Lawmakers are finally setting out to retool Colorado’s school funding formula. They’ll have to reach a consensus on these questions first.

Three key factors influence how much money Colorado’s 178 districts receive per pupil. A committee that’s been stalled for two years may have moved the needle with ways to rebalance funding.
A legislative committee is exploring how to revise a school funding formula many deem outdated, but lawmakers have more questions than answers and less than two months to decide how dollars will flow to schools.

The Legislative Interim Committee on School Finance, which has spent two to three years contemplating changes to the formula, known as the Public School Finance Act of 1994, passed a motion last week to draft legislation that would redefine the factors that influence how state dollars are dispersed among Colorado’s 178 school districts.

The successful motion signaled both a victory for the bipartisan committee and the start of another challenge. For the first time since the committee was formed, members can move past discussions and begin to put pen to paper, further opening up the potential for tangible change.

It’s much more than a philosophical matter — each factor equates to dollars for school districts and any change to the formula is sure to create winners and losers.

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“It was very gratifying to at least get to the bill-proposal stage because we did not get there last time,” said Sen. Rachel Zenzinger, an Arvada Democrat and committee member.

The committee last year was only able to advance a bill extending the committee’s work another year.

Why is now the right time to move forward?
With all that has changed in the world in the last 25 years, Zenzinger said, it’s important the state is “supporting the modern reality of funding our schools.”

She also noted that aspects of the formula no longer make sense.

Lawmakers, school districts and education advocacy organizations have widely criticized the formula as inequitable and inadequate, blaming it for establishing a system of winning and losing districts across the state.

Barbara Haggerty leads her third-grade class at Pennock Elementary School, where students attend Tuesday-Friday. (Kathryn Scott, Special to The Colorado Sun)

For the 2019-20 school year, the formula, which adjusts for such elements as cost of living, student count and the number of at-risk kids, sent anywhere from about $7,600 per pupil in the Branson School District in southern
Colorado to about $18,000 per pupil in the Pawnee School District in Grover, near the Wyoming border.

Last week’s meeting offered a moment “to put Colorado students first, their success first and try to accomplish a significant change in how we approach the finance formula,” said Rep. Julie McCluskie, committee chairwoman, a Dillon Democrat.

The committee now must work out the details before reconvening in December.

“We still have a long way to go,” Zenzinger said.

In sorting through the details, committee members have two drafts to consider — the original from McCluskie and a second offered by committee Vice Chairman Sen. Paul Lundeen, a Colorado Springs Republican.

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Both proposals call into question the same factors. But just how much each factor is weighted and prioritized differs, according to committee members.

Lundeen said he cast his own draft because of the time constraints the committee must work within, suggesting that with how infrequently members meet they need more than one piece of legislation to build on and to “hopefully narrow the distance between the perspectives.”

The 10-person committee is composed of five Democratic and five Republican legislators.

Lundeen, in particular, is eager to pivot from what he views as a formula that’s centered on the needs of districts to one that is more attentive to
student needs and can better keep up with changing student populations throughout the state.

Sen. Jeff Bridges, a Democrat from Greenwood Village, stressed the urgency of pressing forward, with the understanding that it won’t be perfect.

“We’re all human beings – nothing is going to be the perfect school finance formula,” Bridges said. “But the changes that we’ve talked about here make a significant improvement in equity for Colorado’s public schools.”

If mistakes are made, Bridges said, lawmakers can correct the formula, just as they have in the past 25 years.

Others were more cautious.

“The state legislature has put school districts in a real bind in years past and there was nothing of the magnitude of what we’re dealing with here,” said Rep. James Wilson, a Republican from Salida. “The chances of something
going south are enormous and we’re saying to our schools, ‘We have decided what’s best for you and live with it until we decide we’re going to change it.’ I’m just saying folks, be careful, be careful.”

Wilson also warned that with a “major shift” in the formula, the state would create more winners and losers.

“In my years of experience, when that happened, we discovered it two or three years down the road,” he said.

The committee will next meet on Dec. 16, when it will vote on sending a bill forward to be taken up during the next legislative session. In the meantime, members are grappling with these questions:

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How much should cost of living affect funding for districts?

More than $1 billion in state funding to districts – about 15% of the entire formula – stems from a cost of living factor, according to lawmakers.

That factor was originally intended to help attract teachers to places where it’s hardest to lure them, Lundeen said, but instead it’s had a “counterintuitive effect.”

He said the state puts too much emphasis on cost of living. Eliminating that factor could allow the state to better prioritize student needs.
McCluskie agrees that cost of living dollars would be better used if they were allocated in a way that focused more on students, but she doesn’t support removing the factor from the formula altogether.

Colorado is comprised of mountainous areas, rural communities and urban centers like Denver, she said, and the diversity in communities drives different cost of living factors.

“\[I\] think it’s appropriate that we keep a cost of living factor in our formula, but I do believe that it’s weighted too heavily at this point,\]” said McCluskie, who represents mountain resort communities where the cost of living runs high.

To help draw teachers to districts that have historically had challenges attracting teachers, lawmakers propose the idea of considering sparsity when looking at districts’ sizes. That would allocate additional dollars to rural school districts.
Lawmakers are still deciding exactly how to define sparsity, but McCluskie aims to award more money to districts that are farther from urban centers and have fewer community resources at their disposal.

Lundeen sees a real financial opportunity in using sparsity to help districts that struggle to attract teachers, especially more rural districts. The state lost its way, he said, but sparsity “will help us find our way back.”

Can the legislature hold districts harmless while tweaking the state funding formula and, if so, for how long?

One of the central themes in revising the funding formula is figuring out how to make sure districts receive at least as much state money as they did last
year.

That would hold them harmless.

Under a new formula, Zenzinger said, some districts would be bound to receive less money this year than last year, but the state would step up ensure they received the same level of funding they did last year.

The gap could potentially be filled by dollars from the state’s general purpose fund or state education fund, she said.

An alternative possibility: A district’s state funding may even out should that district receive less money based on one factor and more money based on another.

The committee hasn’t yet spelled out the specifics of what holding districts harmless would mean – or how long the state would ensure districts continue to receive as much state funding as they have in the past.

Democratic lawmakers who write the state budget, including Zenzinger, are worried that the state won’t have enough money to cover annual growth and increased spending from the raft of legislation approved earlier this year.

“I feel very strongly that districts need some sort of cushion, they need some sort of adjustment period,” Zenzinger said. “We need to hold districts harmless for one year at a minimum” so they have time to make adjustments and reassess their priorities.
What’s the best way to define “at-risk” students?

Lawmakers are also weighing how exactly to define “at-risk” students, which currently is limited to students who qualify for free lunch and some English language learners, McCluskie said.

Students from low-income families are considered at risk and, across the country, free and reduced lunch is a measure of poverty.

Funding for at-risk students in Colorado is based on the proportion of at-risk students who are enrolled in a district. Districts whose proportion of at-risk students is greater than the statewide average are granted more funding.

The federal government is requiring the state to establish a better method of measuring at-risk students, Lundeen said.
That could be achieved in a few different ways. The state could use Medicaid to identify at-risk students or it could turn to direct certification, in which at-risk students are identified through public assistance programs like food stamps, he said.

Zenzinger wants to see the state land on a more inclusive definition, emphasizing that the more resources you can disburse to students living economic stress “the greater the results you will have.”

Lawmakers also are reassessing whether more money should be allocated for students who are English language learners from low-income households. Currently, students are funded for one characteristic or the other.

McCluskie noted that broadening the definition of at-risk students will require more funding.

She recognizes that the current formula may not adequately reflect the scope of the state’s at-risk population.
“We need more support, we need more funding to make sure that our schools can support these children who have greater needs,” McCluskie said.

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