

Colorado School Finance Project

1200 Grant Street

Denver, CO 80203

303-860-9136 Fax 303-832-1086 www.cosfp.org

Adequate Funding for Public Education and School Finance Formulas

Introduction

Adequate funding for K-12 public education is a hotly debated issue across the nation. This debate is beginning to focus on how much funding school districts need to meet state and federal mandates for student achievement. In the past, school district need and student performance expectations have not been criteria for school finance formulas.

The dialogue now also considers issues of universal proficiency and adequate funding. As we move toward a performance model that leaves no child behind, we are also moving toward more clearly identifying the programs and resources needed to meet the expectations. And as these expectations are more clearly defined, so can be the actual costs of meeting them. As performance expectations increase, so do program costs. Over time, as cost of living rises, so do program costs.

Just as the standards based movement has grown over the last decade, so has the choice movement. Choice allows parents to choose between different educational models. At times, these parallel movements have created conflicts over values within communities and financial pressures on school districts.

Financial pressures have led many states to commission Adequacy Studies. Over 30 states have completed this kind of analysis, and many of the studies have been used as a basis for litigation. In the vast majority of these cases, state funding systems for public education have been found unconstitutional. The outcomes have been court orders requiring legislatures to create funding systems that are adequate for the academic expectations set at the state and federal level.

In the spring of 2002 the Colorado School Finance Project (CSFP), with the support of its steering committee, contracted with Augenblick Palaich and Associates (APA) to perform an Adequacy Study for Colorado. John Augenblick, of APA, has performed similar studies through out the country

We embarked on this study for a variety of reasons:

- To quantify the financial concerns of school districts around the state, and to analyze these concerns using an approach that is credible and defensible.
- To articulate financial needs tied to academic achievement and to help communities be proactive, instead of reactive, to state policy-makers.
- To objectively demonstrate that issues of both adequacy and equity must be considered in funding a thorough and uniform system of public education in Colorado.
- To consider how a new school finance system might address the variety of pressures districts face under the current system.
- To specifically address issues around special education, English language learners and at-risk populations.

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Adequacy Study Approach

The adequacy study consists of three components.

It was first necessary to determine adequacy of funding in relation to costs. This was done using the Professional Judgement and Successful Schools models. Neither of these methodologies considers the costs of capital construction, transportation or food services. These costs should be evaluated and addressed during the modeling phase of creating a new school finance act.

Professional Judgement panels were composed of individuals selected from around the state, representing a variety of school district sizes and areas of expertise. Five model school district sizes were established. Panels were asked to design and establish the programs needed to meet the academic expectations set under Colorado's 12 Model Content Standards and accreditation system, as well as those required by No Child Left Behind (NCLB). This process was reviewed by district panels and an all-state expert panel.

After these reviews, APA assigned costs to the identified needs. The costs were then reviewed by the expert panel and compared to trends outside of Colorado. This information was used to determine a base level of funding for school districts and the characteristics of the population being served. Perhaps the most important finding from the Professional Judgement panels was that adequate per pupil funding must be weighted to take into account student characteristics (the number of special education, English Language Learners and at-risk students) as well as district size and cost of living, and that these factors must be considered in totality, not as categoricals. This approach is common in many states. It allows funding adjustments to more accurately target the needs of the students and costs associated with program delivery.

The Successful Schools approach is quite different from the Professional Judgement model in that it considers how much is spent by school districts that are considered to be successful under the established accountability systems, such as NCLB. This more simplistic methodology considers spending by a single district or an average of districts, but it does not allow for analysis of spending on special education, English language learners or at-risk populations. The Successful Schools model cannot alone be used to create a comprehensive school finance structure. Factors to address the needs of special populations must be added in.

The second component of the adequacy study established a review committee separate from the steering committee, which represented the diversity of this state's stakeholders. The committee included school board members, superintendents, chief financial officers, legislators, state school board members, the executive directors and lobbyists from the

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Colorado Association of School Boards (CASB), the Colorado Association of School Executives (CASE) and the Colorado Education Association (CEA).

The group met numerous times to review the work of the consultants and to help draft the guiding principles for resource allocation. These guiding principles continue to be a work in progress, and are an important foundation for any future modeling of a new school finance formula.

Gathering input to help define the public's perception of the attributes of a successful school or district is the third component. This data was compiled through surveys conducted by George K Baum, and through anecdotal information gathered over a series of brown bag lunches in the business community, and helped articulate a clearer vision of funding for Colorado schools.

Discussion

The Adequacy Study was completed in January of 2003. The analysis took into account Colorado's adopted plan under NCLB, including the expectation that academic results would rise dramatically in 2006 and 2009. The challenge presented by raising this bar is compounded by the state's choice of a sub-population sample size of 30, which makes it difficult or impossible for larger districts to satisfy federal requirements for Adequate Yearly Progress (AYP). The impact of this relatively small sub-population sample size is reflected in the 2004 NCLB data: No Colorado school district serving more than 5000 students made AYP. It is interesting to note that it would be difficult to find a large enough sample of school districts to be statistically sound to currently apply the Successful Schools model in this state.

The results of the Adequacy Study are rich in information and have been used to educate school districts and state policy makers. The Professional Judgement model portion of the Study has been recently updated to include policy implementation from two years of NCLB and the new state requirements around Colorado Commission of Higher Education (CCHE). Other work considers issues arising from existing tax policy, focusing on the state's increasing portion of K-12 funding and local districts lack of ability to address or fix the issue.

We now embrace the opportunity to begin modeling possibilities for a new school finance act. The Adequacy Study, its update and the guiding principles for resource allocation each influence and guide the possible scenarios. This work has been dynamic, rewarding, frustrating and invaluable as these discussions have begun to move forward in the education community.

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Conclusions

The work of the steering committee, the chief financial officers, the superintendent groups and the organizations of CASE, CASB and CEA have been invaluable in defining our ultimate goals:

1. To create an adequate and equitable funding system for K-12 that is grounded in academic reform and accountability systems, and that takes into account the following elements:
 - a. A base amount, derived from the Adequacy Study, which takes district size into account. This base amount could support, at a district's discretion, programs such as preschool for at-risk students, all day kindergarten, summer school, after school programs, staff development or additional staff services.
 - b. A weighted adjustment for each school district, based on findings from the Adequacy Study, reflecting the school district size and populations they are serving (special education, English language learners and at-risk). These are treated as adjustments inside the formula, not as categoricals.
 - c. A cost of living adjustment.
 - d. A personnel cost factor.
 - e. A factor addressing the district overhead cost of choice.
 - f. An on-line factor.
 - g. Adjustments for capital and transportation.
2. To support local control, by school boards and districts, of resource allocation, facility configuration and curriculum delivery.
3. To create a system that would financially address academic performance expectations and cost of living.
4. To stimulate an education community that is proactive and speaks in a unified voice about what a new school finance system should look like.
5. To establish a finance system that reflects actual expenditures for capital outlay and transportation.