

School Finance: National Perspective, At-Risk Count, & Power Equalization

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COLORADO SCHOOL FINANCE PROJECT

Support Children - Support The Future

Presentation Overview

- Compare Colorado's Formula to the National Landscape and Best Practices
- Consider Alternative Counts for At-Risk Funding
- Examine Power Equalization

Comparing Colorado's formula

**How does it support the education system that has
been legislated?**

Who Does Colorado Want to Be?

- As states work to modernize their school finance formulas, they often pick a set of comparison states, or even countries, to benchmark themselves against
 - Arkansas compared against the Southern Regional Education Board states and Massachusetts
 - Maryland looked at successful countries such as Finland and Singapore along with states like Massachusetts
- When looking at comparisons, both the structure of the systems and the levels of funding can be examined

Why are Structures and Funding Levels Important?

- The structure of the system implements the distributional aspects, ensuring that student and district needs are met within the formula
- Recent research is showing the importance of funding on educational outcomes including test scores and other outcomes such as graduation rate
 - Recent study by Jackson and Mackevicius (2021) shows \$1,000 increase in funding for four years increases test scores but also increases graduation rates by 2.1 percentage points and college going rates by 3.9 percentage points

States Examining Formulas

- Massachusetts and Maryland have recently made adjustments to formulas redesigned in the 2000s
- California had a major overhaul of its system, enacting the Local Control Funding Formula

States Examining Formulas, cont.

- Nevada is implementing the Pupil Centered Funding Formula, overhauling a decades old formula
- Utah is examining its weighted pupil formula, likely adding more targeted funds for economically disadvantaged students

Common Themes for Changing Formulas

- Formulas focus on providing similar educational opportunities for all students
- Formulas are attempting to become more student centric
 - States fund districts but include adjustments for various student characteristics:
 - Special Education
 - Poverty/Compensatory Education/At-Risk
 - English Learners
 - Gifted and Talented

Common Themes for Changing Formulas, cont.

- The formulas are focusing on students:
 - States may direct a percentage of targeted funding follow students to a school based on need, this percentage can vary by type of student
- States also adjust for district cost characteristics such as:
 - Cost of living/doing business/wage differences
 - District size and/or small schools

Components of a Funding Formula

- There are two parts to a school finance formula
- First, the amount of funding needed to meet the state expectations is identified for each district
 - This includes adjustments for student and district characteristics
 - Decisions are made on how/when to count students and the level of adjustment needed for the different characteristics

Components of a Funding Formula, cont.

- Second, the amount of state and local funding is determined
 - This is supported by the state's tax structure/policy goal
 - When designing these aspect of the system taxpayer equity and fiscal neutrality need to be considered

Colorado Formula vs Student Centric Formula

- Colorado's formula only provides one student centric adjustment, at-risk
 - This adjustment is based on **free-lunch** eligible only
 - It was designed to be a proxy for the number of children at-risk of academic failure, **not** a one-to-one funding stream per free lunch student

Colorado Formula vs Student Centric Formula, cont.

- Other funding for student needs is done through categorical funds, including:
 - Special Education
 - Emerging Bilinguals
 - Gifted and Talented
- State also adjusts for district size and cost of living differences in the formula

Poverty, Compensatory Education, At-Risk

- Only three states provide no funding for at-risk
- The average weight currently used in states is 22%, with the average adequacy weight at 35%
- States use a mix of single weights, multiple weights, or categorical funding
 - Multiple weight formulas often are based on the concentration of poverty in a district

Poverty, Compensatory Education, At-Risk, cont.

- Colorado uses a single weight, 12%, for districts below statewide average and a concentration factor for those above
- Most states use **free and reduced-price** lunch eligibility while Colorado uses **only free lunch**

Special Education

- All states provide some funding for special education, though a few only provide targeted additional funding for high-cost students
- The average weight currently used in states is 90%, with the average adequacy weight at 110%

Special Education, cont.

- States use a wide variety of approaches; key decisions include:
 - Differentiated funding for varying needs or single level of funding
 - Actual student count or census funding
 - Weighted or categorical funding

Special Education Funding

- Colorado uses categorical funding and provides a single amount for all special education students, with additional dollars for higher cost students
 - Tier A: \$1,250
 - Tier B: \$2,629, though targeted amount is \$6,000 per student. State does not have enough allocated to pay full amount
 - Average funding per student is \$1,833 or 26% effective weight

Special Education Funding, cont.

- CDE estimates
 - 10% of funding comes from federal,
 - 20% from state, and
 - 70% out of district general fund
 - <https://www.cde.state.co.us/cde/chart/guidebook/sped/funding>

Emerging Bilinguals

- All but two states provide funding for emerging bilinguals
- National average weight is .44 and adequacy average is .49
- States use a mix of single weight, multiple weights, and categorical funding

Emerging Bilinguals, cont.

- Colorado uses categorical funding, limiting the amount of time a student can be funded
- In 2019-20, the ELPA program was funded at \$309 per student, with an additional \$362 per student for professional development and student support
 - The effective weight was 9%

District Characteristic Adjustments

- A number of states, often western states, adjust for district size, school size, and/or remoteness
 - It costs more on a per pupil basis to provide the same educational opportunity in a smaller district
 - Costs are also higher in small/remote school settings

District Characteristic Adjustments, cont.

- Some states also take into account the differences districts face regarding resource pricing this can include:
 - cost of living differences,
 - cost of doing business differences, and/or
 - wage differences

Equitable Funding

- Once the student and district characteristics have been adjusted for, the system must determine the state and local split
- Taxpayer equity ensures that each taxpayer can expect a similar educational experience for students at for a similar tax effort
 - In many states this is done by using an equalization formula where each community is expected to levy the same mill rate in the funding formula
 - Wealthier districts provide a higher share of funding than poorer districts, with wealth generally measured by assessed value per pupil

Equitable Funding, cont.

- Colorado had a strong equalization formula when the 1994 Act was first passed, the impacts of TABOR and Gallagher have dramatically weakened the equity of the system
- In many states, local districts raise additional funds above the state's formula and/or for capital projects

Equitable Funding, cont.

- A strong school finance system provides state support to keep the fiscal neutrality of the system
 - The state can either fully or partially (power) equalize these additional local levies
 - Without state support, systems risk becoming unequitable with the wealth of a community becoming a strong predictor of the resources available to students

Equitable Funding, cont.

- Colorado does not provide support for additional mills or capital funding

Alternative counts

Student count drives resource allocation

Advantages of Using Free or Reduced- Price Meals (FRMP)

- The count approach of using FRMP data to identify economically disadvantaged students has been in use for decades – generally accepted by practitioners, policymakers and researchers.
- Prior to CEP, FRPM counts were collected annually across all schools and districts.

Advantages of Using Free or Reduced- Price Meals (FRMP), cont.

- Definition is consistent across states and local jurisdictions.
- Provides data at the individual student level, which can be aggregated up to school, district, state, national levels.



Challenges of Using Free or Reduced Price Meals Count

- Represents large income range – up to 130% of federal poverty guidelines for free lunch (about \$34,060 for family of 4) to 185% of poverty (about \$48,470 for family of 4). Wide range of economic status within these categories.
- May overcount students in poverty – in 2017, 17.4% of PK-12 students in poverty as defined by federal guidelines, but 52% were eligible for FRPM.



Challenges of Using Free or Reduced Price Meals Count, cont.

- Focuses on only one aspect of socioeconomic status – household income.
- Does not count all eligible students/families – depends on self-reporting.



Challenges of Using Free or Reduced Price Meals Count, cont.

- Implementation of CEP has significantly affected availability of accurate, annual counts. Currently, nearly 29,000 schools serving 3.9 million students participate in CEP.



Alternatives to FRPM Counts

- Most common count alternatives in current use are:
 - Direct certification of family eligibility for other support programs such as TANF, SNAP, Medicaid, housing assistance.
 - Census poverty counts.
 - Other student risk factors such as students who are homeless, migrant, in foster care, and/or neglected.
 - Some combination of each.



Review of National Recommendations on Alternative Counts: Policy Organizations

- Education policy organizations such as the Urban Institute and Brookings, and the USDOE's National Center for Education Statistics all suggest adopting FRPM alternatives consisting of multiple factors including:
 - Expanding the number of support programs included in the Direct Certification process, such as Medicaid and WIC. WIC in particular expands SES range of eligibility up to 185% of poverty – same as reduced lunches.
 - Including non-income based risk factors such as homelessness, migrant, in foster care, and neglected.



Review of National Recommendations on Alternative Counts: Expert Panels

- An expert panel studying alternatives recommended a multi-factor composite measure, highlighting the SES index used by the OECD for PISA reporting. This consists of 3 factors:
 1. Parental educational attainment.
 2. Parental occupational status – measure of both if employed and status of occupation.



Review of National Recommendations on Alternative Counts: Expert Panels

3. Index of home possessions consisting of:
 - Wealth: child having own room, internet access, other possessions such as dishwasher and DVD players
 - Cultural possessions: classic literature and art
 - Home educational resources: quiet study area, computer, reference materials
 - Number of books in the home

Review of National Recommendations on Alternative Counts: Expert Panels, cont.

- The expert panel also suggested exploring other SES factors, such as:
 - Neighborhood SES
 - School SES
 - Psychological variables such as child's perception of parental involvement and engagement
 - Subjective variables such as child's own perception of her/his status

Review of National Recommendations on Alternative Counts: Expert Panels, cont.

- Key issue for many of these factors is ability to economically collect accurate data on a regular basis while protecting privacy rights.



Review of National Recommendations on Alternative Counts: Expert Panels, cont.

- Another NCES panel suggested the following criteria for choosing an alternative SES count:
 - Aligned with the information and reporting needs of the agency (i.e., the functional specifications)
 - Able to be implemented with reasonable burden

(Source: NCES National Forum on Education Statistics, 2015)



Review of National Recommendations on Alternative Counts: Expert Panels, cont.

- The NCES panel's suggestions for choosing an alternative SES count continued:
 - Perceived as reasonable with respect to personal privacy
 - Consistent with legal and regulatory requirements

(Source: NCES National Forum on Education Statistics, 2015)



National Policy Scan: Poverty Indicators Currently Used in State Funding Formulas

Poverty Indicator	Number of States	States Using
Free-Reduced Priced Meals	16	AR, HI, IA, ME, MD, MN, NE, NH, NJ, ND, OK, RI, TX, WA, WI
No Indicator Used	8	AK, AZ, DE, FL, NV, PA, SD, WV
Free-Reduced Priced Meals and other Factor(s)	7	AL, CA, LA, OH, SC, WY
Other Risk Factors	7	DC, GA, ID, MI, NM, OR, UT
Free Lunch Only	5	CO, KS, KY, MS, VA
Direct Certification	5	IL, IN, MA, TN, VT
Title I Counts	3	CT, MT, NC

Power equalization

Helps to address Assessed Valuation variances

Power Equalization

- In traditional equalization formulas, states provide full equalization to districts if they make the required local tax effort
 - The state provides the difference between what locals raise and the state formula total program
- Colorado had a traditional formula when the 1994 Act was passed
 - Colorado still equalizes funding but districts have different tax effort

Power Equalization, cont.

- Power equalization only equalizes funding up to a targeted assessed value per pupil wealth (AVPP) level.
- It is generally used for funding above or outside of the state's funding formula, including overrides or capital

Power Equalization, cont.

- There is often a cap on the number of mills that are equalized
- Districts below the targeted AVPP receive state support, those above do not. The lower the wealth of a district the higher the level of support

Power Equalization Example

Examples of Power Equalization at Various Wealth Percentiles

Assuming One Mill in a District at the 10th Percentile with 1,000 Students

Wealth Percentile Guarantee	Local Raised	State Match	Total per One Mill	Percent Local	Percent State
50th percentile	\$50,454	\$85,141	\$135,595	37%	63%
60th percentile	\$50,454	\$122,674	\$173,128	29%	71%
70th percentile	\$50,454	\$191,039	\$241,493	21%	79%
80th percentile	\$50,454	\$267,074	\$317,529	16%	84%
90th percentile	\$50,454	\$469,614	\$520,068	10%	90%

QUESTIONS after today?

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