

# Profile of Changes in Colorado School Funding 1988-89 and 1995-96,

## With a Comparison of 1995-96 to 1993-94 and 1994-95

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This is the third in a series of annual reports designed to examine the status of school funding in Colorado. The first report compared 1993-94 to 1988-89 using statewide average information.(1)The second report updated the first report to include data for 1994-95 and supplemented statewide average information with data designed to examine differences across school districts based on their size (enrollment level), enrollment growth, and wealth.(2) This report adds data for 1995-96 to the second report, simplifies the display of statewide information so that comparisons can be made between 1988-89 and 1995-96 as well as between 1995-96 and both 1993-94 and 1994-95, and examines differences across school districts based on the same characteristics used in the second report. This report is designed to fulfill one objective of the Colorado School Finance Project: to monitor school funding using reliable data by tracking the level of state and local support for public schools, examining how funds are spent, and analyzing the adequacy of funding over time.

The attached set of tables present the comparative data. The first group of tables (Tables 1-5) displays statewide averages and provides historical data for 1988-89, 1993-94, 1994-95, and 1995-96 along with annual changes between those years. The second group of tables (Tables 6-8) displays data for 1995-96 disaggregated for school districts organized by size, change in enrollment, and wealth. It should be noted that some data are provided for a school year (such as 1995-96) and other data are provided for a fiscal year (such as FY1996); for our purposes, we use the year 1995-96 as essentially the same as FY1996 although the use of the particular designation is more precise. The data indicate that:

enrollment levels in Colorado's public schools continued to grow in 1995-96 (schools served 91,000 more pupils in 1995-96 than they did in 1988-89);

local revenues increased in 1995-96, continuing the trend that began in the prior year;

state revenues increased in 1995-96, but at a slower rate than in the previous two years;

the revenues available to school districts in 1995-96 have not kept pace with growth and inflation, which resulted in a larger revenue "gap" in 1995-96 than existed in either 1993-94 or 1994-95 (\$543 per pupil or about \$341 million in total);

per pupil spending in 1995-96 was 10.4 percent lower than it had been in 1988-89 after considering the impact of inflation (the Denver-Boulder Consumer Price Index rose by 29.9 percent during the period);

the average salary level of teachers in Colorado continued to fall further behind its 1988-89 level when inflation is taken into consideration;

Colorado's population continued to grow in 1995-96 and both statewide property valuation and personal income rose much more rapidly in 1995-96 than they had in 1994-95; and

support for education decreased as a proportion of income in 1995-96, with the result that had tax support for education as a percentage of aggregate personal income been the same in 1995-96 as it had been in 1988-89, the state's public schools would have obtained \$727.1 million more in revenue in 1995-96, an amount more than sufficient to eliminate the revenue gap.

## Statewide Data

The figures in Table 1 indicate that enrollment continued to grow and that the pace of that growth rose in 1995-96 compared to earlier years. In 1995-96, Colorado's public schools served 91,078, or 17.0 percent, more pupils than they served in 1988-89. Of the total

enrollment, 69,317 pupils, or 11.1 percent of all pupils, required special education services while 137,811 pupils, or 22.0 percent of all pupils, came from low income families. The data suggest that the statewide average proportion of pupils from low income families may have peaked in 1994-95.

School districts in Colorado continued to rely more on local revenue, most of which comes from property taxes, than on state revenue in FY1996. In fact, the growth in local revenue per pupil in FY1996 exceeded the increase in FY1995, the year when the long term trend of declining local revenue was reversed. And while state revenue increased slightly, the rate of growth was slower than in either of the previous two years. Between FY1995 and FY1996 total revenue per pupil rose by 2.9 percent, a rate below that of inflation (which was 4.3 percent as measured by the Denver-Boulder Consumer Price Index) and lower than that of the previous year.

In previous reports, school district expenditures have been divided into two components: (1) total "A", an amount that excludes all capital spending as well as spending for transportation, food services, and community services -- total "A" reflects the basic operating costs of the districts and (2) other operating revenue. As shown in Table 2, districts spent \$4,679 per pupil for basic operating purposes in FY1996, 4.0 percent more than they had spent in FY1995. If the figures for CY1989, FY1994, and FY1995 are expressed in FY1996 dollars, adjusting each year's data by an appropriate amount to reflect inflation, then spending in FY1996 was about 10.4 percent lower than it had been in CY1989; and where spending had been increasing in FY1995, it actually fell to a level below FY1994 in FY1996. It should be noted that in FY1996, the rate of increase for total "A" exceeded the rate of increase of spending for other operations, as had been true in the previous year. Too, while districts allocate the majority of their spending for instruction, there was a slight downward trend in that proportion since FY1994 and, more importantly, the data for FY1996 indicate the continuation of a long term trend to spend a lower proportion of all funds on the operation and maintenance of facilities (plant operation).

The figures in Table 3 illustrate the continuing existence of a revenue "gap" for Colorado school districts. Based solely on inflation, school districts should have received \$644.4 million more revenue in FY1996 than they received in CY1989; because they only obtained \$353.5 million in new revenue for inflation, they lost \$290.9 million in the aggregate, or \$464 per pupil in FY1996. Similarly, school districts should have received \$475.6 million to deal with enrollment growth between CY1989 and FY1996; because they only obtained \$426.1 million, there was a loss of \$49.4 million, or \$79 per pupil. Taken together, districts needed \$340.4 million, or \$543 per pupil, more than they received in FY1996 to provide similar services to those they had provided in CY1989. Too, the revenue gap is growing: the revenue gap in FY1996 was 9.5 percent higher than it had been just two years earlier, in FY1994.

The availability of classroom teachers in schools is very sensitive to the revenue situation, as shown in Table 4. As revenues increase or decrease in real terms (adjusted for inflation), school districts employ more or fewer classroom teachers relative to the

numbers of pupils they serve. In 1995-96, the number of classroom teachers per 1,000 pupils decreased as real revenues decreased. While teacher salaries continued to rise in 1995-96, they continued to decline in real terms; in 1995-96, the average teacher salary was 8.3 percent lower than it had been in 1988-89 when adjusted for inflation. Yet, in 1995-96, the characteristics of teachers that affect their salaries, their years of experience and level of training, remained similar to 1988-89 levels.

Finally, as shown in Table 5, the state continued to boom in 1995-96, with a growing population and expanding tax bases. In fact, although the rate of population growth in 1995-96 was lower than it had been in 1994-95, property valuation and aggregate personal income increased dramatically, rising at their fastest rates in years. Relative to income, reliance on both property taxes and state aid has been decreasing steadily over time (from 3.89 percent of income to 3.08 percent of income when property taxes and state aid are examined together), although property tax revenue has declined significantly relative to income (from 2.10 percent to 1.36 percent) while state aid has only decreased slightly (from 1.79 percent to 1.72 percent). This means that, in 1995-96 an additional \$727.1 million could have been available for public schools if the same proportion of personal income had been taxed by the state and by local districts to support those schools; since that amount exceeds the revenue gap discussed above, about \$386.7 million in tax relief could have been provided simultaneously.

#### Differences Across Districts Based on Enrollment

In Table 6, districts have been grouped into five categories based on their level of enrollment. As indicated, the vast majority of districts in the state (105), had fewer than 1,000 pupils although the nine largest districts enrolled more than half of all pupils. There is no relationship between size and rate of overall growth in enrollment. Regardless of size, districts had a similar proportion of pupils enrolled in special education programs. The smallest districts had the highest proportions of pupils from low income families although the greatest increase in that proportion between 1988-89 and 1995-96 was in the largest districts.

In terms of teachers, the very smallest districts employed many more per 1,000 pupils and those with less than 20,000 pupils essentially had the same number of teachers per 1,000 pupils in 1995-96 as they had in 1988-89 while larger districts employed fewer teachers per 1,000 pupils in 1995-96 than had been the case in 1988-89. While salaries were higher in the larger districts, salaries increased to a greater extent between 1988-89 and 1995-96 in the smaller districts, driven, in part, by increases in the training and experience of teachers in small districts relative to larger ones during the period.

As expected, the smallest districts spent the most per pupil while spending increased with size for districts with enrollments above 1,000 pupils. Spending in districts with enrollments below 20,000 pupils increased to a greater extent between 1988-89 and 1995-96 than it did in larger districts. The spending pattern was very similar across all

districts, although smaller districts tended to spend a higher proportion on administration while larger districts tended to spend more on support services. With the exception of districts with 20,000 to 50,000 pupils, all districts spent a higher proportion of current expenditures on basic functions in FY1996 as compared to CY1989.

In FY1996, larger districts tended to rely more on local revenue although both the very largest and very smallest districts had the largest percentage increases in state revenues. The revenue gap was much greater in large school districts than in small ones and between CY1989 and FY1996, the revenue gap decreased in smaller districts and increased in larger ones.

Small districts had the highest levels of property value per pupil and, while property declined between 1988-89 and 1995-96 in all districts, the decrease was substantially higher in larger districts as compared to small ones.

#### Differences Across Districts Based on Change in Enrollment

In Table 7, districts have been organized into four groups based on the change in enrollment between 1988-89 and 1995-96. During that period, enrollment decreased in 21 districts (by 4.9 percent, on average), grew by up to 33.8 percent in 120 districts, and rose by more than 33.8 percent in 35 districts (on average, the rate of growth was 58.0 percent in those districts). Districts with the largest growth had the smallest proportions of pupils enrolled in special education programs. There is a direct relationship between enrollment growth and the proportion of pupils from low income families: the higher the rate of growth, the smaller the proportion of such pupils -- in fact, the highest growth districts saw a reduction in the proportion of pupils from low income families between 1988-89 and 1995-96.

Districts in which enrollment declined employed more teachers per 1,000 pupils and, as might be expected, were the only districts in which there was an increase in the number of teachers per 1,000 pupils. The average salary level of teachers in 1995-96 was lower in districts that had higher rates of growth, reflecting, in part, lower average years of experience and lower levels of training (that is, rapid growth districts may hire younger teachers).

There is also a relationship between rate of enrollment growth and per pupil spending for basic purposes: the higher the rate of growth, the lower the level of spending and the lower the rate of increase in spending over time. Rapidly growing districts spend slightly more on instruction and administration and slightly less on support services as a proportion of all spending. But, districts with higher rates of growth spend a slightly lower proportion of all current operating expenditures for basic purposes.

Faster growing districts rely to a slightly higher extent on local revenue than slower growing districts, in large measure because faster growth districts are wealthier than

slower growth districts. And districts that are growing faster have higher revenue gaps than slower growing districts (growing districts have much higher gaps compared to districts losing enrollment). The revenue gap has actually decreased substantially in districts that have lost enrollment while the gap has increased dramatically in districts with moderate growth.

### Differences Across Districts Based on Wealth

Colorado's school districts are grouped into five categories based on their property wealth per pupil. Given the distribution of wealth across the districts, and the similarity in wealth for those districts in the center of the distribution, it is most appropriate to compare the highest and lowest wealth groups in order to understand the relationships between wealth and characteristics of the finance system.

While there is no obvious relationship between wealth and either enrollment growth or proportion of pupils in special education, the least wealthy and the most wealthy districts had the highest proportions of pupils from low income families.

In terms of teachers, the least wealthy and most wealthy districts had the highest numbers of teachers per 1,000 pupils but, while districts in all wealth groups had decreases in the numbers of teachers per 1,000 pupils, the highest declines were in the wealthiest districts. And while teachers in wealthier districts received higher salaries, the largest increases in salary levels between CY1989 and FY1996 were in the lower wealth districts. Over time, the characteristics of teachers have become more similar in the districts, regardless of wealth.

In FY1996, per pupil spending for basic purposes was very similar for all districts other than the wealthiest ones, which reflects the fact that between CY1989 and FY1996, spending grew more in lower wealth districts than it did in higher wealth districts. The pattern of spending was very similar across all districts although lower wealth districts spent a higher proportion on instruction and higher wealth districts spent a higher proportion on administration and support.

As would be expected, higher wealth districts obtain a much higher proportion of their revenues from local sources while state aid is highest for the least wealthy districts. While there was little change in the amount of revenue provided by local sources between CY1989 and FY1996, state aid rose substantially, with the highest increase in the most wealthy districts. The revenue gap was nearly twice as large in the wealthiest districts as compared to the least wealthy districts in 1995-96 and between CY1989 and FY1996 the gap decreased in lower wealth districts and increased in higher wealth districts.

Table 1.....Table 2.....Table 3.....Table 4.....Table 5.....Table 6.....Table  
7.....Table 8

1. "A Profile of the Fiscal Status of Public Schools in Colorado: Changes Between 1988-89 and 1993-94 and Comparisons to Other States" (Colorado School Finance Project, January 1996).

2. "Profile of Changes in Colorado School Funding, 1988-89 to 1994-95" (Colorado School Finance Project, December [Revised] 1996).