

Executive Summary

Colorado is one of forty-one states that provide some form of funding for economically disadvantaged students. In Colorado, this funding is provided through the at-risk portion of the district's total program funding and directed toward students in grades K–12 who are eligible for free lunch, as well as for a small percentage of English-language learners who are not eligible for free lunch (but qualify for at-risk under funding formula definitions). At-risk funding is provided in the form of a sliding-scale weight ranging from 12% to 36%, depending on the concentration of eligible students in and size of the district.

Colorado's at-risk weight is generally well framed to address the resource challenges facing high-poverty school districts. It is responsive to the differences in need across different communities and is structured to avoid year-to-year funding cliffs and budget planning difficulties.

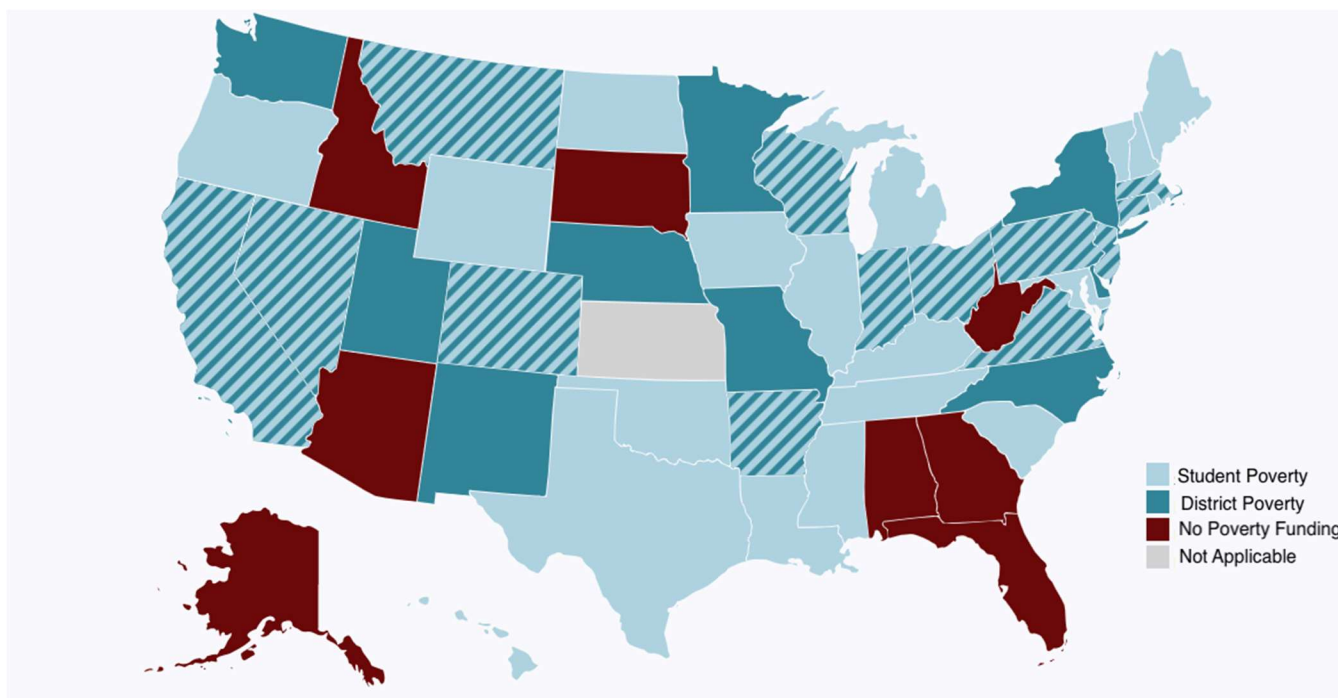
However, there are a number of potential opportunities for improvement. Currently, Colorado uses the count of students eligible for free lunch under the National School Lunch Program as a proxy for the number of economically disadvantaged students in the district. Because of changes to the rules for this program, however, this data is no longer as reliable as it was when the state originally set this policy. Alternative policy approaches could include one or more alternate (or additional) proxies, such as: reduced-price lunch eligibility, student and family enrollment in federal assistance programs (direct certification), and/or household income data drawn from the Department of Revenue.

The needs of ELL students and how they're accounted for is an area that may also deserve consideration. A small percentage of English-language learners, as defined by the school finance formula, are currently included in Colorado's at-risk category, but they only count once for the purpose of the at-risk allocation. This is a fairly uncommon practice nationally and may result in insufficient state support for students with multiple, compounding needs. The inclusion of a separate weight for ELLs could help bridge this gap, or counting dually eligible students twice for the purposes of the at-risk allocation.

The policy options presented here have largely been drawn from practices that currently work in other states. Every state in the country has been forced to deal with rule changes to the school lunch program, with many choosing to use composite measures or income data to improve estimates of student need. Colorado is not entirely alone in combining ELL and economically disadvantaged students, but it is more common to have two separate supplemental allocations. This approach better accounts for the additional resources necessary to educate a student that falls into both categories.

I. Colorado’s current system of funding economically disadvantaged students

Colorado is one of forty-one states that provide some form of funding for economically disadvantaged students, and one of twenty-two states that provides this funding in a manner that is responsive to districts’ concentrations of such students.¹ In Colorado, this funding is provided through the at-risk portion of the district’s total program funding. Students in grades K–12 who are eligible for free lunch under the National School Lunch Program are counted for the purposes of calculating a district’s at-risk funding. (Qualifying English-language learners, as defined by the school finance formula, are also included in the at-risk count.) As an alternative, the district may apply the percent of students in grades 1–8 eligible for free lunch to the entire district enrollment.



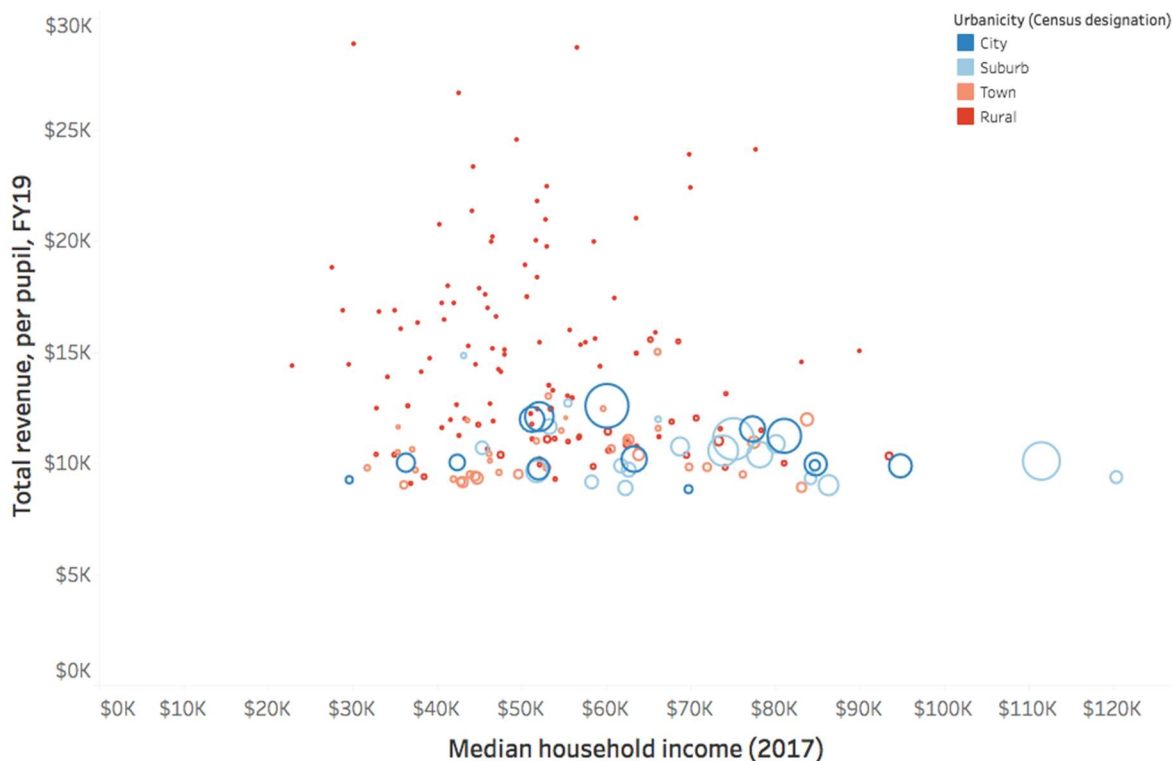
At-risk funding is provided in the form of a weight, multiplied against the adjusted base amount (that is, the base amount after it is adjusted for district size and cost of living). This weight begins at 0.12, meaning that eligible students generate at least an extra 12%, on top of the district’s base funding amount. For districts with a higher concentration of at-risk students than the state average, the weight that gets applied to students above the averages increases on a sliding scale. The weight rises by 0.3—or .36 for districts with over 50,000 students—percentage points for every point that the district’s at-risk percentage exceeds the state average, up to 30%. Therefore, if the state average at-risk percentage were 25% and the district’s rate were 26% (one percentage point higher), the weight for each of its at-risk

¹ Tallies current as of the 2018 legislative session.

students would be 12.3%. By the same token, if the district’s rate were 85% (60 percentage points over the state average), that would yield an additional 18 percentage points, for a total at-risk weight of 30% (12% + 18%). However, if the district’s at-risk rate were 90%, it would still receive an at-risk weight of 30%, because that is the maximum possible weight under state law.

This structure is thoughtfully designed, within its limited scope. Overall, however, funding is not as responsive to community need as theory would suggest. Figure 1 shows a weak relationship between school districts’ total revenue per pupil and their median household incomes. While very small school districts do tend to be lower income and receive more funding overall (due to the small schools factor), simply being a low income community in Colorado—with all the associated needs of serving economically disadvantaged students—is not correlated with additional revenue.

Fig. 1: Total Revenue Per Pupil vs. District Median Household Income



This lack of responsiveness to community need is not necessarily the fault of the at-risk allocation. In fact, as discussed, the at-risk weight on its own is fairly well calibrated to allocate at-risk funds to the communities that need it the most. However there are many other elements to school funding in Colorado—both within and outside total program funding—that are not responsive to, or are even negatively correlated with, student need. As a result, the at-risk allocation alone is not sufficient to ensure that overall funding corresponds to the district’s degree of economic disadvantage.

II. Assessing Colorado’s current policy

Responsiveness to concentrations of economic disadvantage

Colorado should be lauded for one of the major elements of existing policy: It is designed to provide greater funding for at-risk pupils in districts whose populations are especially disadvantaged. The educational challenges associated with poverty are not linear. Children living and learning in high-poverty communities face greater barriers to achievement than individual disadvantaged students in mixed-income or middle-class communities.

In isolation, the structure of Colorado’s at-risk factor is well framed to address these challenges. This distinguishes Colorado from some states where there is only a single high-poverty threshold above which districts receive a higher level of funding. Additionally, Colorado’s sliding scale allows for better budget planning than a threshold-based system, because small year-to-year changes in the disadvantaged rate only move the district slightly along the sliding scale and do not cause large drops or jumps in the funding level.

Fig. 2: District At-Risk Factor vs. Direct Certification

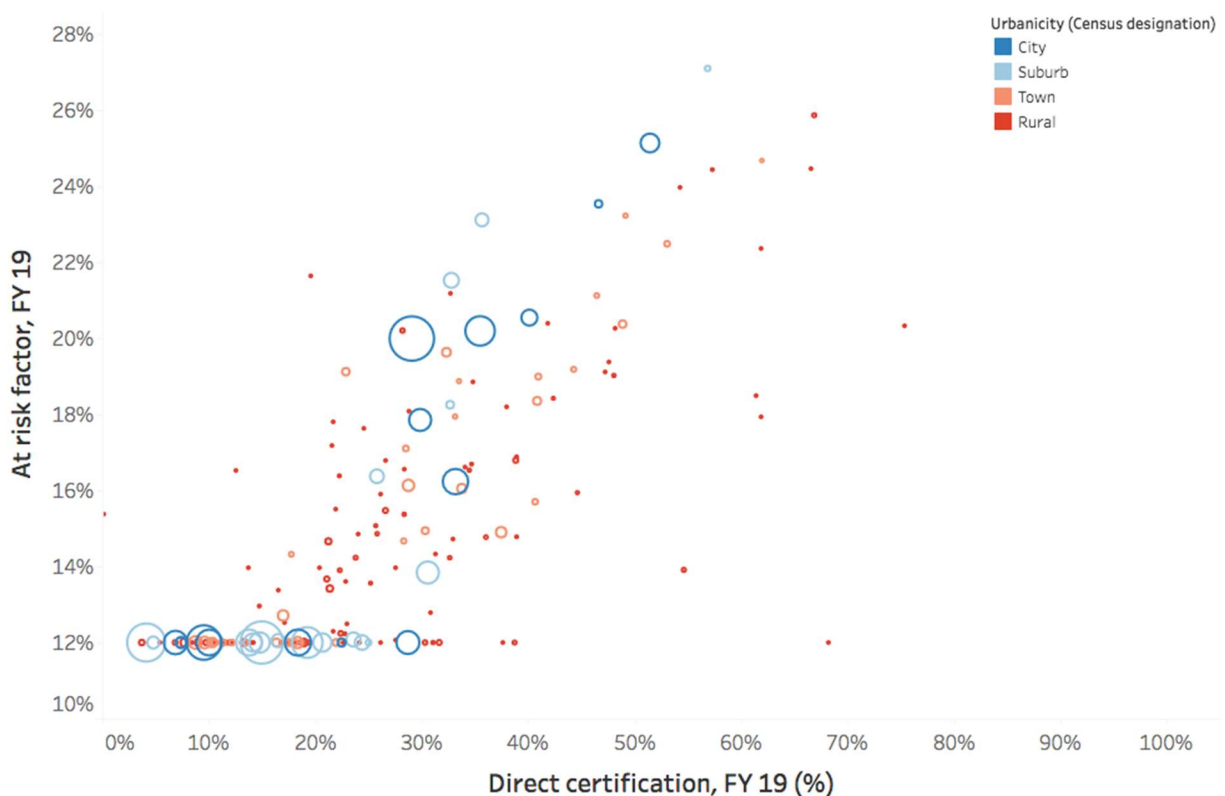


Figure 2 above shows the relationship between districts' assigned at-risk factors, ranging from 0.12 to 0.30, and the state's data regarding district students participating in federal assistance programs. As economic disadvantage rates rise above the state average, the sliding scale increases districts' at-risk factor relative to need.

Student eligibility for economically disadvantaged funding

Eligibility for the National School Lunch Program (NSLP) is a common proxy for economic distress in states' education funding formulas, in line with Colorado's approach. However, changes in federal regulation have complicated this practice and forced states to begin the search for new indicators of disadvantage. The Community Eligibility Provision (CEP) is a program that allows certain schools and districts to provide free lunch to all their students, removing the paperwork that was previously necessary to collect income data from parents. A school or district is deemed eligible if at least 40% of enrolled students participate in federal assistance programs like the Supplemental Nutrition Assistance Program (SNAP) and Temporary Assistance to Needy Families (TANF).

As a matter of giving students access to nutritious meals, this policy is a clear step forward. But it has significantly reduced the usefulness of free/reduced-price lunch data, data that has been used for decades in both education research and policy decisions. Typically, districts making use of CEP for the purposes of the lunch program appear in reported data to be 100% free-lunch-eligible regardless of their actual student population. Individual schools making use of CEP distort the data in a subtler way, as they too are reported to be 100% free-lunch eligible, inflating the free-lunch numbers in their district even if the district overall does not participate in CEP.

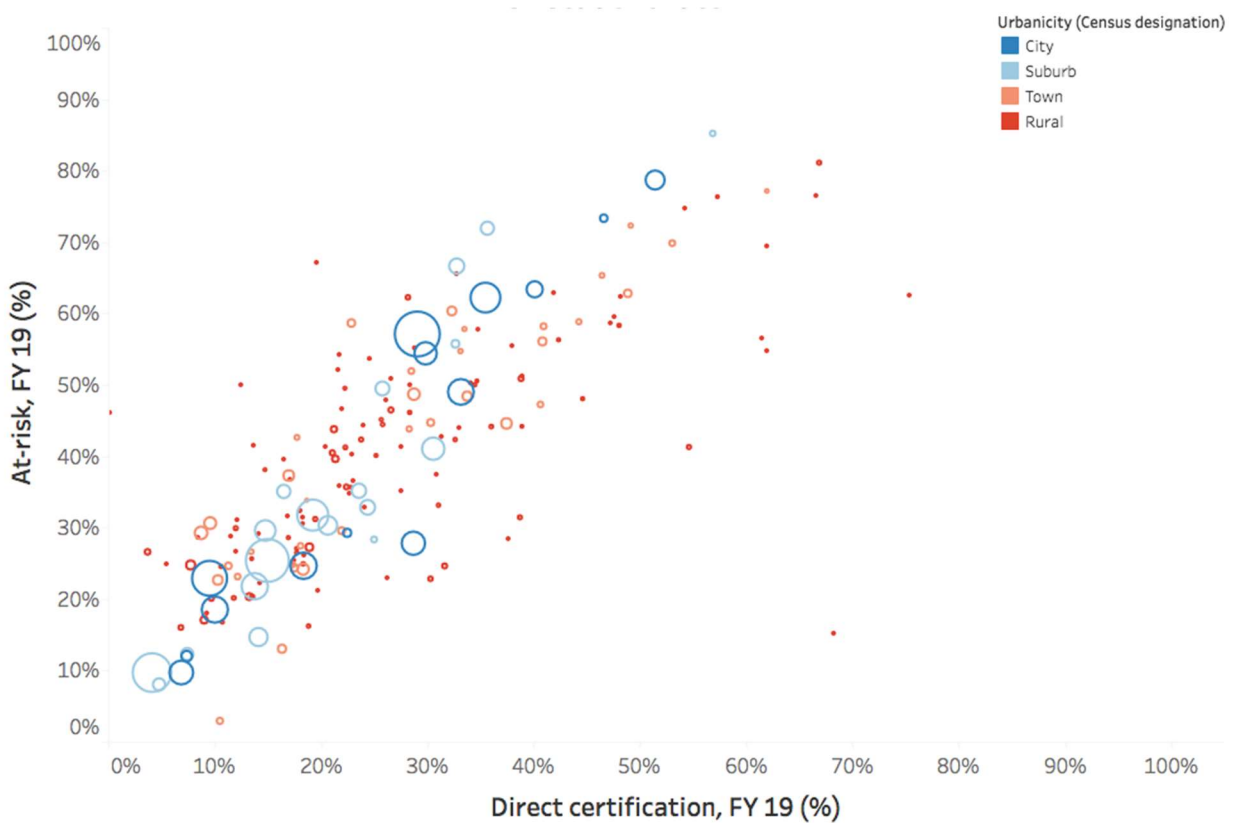
To enable the continued use of free lunch eligibility as a proxy for economic disadvantage in the Colorado funding formula, the state mandates that districts continue to distribute lunch forms to collect student-level data. This creates a significant administrative burden for high-poverty districts that would otherwise be able to avoid this bureaucratic hurdle. This policy has helped maintain a fairly strong relationship between Colorado's tally of at-risk students and the number of students participating in federal assistance programs, as can be seen in Figure 3 below, indicating that the at-risk count is still fairly accurate (although some very small districts are clearly falling through the cracks). However, this data accuracy has come at a price.

Inclusion of English-language learners in at-risk category

Rather than including a separate funding weight for English-language learners, Colorado includes a small percentage of students receiving ELL services in the at-risk count. However, students are only counted once if they are both economically disadvantaged and qualify for ELL under the school finance formula, what is known in education funding as an "unduplicated

count.” The at-risk category effectively includes all free-lunch-eligible students, as well as some ELL students who are not eligible for free lunch, but not those who overlap.

Fig. 3: District At-Risk Percentage vs. Direct Certification



This raises the concern that Colorado is not properly accounting for the separate resource needs that arise when a student is both low-income and ELL. While it is true that ELL students also receive categorical funding through the English Language Proficiency Act, this yields a relatively small dollar amount per student, relative to national norms. ELL programming generally requires increases in staff salary costs (among other needs), which can be especially high in small districts due to limitations in economies of scale. Whether the inclusion of ELL students in the at-risk calculation is properly matched to the state’s educational goals is a question worth considering.

III. Policy options for economically disadvantaged funding in Colorado

Student eligibility for economically disadvantaged funding

Given the challenges associated with National School Lunch Program data, it may be worth revisiting the current proxy for economic disadvantage used in the state. Colorado could take one of several different approaches, but three are laid out below:

- 1a) One option is to maintain the status quo: continue using free-lunch eligibility (that is, a count of students whose households fall at or below 130% of the federal poverty level) as its proxy for economic disadvantage. While this data is no longer reliably collected in all districts for the National School Lunch Program, the state can continue to require districts to collect student-level data by sending forms home for families to fill out.

The benefits of this approach are clear. It requires no legislative changes, and districts need not adjust their budgets at all based on new counts or allocations. However, the drawbacks are also significant. The current model requires high-poverty districts to do additional administrative work, distributing forms, educating parents on required information, and following up. Additionally, there is reason for concern that even if these districts do continue to collect these forms, they still may not have an accurate picture of the economic need within their communities. Now that the forms are not a necessary prerequisite for receiving free lunch, families may fail to return them, making this not only an arduous process, but a potentially unreliable one as well.

One slight variation on the state's current approach would be to move from using free-lunch eligibility as its proxy for economic disadvantage to using eligibility for free and reduced-price lunch (that is, a count of students whose households fall at or below 185% of the federal poverty level).

In order to implement this change in practice, the state would have to continue requiring district to collect student-level data using forms sent home with students, and would need to modify those forms to collect somewhat different information. A legal change would also be required: The definition of "at risk" for funding purposes in Colo. Rev. Stat. § 22-54-103 would need to be amended to reflect the new eligibility criterion.

The chief benefit of this approach would be to expand the number of students identified as at-risk and therefore eligible for funding. Assuming sufficient appropriations, districts would receive additional dollars to support their neediest students, especially those districts with large working class populations, which can often fall between free and reduced-price lunch income eligibility levels. However, it would require some transitional steps, both practically and legislatively. Additionally, this approach has all the same drawbacks as maintaining the current eligibility standard. High-poverty districts would have to continue doing

administrative work not otherwise required by the NSLP, and it would be difficult to achieve a 100% response rate from families when the forms are not necessary for students to receive free lunch.

- 2) An alternate data option would be to use participation data from federal assistance programs, including SNAP, TANF, and Health First Colorado (Medicaid). This is data the state already has recorded, and it could certainly be adapted for this purpose.

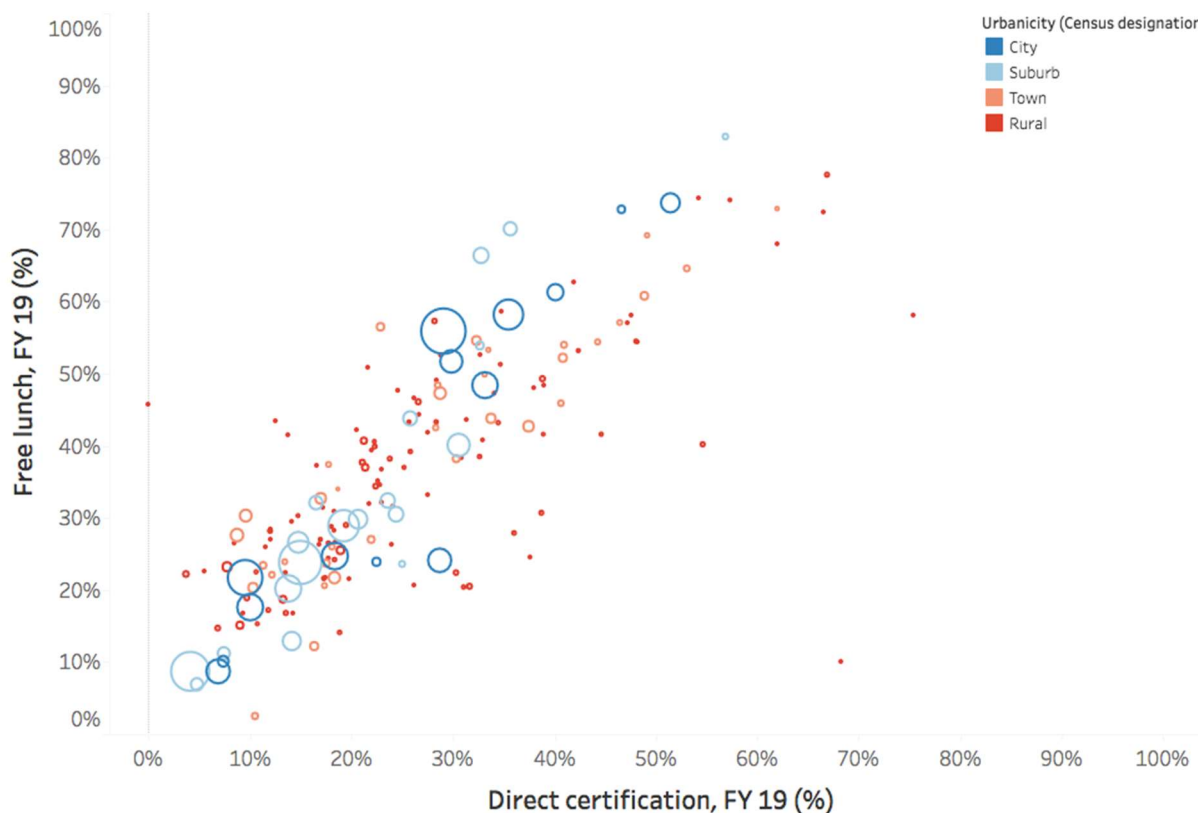
In order to achieve this, the legislature would need to do two things. First, the definition of “at risk” for funding purposes in Colo. Rev. Stat. § 22-54-103 would need to be amended to reflect this new counting mechanism. Second, the legislature would need to direct the executive agencies that oversee the administration of these assistance programs, the Department of Human Services and the Department of Health Care Policy and Financing, to collaborate with the Colorado Department of Education on a system for effectively sharing this data.

It would also be advisable to reconsider the size of the at-risk weight when making this change in data source. This is because eligibility criteria for assistance programs are not always the same as those for free lunch. As Figure 4 shows, there are consistently more students identified as free-lunch-eligible than are directly certified as eligible for federal assistance. If the number of identified at-risk students will go down by a predictable margin under a new data system, then the weight (i.e., amount of money per student) need be increased correspondingly to ensure that the change is revenue-neutral.

This approach is beneficial for a number of reasons. First, this data is not estimated; it reflects actual numbers of enrollees in assistance programs. Second, it is being collected by the state for other purposes, so the administrative burden can be lifted from districts without creating a new responsibility at the state level. Additionally, this transition need not be unduly disruptive for districts from a budget standpoint because, as it stands currently, there is quite a strong relationship between free-lunch-eligibility rates (Colorado’s current data source for the at-risk allocation) and the rate of students directly certified as participating in other assistance programs, as shown in Figure 4 below.

The downsides of using assistance program data for school funding purposes are that they require new data communication between state agencies, which may be a hurdle; and because they rely on eligible households to have actually enrolled in assistance programs for which they are eligible. However, the use of data from multiple assistance programs can mitigate this problem by capturing as many different households as possible. This option would also require a sizable enough increase in education spending such that the weight can be increased significantly enough that no district loses consequential levels of at-risk funding during the transition.

Fig. 4: District Free-Lunch Eligibility Rate vs. Rate of Participation in Federal Assistance



- 3) A third option would be for the state to draw on the data used for the collection of state income taxes to determine the degree of economic disadvantage in each school district.

In order to make this change, the state would need to exert a significant effort to make the data usable for school funding purposes. The Department of Revenue would need to cooperate with the Department of Education to link tax data to district enrollment records, including matching individual students with the tax returns submitted by the adults in their households. As with other changes in approach, the legislature would need to amend the statutory definition of “at risk” for funding purposes. Additionally, since tax data does not include any particular income or eligibility threshold, the legislature would need to choose how to use this data to indicate economic disadvantage.

This approach offers notable advantages. It is the most granular data source available, and is likely quite accurate. It would offer the possibility to reset the at-risk weight’s sliding scale based not on the percentage of students meeting a specific threshold, but on the number of students in different income bands, if desired. The downsides of this approach are practical: Linking tax data with school district records would be quite challenging, and would in all

probability require a significant transitional period. The setting of appropriate income thresholds could also be politically contentious.

Consideration of economic disadvantage alongside ELL status

Given concerns about the distinct needs of students who are both economically disadvantaged and English-language learners, Colorado could take one of a few approaches:

- 1) If the legislature is satisfied with the resources provided to students who are both economically disadvantaged and English-language learners, it may decide that the small additional allocations for ELL under ELPA are sufficient. If so, the state could maintain its current system of counting ELL students in the same at-risk category as economically disadvantaged students, counting dually eligible students only once for funding purposes.

The main benefit of this approach is that it avoids the need for any changes to law or practice. It also allows ELL students to continue to contribute to the overall at-risk percentage that determines the district's precise at-risk factor, so districts with high numbers of eligible ELL students will see the sliding-scale at-risk factor increase for all their needy students. Should additional funding be available for ELL in the future, it could be funneled through the ELPA categorical allocations without requiring any changes to the at-risk allocation. The downside is that it does not truly meet the support needs of students that are both low-income and English-language learners.

- 2) In order to fully account for the significant and compounding resource needs of students who are both economically disadvantaged and ELL, Colorado could establish separate weights for these two at-risk groups.

In order to do this, the legislature would need to amend the definition of "at risk" for funding purposes in Colo. Rev. Stat. § 22-54-103. It would also need to add a new provision of law to establish a separate funding weight for ELL.

The chief benefits of this approach are first, that it recognizes the distinct resource needs associated with both economic disadvantage and with learning English, and second, that it is clean: Needs are accounted for separately in discrete allocations, with no confusion about how to count students or tally districts' program funding. Keeping these weights separate would also allow the state to set different weights for the two need categories if desired. The downside is that it requires the state to fund the new weight, and any new funding allocation will require prioritization and tradeoffs. Additionally, removing eligible ELL students from the at-risk total will mean a reduction in the sliding-scale at-risk factor for economically disadvantaged students in some districts.

- 3) A middle course of action would be to keep ELL students as part of the at-risk category, but to use a duplicated count: Students who are at risk for reasons of both economic disadvantage and ELL status could be counted twice for funding purposes, and funded accordingly.

In order to do this, the legislature would need to amend the definition of “at risk” for funding purposes in Colo. Rev. Stat. § 22-54-103, but would not need to establish any other new provision of law.

This approach has the benefit of leaving the structure of the program funding equation largely unchanged while still recognizing the distinct resource needs associated with economic disadvantage and with learning English. It allows ELL categorization to help better approximate the need for at-risk funding, so districts with high numbers of free-lunch-eligible ELL students will see the sliding-scale at-risk factor increase. The downside is that it may confuse those used to the prior system, because the funding calculation will appear the same at first glance. It also does not allow the legislature to set different weights for low-income and ELL students, unless further modifications to the formula are taken.

IV. Funding for economic disadvantage in other states

General structure

41 states provide funding for economically distressed students in some fashion. 32 provide funding on a linear basis, with increased funding for each student from a low-income household, while 22 provide funding in a manner that considers the concentration of such students in the district. (13 states have both linear and concentration-sensitive economic distress funding.) The most common approach to allocating this funding is to use a weight that is applied to the base per-pupil amount for each eligible student.

Student eligibility for economically disadvantaged funding

With regard to counting economically disadvantaged students, there is a range of practice. While it remains common for states to use National School Lunch Program (NSLP) data for this purpose, a number of states have moved towards other measures of economic distress in order to future proof their policies. The most efficient approach, taken by several states, has been to transition to the same new data source used by the federal government to classify community-eligible schools and districts through the Community Eligibility Provision. When students or their families receive support from programs such as SNAP, TANF, or the Food Distribution Program on Indian Reservations (FDPIR), they are listed in state data as meeting the income eligibility requirements for those programs. This enables the state to certify them as coming from low-income households without needing to collect additional information—a process

known as “direct certification.” Some states also supplement that data with other means-based programs, such as Medicaid, or that provide resources for children who are in foster care or are homeless.

States using a form of direct certification as the basis for their economically disadvantaged funding include:

- Illinois, where students are counted as disadvantaged if they are eligible for Medicaid, the Children’s Health Insurance Program, TANF, or SNAP.
- Massachusetts, where the concentration of disadvantaged students in a district is measured based on participation in SNAP, TANF, the state foster care program, or MassHealth.
- Michigan, where students are eligible for weighted funding if they qualify for free or reduced-price lunch, receive benefits from SNAP or TANF, or are homeless, migrant, or in foster care.
- Indiana, where the concentration of disadvantaged students in a district is measured based on participation in SNAP, TANF, and the state foster care program.
- New Hampshire, where students are eligible for an additional funding allocation if they qualify for free or reduced-price lunch or come from households receiving TANF or SNAP benefits.

The use of tax data to identify economic disadvantage would be cutting edge. There is currently a proposal in Ohio to measure district wealth using federal adjusted gross income as part of a funding-reform package currently under consideration. However difficulties associated with cross-agency data sharing—including privacy protections—and the easy availability of FRL data has prevented this option from becoming widely used. If the state of Colorado were to successfully implement such a policy it would be one of the, if not *the*, first in the nation to do so.

Consideration of economic disadvantage alongside ELL status

A few states other than Colorado count economically disadvantaged students and ELL students in the same category, providing weighted funding only once for students even if they meet both criteria. These states include:

- California, which provides funding through a supplemental weight of 0.20 for an unduplicated count of disadvantaged pupils, including those eligible for free or reduced-price lunch, those participating in federal assistance programs, ELLs, and foster youth.
- Louisiana, which provides funding through a supplemental weight of 0.22 for an unduplicated count of those eligible for free or reduced-price lunch and ELLs.

However, the large majority of states that provide weighted funding for economically disadvantaged students do so separately from any funding distributed for ELL. A few examples of this large group of states are:

- Oklahoma, where students who are eligible for free or reduced-price lunch and ELL students each generate funding through two separate supplemental weights, both equal to 0.25, such that a student who falls in both categories generates supplemental funding equal to 0.5 times the state's base amount.
- Kentucky, where students who are eligible for free lunch generate funding through a supplemental weight of 0.15, and ELLs generate funding through a supplemental weight of 0.096, such that a student who falls in both categories generates supplemental funding equal to 0.246 times the state's base amount.
- Maine, where students who are eligible for free or reduced-price lunch generate funding through a supplemental weight of 0.15, and ELL students generate supplemental funding through a sliding-scale weight that ranges from 0.5 to 0.7, depending on the concentration of ELL students in the district. In Maine, an ELL student who is eligible for free or reduced-price lunch can generate up to 0.85 times their district's base amount.

New Jersey's policy occupies a middle ground between the two approaches described above. The state has a poverty weight that provides funding on a sliding scale between 0.41 and 0.46, depending on the concentration of students from households whose incomes fall below 185% of the federal poverty level. The state has a separate ELL weight that provides funding through a supplemental weight of 0.47. However, when a student falls in both categories, the state reduces the weighted funding generated through the ELL weight to 0.099 times the base amount. Therefore, in New Jersey, an ELL student who is also economically disadvantaged can generate up to 0.559 times the state's base amount.

V. Conclusion

Colorado's at-risk allocation has been thoughtfully designed. It provides some additional support to every identified student from a low-income household and increases that support in districts serving needier communities. It is also laudable that Colorado provides this funding in the form of a weight, which offers districts the greatest flexibility to serve their students and eliminates the need for frequent legislative updates.

There are two areas in which Colorado might consider alternative policy approaches: the counting of economically disadvantaged students for funding purposes, and the way in which English-language learners are included in the at-risk category. Both are worthy of serious consideration for reform, but also depend on decisions made regarding other areas of the formula and overall priorities.