

# **Interim Committee to Study School Finance**

## **2009 Report to Legislative Council**

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# Interim Committee to Study School Finance

## Committee Charge

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Pursuant to House Joint Resolution 09-1020, the Interim Committee to Study School Finance is charged with studying the funding for students in public schools statewide to determine modifications to the "Public School Finance Act of 1994" to pay for education reform. The committee is to determine appropriate funding factors, formulas, and the allocation of resources to ensure that all students in public schools are receiving a thorough and uniform education.

## Committee Activities

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The Interim Committee to Study School Finance met six times during the 2009 interim. Each meeting focused on a variety of school finance-related issues. The committee heard presentations on: the activities of the 2005 School Finance Interim Committee; an overview of the current School Finance Act; national school finance trends; categorical funding; weighted student and innovative funding models; at-risk funding; count date options; the administration of the Public School Finance Act of 1994; and special education funding. The committee received input from local school districts, state and national school finance experts, and working groups. The committee also heard several lunch-time presentations on current education topics of local and national interest.

**2005 School Finance Interim Committee.** Members of the 2005 School Finance Interim Committee and the School Finance Task Force provided observations on the activities and legislation considered by the 2005 committee. Major themes of the discussion included: the adequacy of school finance in meeting the thorough and uniform education requirement in the state constitution; the impact of the state's tax policy on school finance; categorical funding; capital construction assistance; and accountability. The panel included former legislators, a school district representative, and a former member of the task force.

**Current School Finance Act.** Legislative Council Staff and the Office of Legislative Legal Services provided an overview of the current School Finance Act, specifically discussing the changes enacted during the 2009 legislative session and the size, cost-of-living, and at-risk factors. The Colorado Department of Education (department) also discussed the processes for funding Colorado school districts and the Charter School Institute. The department explained how the October 1 pupil count is administered and how school funding flows from the department to the school districts and the Charter School Institute. School district representatives also provided perspectives on how they distribute funds within their respective districts. In response to these deliberations, the committee recommends Bill F, which modifies and eliminates several provisions in the School Finance Act. The committee also recommends Bill G, which creates a stable funding mechanism for small school districts.

**National school finance trends.** Staff from the National Conference of State Legislatures and the Education Commission of the States presented information on national school finance trends. The presentation focused on different methods for identifying at-risk students, using categorical funds, counting students, funding rural districts, and dealing with declining enrollment. The committee's discussion focused on at-risk funding options, proxies for identifying at-risk students, using weighted student funding, and identifying the components of a successful at-risk program.

**Categorical funding.** Legislative Council Staff provided the committee with an overview of categorical funding, specifically reviewing transportation payments, English Language Proficiency Act allocations, and special education funding. The committee heard more detailed presentations on how special education funds are distributed from the department and from a panel of school district and board of cooperative educational services (BOCES) administrators. The department explained the response-to-intervention model for delivering special education services and provided the committee with considerations for changing the current funding structure of special education. The panel presented the findings and recommendations of the 2008 Special Education Fiscal Advisory Committee, specifically reviewing the different tiers of special education funding in Colorado.

**Weighted student funding.** Staff from the Center for Education Policy Analysis at the University of Colorado – Denver, presented a recently published paper titled "Student-Centered Funding and its Implications for Colorado." The presentation included an explanation of student-centered funding and considerations for moving to a student-centered funding model. The presenters illustrated how such a change would affect the current school finance funding model in Colorado and shared examples of school districts that have implemented student-centered funding. The presenters recommended that the state incentivize school districts to voluntarily adopt this approach, as opposed to imposing a statewide mandate. In response to these discussions, the committee recommends Bill C, which creates a grant program to help school districts design weighted student funding formulas.

**At-risk funding.** Staff from Augenblick, Paliach and Associates, an education policy consulting firm, made a presentation about how school funding levels affect student achievement, and how at-risk student funding works in different states. In addition, the committee heard from school district and charter school representatives who discussed issues concerning the identification of at-risk students, how charter school at-risk funding is calculated, and the tools schools use to reach at-risk students. Also included in the discussions were representatives of the Partnership for Families and Children and Colorado Youth for a Change, who addressed the committee about at-risk student behaviors and dropout prevention. Finally, the Colorado Children's Campaign made a presentation on child poverty and the education outcomes of poor children.

**Count date options.** A panel of school district administrators and board members provided perspectives on options to a single count date. The panelists discussed the impact of adding a second count date or adopting an average daily attendance or average daily membership count. Each panelist emphasized the complexity of conducting the October count and discussed concerns about adding another count date. In response to these deliberations, the committee recommends Bill H, which requires the department to study the use of an average daily membership count.

**Stakeholder input.** In addition to hearing from school district representatives and national and local school finance experts, the committee formed working groups to provide input on key school finance issues, including at-risk funding, small and rural school district funding, a potential rewrite of the school finance funding formula, and the development of new revenue streams. The working groups, comprised of committee members, other legislators, and interested parties, met twice during the course of the interim and reported to the committee recommendations and concerns specific to their charge.

The at-risk funding working group was charged with reviewing existing and potential proxies for at-risk student populations and making recommendations for proxies to be used in the school finance formula. The small and rural school district funding working group was charged with developing recommendations regarding online education funding, incentives for administrative collaboration among school districts, and increasing access to qualified teachers in rural districts.

The charge of the funding formula working group was to review proposed changes to the school finance formula and to develop a prioritized list of formula changes, including categorical programs; size, cost-of-living, and at-risk factors; and base funding. Finally, the working group considering new revenue streams was charged with identifying potential new funding sources. This working group also met with members of the Long Term Fiscal Stability Commission.

As a result of these working group meetings, the committee recommends Bill A, which continues funding for supplemental on-line education, and Bill E, which requires school districts to post financial information on-line for public access. The committee also recommends Bill B, which recognizes the highest performing schools in the state.

**Additional informational briefings.** The committee hosted three lunch-time informational presentations during the July, August, and September meetings. In July, the Colorado School Finance Project described the nexus between school finance and the accountability system established in Senate Bill 09-163. In August, the Blackboard Institute presented information on the role of technology in modernizing and improving the U.S. educational system. In September, EagleNet and Centennial BOCES provided information on the need for increased broadband access for Colorado schools and briefed the members on a federal grant application that the two entities submitted to secure funding for building broadband infrastructure in Colorado.

## **Committee Recommendations**

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As a result of committee deliberations, the Interim Committee to Study School Finance recommends eight bills for consideration in the 2010 legislative session.

**Bill A — Continuation of Funding for Supplemental On-line Education.** This bill eliminates the current repeal date for the state's program for funding supplemental on-line education. Under current law, the state contracts with an outside vendor to provide on-line educational courses that are supplemental to the education program provided by a school district, charter school, or BOCES. Additionally, the state provides a grant assistance program to help eligible districts, schools, and BOCES purchase these supplemental programs. Funding for the vendor contract and grants (totaling \$530,000 in FY 2009-10) is from federal mineral leasing revenue. Both the contract for an outside vendor and the grant program to aid in the purchase of programs are scheduled for repeal on July 1, 2010.

**Bill B — School Awards Program Fund.** This bill authorizes the department to accept gifts, grants, and donations to pay for items of recognition, such as banners and trophies. These items are to be awarded to public schools identified as eligible to receive the John Irwin Schools of Excellence Award, the Governor's Distinguished Improvement Award, or the Centers of Excellence Award.

**Bill C — Weighted Student Funding Formula Grants.** This bill creates a grant program in the department to provide financial assistance to school districts that choose to design weighted student funding formulas, and to provide professional development for implementing the formulas. Generally, weighted student formulas allow funding to be attached to specific students instead of specific programs. With weighted student funding, money is intended to "follow the student." Such funding is adjusted according to the individual student's needs and is given directly to the school providing the educational services. The bill sets minimum requirements for the grant applications and limits the total amount of any single grant to \$100,000. Money for the grant program is from either federal funds or gifts, grants, and donations.

**Bill D — School Speech-Language Pathology Assistants.** This bill expands the positions for which the department is able to issue a one-year, emergency authorization for employment to include speech-language pathology assistants. Such authorization may be issued if: 1) a school district requests the emergency authorization; 2) the district submits evidence to document the need for the specific educational services required that would otherwise be unavailable; and 3) the State Board of Education determines that employment of the applicant is essential to the preservation of the district's instructional program.

**Bill E — On-line Access to Public School Financial Information.** This bill requires school districts, BOCES, the Charter School Institute, district charter schools, and institute charter schools to post specific financial information on-line in a format that can be downloaded by the public. The bill establishes timelines for financial data to be posted, including annual budgets, financial statements, salary schedules, investment performance reports, and check, debit, and credit transactions. The department must recommend a uniform format for all information posted on-line.

**Bill F — Modifications to School Finance Administration.** This bill contains several provisions related to the financing of public schools. In addition to repealing several sections of current law, the bill requires that school districts redistribute capital construction money to charter schools on a monthly basis instead of in a lump-sum payment. Further, this bill eliminates:

- the authority of school districts to enter into business incentive agreements (BIA) that exempt a taxpayer from paying property taxes to the school district;
- the provision allowing a school district to receive the state share of total program funding equal to the amount lost from local property taxes as a result of the BIA;
- the requirement that a district notify the department when it plans to seek voter approval to retain and spend additional property tax revenue;
- the requirement that the department reduce a school district's state share of total program funding equal to the amount the district receives as impact assistance in lieu of taxes from the Division of Wildlife; and
- the prohibition against using matching fund money provided for the National School Lunch Act in lieu of local funds that were already used for school lunches.

**Bill G — Stable Funding for Small School Districts.** This bill creates a pilot program that tests a stable funding mechanism for small school districts. For a district that chooses to participate, from budget year 2010-11 through 2015-16, it will receive total program funding equal to the total program funding for the 2009-10 budget year. This amount is modified if there is a statewide increase in per pupil funding that is not related to the funded pupil count of a district, or if there is an increase or decrease in pupil enrollment that exceeds a defined threshold. Districts that choose to participate must enter into memoranda of understanding with other school districts to share costs. The State Board of Education is required to conduct a final review and evaluation of the pilot program, which includes recommendations to the General Assembly concerning continuation of the program.

**Bill H — Study of Average Daily Membership for Pupil Count.** This bill requires the department to study the development and implementation of a system to count pupils based on the average number of days they are enrolled during the school year, rather than at a single count date. The department is required to prepare this study only if the state receives sufficient federal funds or gifts, grants, and donations to cover the costs of the study.