutional provision.

JURISDICTION AND VENUE

5. This action is brought pursuant to C.R.C.P. 57 and 65 and the Uniform Declaratory Judgments Law, for declaratory and injunctive relief to determine and enforce rights guaranteed by the Colorado Constitution.

6. This Court has jurisdiction pursuant to article VI, section 9 of the Colorado Constitution. Venue is proper in the City and County of Denver pursuant to C.R.C.P 98(b).

PARTIES

A. Individual Plaintiffs

7. Lindi and Paul Dwyer are residents of the State of Colorado, residents and taxpayers of Cheyenne County School District, and are the parents of Jayda Dwyer, age 13, Joslyn Dwyer, age 11, Janesha Dwyer, age 9, and Jentri Dwyer, age 5, all students of Kit Carson School District.

8. Terry Siewiyumptewa is a resident of the State of Colorado, a resident and taxpayer of Hanover School District, and the parent of Shane Siewiyumptewa, age 13, and Kristen Johnson, age 17, students at Hanover School District and John Johnson, age 20, former student of Hanover School District.

9. Tracey and Monty Weeks are residents of the State of Colorado, residents and taxpayers of Kit Carson School District, and parents of Jared, age 14, and Jordyn, age 11.

10. Jeffrey and Terri Piland are residents of the State of Colorado, residents and taxpayers of Lewis Palmer School District, and parents of Joseph, age 12, and George, age 11.

11. Each Individual Plaintiff brings suit on his or her own behalf and on behalf of his or her child or children. The Individual Plaintiffs have been injured by the reduction in school funding caused by Subsection G.

B. Organizational Plaintiffs

12. The Colorado Rural Schools Caucus (“CRSC”), a/k/a Rural Alliance, is a statewide membership organization comprised of 138 Colorado rural school districts. The organization was formed thirteen years ago to give Colorado’s rural schools and their communities a voice and presence in the state and at the legislature. The mission of the organization is to “ensure that every rural school district in Colorado has the necessary resources and flexibility to provide every student in rural Colorado with a high quality education that will prepare him/her for life after education.” The CRSC provides organization, technical, and administrative support, and does legislative advocacy on issues impacting rural schools and rural school districts, such as school finance; capital construction; curriculum, program, and graduation requirements; technology; testing; and PERA benefits. The CRSC is suing on its own behalf and in its representative capacity on behalf of its membership.

a. The CRSC has been directly harmed by the Subsection G Negative Factor. School finance is one of the CRSC’s top priorities. From its inception, the organization has advocated for increased funding for all school districts, particularly rural school districts. Since the passage of the Subsection G Negative Factor, the CRSC has had to spend significantly more of its time and resources advocating for increased education funding for rural districts through the modification/repeal of the reductions caused by the Subsection G Negative Factor and the restoration of categorical funding for districts that do not receive state funding.

b. For example, in 2011, the CRSC worked with a broad coalition of grass-roots supporters to place Proposition 103, a measure to increase taxes for education, on the ballot. In September 2012, several of CRSC’s members participated actively in the Technical Advisory Committee for School Finance in order to educate legislators on what reforms are needed to the school funding formula and how the size factor and categorical funding impact rural schools and the state’s education budget. In Fiscal Year 2011-12, the CRSC also participated actively in the School Finance Partnership, a coalition of community leaders, elected officials, education experts and advocates, and business leaders brought together to seek out a new equitable, innovative, bi-partisan solution to funding Colorado schools. In addition to helping the group better understand the diversity and unique needs of Colorado’s rural schools, the CRSC led a rural sub-committee that was charged with identifying ways in which Colorado’s school funding mechanism could be aligned with the state’s vision of ensuring an education system that is effective, fair, and accountable. During the 2013-14 school year, the CRSC spent close to 90% of its time on school funding issues, including the reductions caused by the Subsection G Negative Factor. The CRSC’s increased focus on school funding in the last three years has occurred at the expense of other important education and administrative

issues, such as leadership training, advocacy before the State Board of Education, change management, and web site development, which the organization has not had the time or resources to address. By significantly reducing education funding, the Subsection G Negative Factor has hindered the CRSC from achieving a central part of its mission—increased resources for rural schools.

c. In addition, all of the CRSC’s member school districts have been directly injured by the Subsection G Negative Factor because they have been denied their constitutional right to a minimal level of financial support for education and some of the districts have been additionally harmed by reductions to their categorical funding. As such, all of the CRSC’s members would have standing to sue in their own right. In addition, the interests the CRSC seeks to protect through this litigation are germane to its mission and purpose. Lastly, since only injunctive and declaratory relief are requested, the individual participation of all of the rural school districts in the state is not necessary in this litigation.

13. The East Central Board of Cooperative Educational Services (“BOCES”) is comprised of twenty-one rural school districts located in the Eastern Plains of Colorado. The East Central BOCES is one of nineteen BOCES in Colorado that supply educational services to school districts that find it advantageous and cost effective to cooperate with other districts. BOCES were established under the Boards of Cooperative Services Act of 1965 “for the general improvement and expansion of educational services of the public schools in the state of Colorado” and “for the creation of boards of cooperative services wherever feasible for purposes of enabling two or more school districts to cooperate in furnishing services authorized by law.” The East Central BOCES provides important educational services for the member school districts, such as distance learning; assistance with grant writing; special education, gifted and talented, and English language acquisition programs; and professional development. The East Central BOCES is suing on its own behalf and in its representative capacity on behalf of its membership.

a. The East Central BOCES has been directly harmed by the funding reductions caused by the Subsection G Negative Factor. The organization is funded by its member school districts, which are assessed a percentage of their per pupil operating revenue each year. With the reductions in the Subsection G Negative Factor, the member school districts’ per pupil operating revenue has decreased by \$565 per student from the 2010-11 school year to the 2013-14 school year, thereby resulting in less district revenue available for the East Central BOCES. As a result of decreased funding from the member school districts due to Subsection G, as well as cuts from other sources of funding, the East Central BOCES has had to freeze salaries, furlough employees, and cut office positions. The East Central BOCES has also had to expend additional resources to challenge the decrease in education funding due to Subsection G. For example, in the 2013-14 school year, the East Central BOCES hired two lobbyists to lobby for increased school funding and repeal of Subsection G. The East Central BOCES never needed a lobbyist before the funding reductions caused by the Subsection G Negative Factor.

b. In addition, the twenty-one school district members of the East Central BOCES, who are also members of the CRSC, have been directly injured by Subsection G because they have been denied their constitutional right to a minimal level of financial support for education. As such, all of the school district members of the East Central BOCES would have standing to sue in their own right. In addition, the interests the East Central BOCES seeks to protect through this litigation – increased funding for education—are germane to its mission and purpose, which is to provide educational services that some small school districts cannot afford to provide on their own. Lastly, since only injunctive and declaratory relief are requested in this litigation, the individual participation of all of the member school districts is not necessary.

14. Colorado PTA is a statewide nonprofit membership organization comprised of 24,000 parents, who are organized into approximately 300 local PTAs. Since its founding in 1907, Colorado PTA has served as a nonsectarian, nonpartisan advocate for the child and for parental engagement. Colorado PTA actively engages in public education, community organizing, and legislative advocacy on a number of education issues, including school finance. Colorado PTA is suing on its own behalf and in its representative capacity on behalf of its membership.

a. School finance is central to Colorado PTA’s mission. The organization’s platform identifies school funding as one of three top priorities. In fact, Colorado PTA developed the concept for Amendment 23 and spearheaded the campaign for its passage. Colorado PTA has suffered direct injury as an organization because its mission to restore school funding to 1988 levels has been frustrated by Subsection G.

b. In addition, Colorado PTA’s parent members have been directly injured by Subsection G because their schools and school districts have received less funding, which has negatively impacted their children's educational opportunities, achievement, future earnings, and life-long economic interests. As such, all of Colorado PTA’s members would have standing to sue in their own right. In addition, the interests Colorado PTA seeks to protect through this litigation are germane to its mission and purpose. Lastly, the claims and relief sought do not require the individual participation in this lawsuit by all of Colorado PTA's members.

C. School District Plaintiffs

15. The School District Plaintiffs include Boulder Valley School District, Colorado Springs School District No. 11, Mancos School District, Holyoke School District, and Plateau Valley School District 50. Each of the School District Plaintiffs is a body corporate and subdivision of the State of Colorado exercising independent powers exclusively delegated to school districts by article IX, section 15 of the Colorado Constitution. The School District Plaintiffs have general authority to bring suit under C.R.S. § 22-32-101. The School District Plaintiffs have been injured by the reduction in school funding caused by Subsection G.

16. The reduction in school funding has impaired the ability of the School District Plaintiffs to provide education opportunities to their students.

D. Defendants

17. Defendant the State of Colorado is a body politic.

18. Robert Hammond, in his official capacity as the Commissioner of Education (“Commissioner”), is the chief state school officer and executive officer of the Colorado Department of Education (“CDE”). The Commissioner’s duties include executing all policies, rules, and regulations adopted by the State Board of Education and issuing instructions to public school district officers and employees concerning the administration of the public schools.

19. John Hickenlooper, in his official capacity as Governor, is vested with the supreme executive power of the state and charged with the duty to take care that the laws are faithfully executed.

GENERAL ALLEGATIONS

I. The Statutory Funding Formula and the Erosion of Overall Funding in the 1990s

20. Most state and local funding for public education is provided through the Public School Finance Act of 1994, as amended (“PSFA”). At the time Amendment 23 was approved by the voters, the total level of such funding to each district was determined by multiplying a legislatively-prescribed base amount times the district’s weighted enrollment. The purpose of “weighted enrollment,” which can increase but never decrease the counted number of actual enrolled students, is to distribute education funding more equitably based on factors such as the district’s size, cost of living and number of “at-risk” students. *See generally* C.R.S. §§ 22-54-104(3) & (4) (2000). These factors are referred to in this Complaint as Enrollment Factors.

21. The base and weighted enrollment have been intertwined since the PSFA’s inception. Prior to enacting the Subsection (g) Negative Factor, the General Assembly followed a per-pupil funding approach whereby a district’s total funding was set by multiplying the base by the district’s weighted enrollment.

22. Prior to enactment of Subsection (g), the General Assembly determined the base for one budget year by using the prior year’s base as a reference point. As a result, the base amount in 2000 was directly linked to the initial base in 1994 and also linked to the existence and magnitude of the Enrollment Factors. While the base amount would change from year to year, and the Enrollment Factors varied by district, the average weighted enrollment remained and still remains about 1.3 students per actual enrolled students.

23. The problem was that overall education funding was steadily eroding prior to enactment of Amendment 23. By 1999, school districts throughout Colorado were receiving less per-pupil funding on an inflation-adjusted basis than they had received in 1988.

24. By 2000, Colorado's per pupil revenue for education had dropped below the national average, and its national rank in education funding dropped from 11th to 32nd over a seventeen-year period. Had Colorado spent the same proportion of personal income on education in 2000 as in 1990, Colorado schools in 2000 would have received an additional \$1 billion in education funding.

II. The People Adopt Amendment 23 to Restore Funding to 1988 Levels and to Keep Pace with Inflation

25. The People adopted Amendment 23 to reverse the erosion of education funding, to return total education funding to 1988 levels within a decade, and to mandate a minimum level of funding keeping pace with inflation thereafter. Amendment 23 states, in pertinent part:

In state fiscal year 2001-2002 through state fiscal year 2010-2011, the statewide base per pupil funding, as defined by the Public School Finance Act of 1994, article 54 of title 22, Colorado Revised Statutes on the effective date of this section, for public education from preschool through the twelfth grade and total state funding for all categorical programs shall grow annually at least by the rate of inflation plus an additional one percentage point. In state fiscal year 2011-2012, and each fiscal year thereafter, the statewide base per pupil funding for public education from preschool through the twelfth grade and total state funding for all categorical programs shall grow annually at a rate set by the general assembly that is at least equal to the rate of inflation.

Colo. Const. art. IX, § 17.

26. The 2000 voters understood, from the official "Blue Book" and the rhetoric of the amendment's opponents, that Amendment 23 required total funding levels for education to grow each year notwithstanding other funding or revenue needs. Colorado voters elected to prioritize education funding, by mandating that such funding grow even in times of economic downturn.

27. The 2000 Blue Book, an analysis of ballot proposals prepared by the Legislative Council of the General Assembly, stated: "Under this proposal, the state constitution sets a minimum increase in funding." The Blue Book described Amendment 23 as intended to "increase[] per pupil funding for public schools and total state funding for special purpose education programs by at least the rate of inflation plus one percentage point for the next ten years and by at least the rate of inflation thereafter."

28. In making education funding a constitutional priority, Colorado voters rejected the arguments of prominent opponents that Amendment 23 would threaten competing interests, such as funding transportation (then-Gov. Bill Owens), lowering taxes (then-Treasurer Mike Coffman), or constructing new prison beds (then-Corrections Chief John Suthers).

29. Amendment 23 required future education funding by mandating annual growth of “the statewide base per pupil funding, as defined by the Public School Finance Act of 1994.” (It separately required annual growth in “funding for all categorical programs,” not at issue here.)

30. The PSFA of 1994 contained no statutory definition of “statewide base per pupil funding.” But, at that time, statewide base per pupil funding was the only number enumerated in the PSFA. That number, multiplied by weighted enrollment, yielded a district’s “Total Program” funding and in turn the total education funding for all districts in the state.

31. Requiring growth of the base was the only way to require annual education funding increases while retaining equity among differently-situated districts, as a legislature cannot limit the number of statewide pupils that will change the total weighted enrollment over time. Under the PSFA as it existed in 2000, an increase in the base would necessarily cause an increase in total state funding for education.

III. The General Assembly’s Response to Amendment 23

A. A Decade of Compliance and Increased Education Funding

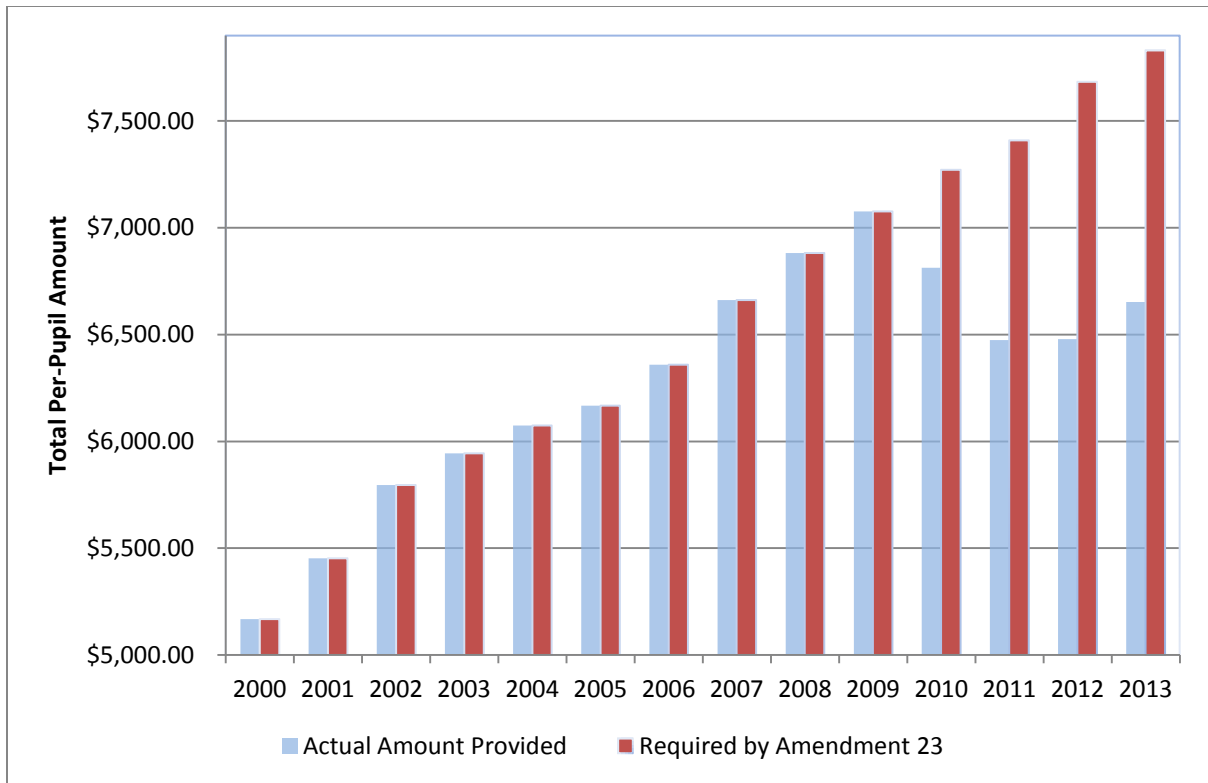
32. The General Assembly initially complied with Amendment 23. The first statute enacted in its wake reflected the General Assembly’s nearly contemporaneous understanding of the new constitutional requirements. A 2001 statute recognized that “the amount of money that the state will be required to spend for education funding for each state fiscal year will increase over time due to a compounding effect” [of the base]. C.R.S. § 22-55-101(3)(a) (2001).

33. From budget year 2001-02 to budget year 2009-10, the General Assembly increased the base by the constitutionally mandated “rate of inflation plus an additional one percentage point.” In 2010, education funding was approaching 1988 funding levels, and was on pace to reach 1988 levels by 2011 as mandated by Colorado voters.

B. A New “Negative” Decade: Violations and Billion Dollar Funding Slashes

34. The General Assembly dramatically changed course, by creating a “Negative Factor,” to slash education funding beginning with the 2010-11 budget year. According to the Colorado Department of Education, Subsection (g) “introduced” a “new factor” into “the school finance formula.”

35. This new Negative Factor dramatically reduces the amount of per pupil spending (and therefore the funding school districts otherwise would have received) under the statutory formula. The shortfall in per pupil spending is illustrated in the following chart:



36. The Subsection (g) Negative Factor reverses education funding increases by placing a new Unconstitutional Funding Cap, C.R.S. § 22-54-104(5)(g)(1)(A)-(E), on educational funding that negates the PSFA formula and the express will of Colorado’s voters. In FY 2013-14, the PSFA formula would have resulted in total statewide education funding of some \$6.5 billion (\$6,514,240,501). But instead of determining (and increasing) education funding by using the PSFA formula, the Unconstitutional Funding Cap reduced FY 2013-14 funding to some \$5.5 billion (\$5,505,322,024). The Unconstitutional Funding Cap made similar reductions in the three prior fiscal years — depriving Colorado K-12 students of approximately \$3 billion.

37. To back in to its Unconstitutional Funding Cap number, Subsection (g) reduces each district’s Total Program funding by a set percentage. In FY 2013-14, Subsection (g) reduced funding attributable to the base by 15.49%. The reduction was similar in the prior three budget years.

38. The Subsection (g) Negative Factor renders essentially meaningless the base in the PSFA formula. While the General Assembly continues to specify a purportedly increasing base for each year in which it reduced funding, *see* C.R.S. § 22-54-104(5)(a)(XVII)-(XX), Subsection (g) negates and renders meaningless these specified base amounts.

39. Under the Subsection (g) Negative Factor, a district’s Total Program funding no longer is determined by the base (which effectively has been cut) but rather by the district’s weighted enrollment (which remains subject to the unchanged statutory formula). Now, a

district's Total Program funding is simply the Unconstitutional Funding Cap multiplied by the ratio of the district's weighted enrollment to the entire state's weighted enrollment. If a district has 5% of the state's weighted enrollment, for example, its Total Program funding is simply 5% of the Unconstitutional Funding Cap.

40. Because the base is the only absolute number in the statutory formula, and Subsection (g) mandates absolute numerical reductions in education funding while leaving weighted enrollment unchanged, the General Assembly necessarily has reduced the effective base amount. After application of the Unconstitutional Funding Cap, the actual base amount for FY 2013-14 is less than \$5,000—that is, 15.49% less than the \$5,954.28 used as the statutory starting point before the Subsection (g) Negative Factor reduction.

CLAIM FOR RELIEF

41. Amendment 23 requires annual increases in “the statewide base per pupil funding, as defined by the Public School Finance Act of 1994, article 54 of title 22, Colorado Revised Statutes on the effective date of this section” [2000]. The PSFA, in effect in 2000, did not expressly define “statewide base per pupil funding” but instead used that amount to determine individual district funding and overall statewide funding formulaically. The only way to ensure annual education funding growth, under the PSFA formula then in effect, was to require annual growth of the base because the other formulaic factors depended on the number, needs, and distribution among districts of future students.

42. The most narrow possible construction of Amendment 23 is that the only limit on the General Assembly is to grow and not reduce the actual base below a prescribed figure (\$5,954.28 for FY 2013-14). The Subsection (g) Negative Factor violated Amendment 23 by effectively reducing the base by 15.49% so that it now is below \$5,000.

43. More broadly, the language and plain intent behind Amendment 23 sought to increase overall education funding by increasing the base in accordance with the funding formula as then in effect under the PSFA. Amendment 23 precludes the General Assembly from purporting to grow the base but then slashing overall education funding by fundamentally revamping or jettisoning the PSFA formula as in effect in 2000.

44. The Subsection (g) Negative Factor and its Unconstitutional Funding Cap, by cutting the base and reducing overall education funding by \$1 billion annually, violate Amendment 23.

PRAYER FOR RELIEF

WHEREFORE, Plaintiffs, and each of them, respectfully request that the Court:

A. Declare that the Subsection (g) Negative Factor and Funding Cap, by cutting the base and reducing overall education funding by \$1 billion annually, violate Amendment 23;

B. Enjoin Defendants from implementing Subsection (g) and require that education funding be made consistently with Amendment 23 without regard to the Negative Factor and the Unconstitutional Funding Cap;

C. Retain continuing jurisdiction over this matter until such time as the Court has determined that Defendants have in fact fully and properly fulfilled its orders;

D. Award Plaintiffs their costs of this action, including reasonable attorney fees and costs to the full extent permitted by law; and,

E. Grant such other and further relief as the Court may deem just and proper.

Dated: June 27, 2014

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