School Finance Formulas have evolved over time. The primary objective for state legislatures is to create a mechanism for revenue distribution that is consistent with their state’s constitutional requirements. In Colorado, “Thorough and Uniform” education is in the constitution and a legislative responsibility. Additional constitutional specifics are outlined for the state and school districts.

Prior to the School Finance Act of 1994, Colorado focused distribution of resources on assumptions of “categories” which grouped “like districts” primarily based on wealth. The assumption was that funding could be the same under these groupings.

The School Finance Act of 1994 began to focus on a wider perspective of student and district differences. The state acknowledged that districts and students were not alike and that districts do not control these differences. During this time the discussion of “Equity” also became relevant. Recognizing district differences and its obligation of equity, the state created a new school finance act that was an enhancement of the “foundation formula.” The changes specifically recognized district variances based on size, cost of living and personnel pressures. The state also recognized that students had different needs and created the “at-risk factor”. The rationale and the interaction of these factors is intentional – all having different importance to each school district in addition to addressing equity.

Since 1994 Colorado has adjusted the factors to expand definitions for varying needs of students and districts. In 2005, one recommendation from a “task force” created by an Interim Committee on School Finance was to reevaluate the factors and create a new school finance system. Combining that with the fact that the state had defined an academic outcome for students - standards and universal proficiency - it also became apparent that the existing 1994 formula did not address the current academic goals or student and district characteristics. The task force also identified that the school finance act must be evaluated on issues of equity, adequacy, and equality in its resource allocation.

Reference material:
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