Year 1 Report, Volume I:
Preliminary Set of Principles to Guide Assessment and Evaluation of Colorado’s School Finance and Funding System

June 30, 2018

Richard C. Seder, Ph.D., Michael Goetz, Ph.D., and Christopher T. Cross
ACKNOWLEDGEMENTS

FourPoint Education Partners would like to acknowledge the authentic engagement of the Interim Committee on School Finance throughout the 2017 interim and the 2018 regular legislative session.

Members:
Representative Janet Buckner
Senator Bob Gardner
Representative Garnett (Chair in the 2017 Interim, Vice Chair in the 2018 Interim)
Representative Millie Hamner
Senator Owen Hill (Vice Chair in the 2017 Interim)
Representative Timothy Leonard
Representative Paul Lundeen (Chair in the 2018 Interim)
Senator Michael Merrifield
Senator Jerry Sonnenberg
Senator Rachel Zenzinger

We would also like to acknowledge the courage of the Colorado Legislature in their passage of House Bill 17-1340 to study the state’s school finance and funding system. Change requires both a willingness to do something different and the courage to do different things. Their choice to study the school finance and funding system is a critical step towards making changes to improve the effectiveness and efficiency of that system.

FourPoint would also like to acknowledge Representative Young for sponsoring HB18-1232 and the Superintendents working group who worked to create an alternative school funding formula.

Finally, we would like to express our gratitude to the Legislative Council Staff and the leadership and staff at the Colorado Department of Education for their invaluable knowledge, experience, expertise, thoughts, and insights throughout the 2017 interim and 2018 regular legislative session.
DISCLAIMER

FourPoint Education Partners has benefited from the knowledge, experiences, and expertise of several individuals and organizations over the course of the 2017 and 2018 interim sessions and the 2018 regular legislative session. All information presented in this volume and all errors are those of FourPoint Education Partners authors.
# Table of Contents

<table>
<thead>
<tr>
<th>Section</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>Acknowledgements</td>
<td>I</td>
</tr>
<tr>
<td>Disclaimer</td>
<td>II</td>
</tr>
<tr>
<td>Table of Contents</td>
<td>III</td>
</tr>
<tr>
<td>Executive Summary</td>
<td>1</td>
</tr>
<tr>
<td>Introduction: Prominence of Colorado’s School Finance and Funding</td>
<td>3</td>
</tr>
<tr>
<td>Creating a Process to Assess &amp; Evaluate Colorado’s School Finance &amp; Funding System</td>
<td>3</td>
</tr>
<tr>
<td>A. Systems Thinking: FourPoint’s Analytical Approach</td>
<td>4</td>
</tr>
<tr>
<td>1. Effectiveness &amp; Efficiency</td>
<td>4</td>
</tr>
<tr>
<td>2. Using Principles to Understand the Current School Finance and Funding System</td>
<td>5</td>
</tr>
<tr>
<td>B. Listening to Colorado Stakeholders</td>
<td>6</td>
</tr>
<tr>
<td>Expressed Principles</td>
<td>7</td>
</tr>
<tr>
<td>A. Align School Finance and Funding to Contemporary Educational Systems, Goals, Objectives, and Learning Contexts</td>
<td>7</td>
</tr>
<tr>
<td>B. Center Allocations Based on Students and Their Characteristics (not organizations/institutions)</td>
<td>8</td>
</tr>
<tr>
<td>C. Provide Every Student Access to Quality Core Learning Opportunities</td>
<td>9</td>
</tr>
<tr>
<td>D. Provide Every Student Equitable Opportunities to Achieve</td>
<td>10</td>
</tr>
<tr>
<td>E. Share Investment in Providing Learning Opportunities to Children of Colorado</td>
<td>12</td>
</tr>
<tr>
<td>F. Make the School Finance and Funding System Transparent and Understandable to Stakeholders</td>
<td>13</td>
</tr>
<tr>
<td>G. Accurately Finance and Fund Learning Needs of Students</td>
<td>14</td>
</tr>
<tr>
<td>H. Maximize Productivity and Efficiency of Learning Resources</td>
<td>14</td>
</tr>
<tr>
<td>I. Locally Control Educational Management and Methods</td>
<td>15</td>
</tr>
<tr>
<td>Next Steps in 2018: Using Principles to Inform Design of an Improved School Finance &amp; Funding System</td>
<td>16</td>
</tr>
</tbody>
</table>
APPENDIX A: ISSUES TO BE ADDRESSED BY INTERIM COMMITTEE, AT A MINIMUM  17

APPENDIX B: LISTENING ACTIVITIES  20

A. INTERIM COMMITTEE ON SCHOOL FINANCE  20
B. SUPERINTENDENTS WORKING GROUP  20
C. 2018 REGULAR LEGISLATIVE SESSION  21
   HB18-1232  21
D. COLORADO DEPARTMENT OF EDUCATION  21
E. EDUCATION LEADERSHIP COUNCIL  22
F. ADVOCACY ORGANIZATIONS  22

REFERENCES  23
EXECUTIVE SUMMARY

Colorado’s school districts, charter schools, and Boards of Cooperative Educational Services expended more than $9.4 billion in the 2017-2018 school year. K-12 education made up 19.4 percent of the state’s operating budget of $28.84 billion; and 38.6 percent of the state’s $10.62 billion general fund. Every school district’s level of funding is determined through formulaic provisions included in the Public School Finance Act of 1994. With the level of funding set, the law also includes the finance processes, procedures, and provisions by which local school district and the state government share in paying for that level of funding.

Given this prominence in state and local financing and funding, the Colorado Legislature passed House Bill (HB) 17-1340 that created a legislative Interim Committee to study school finance issues over the course of the 2017 and 2018 legislative interims and “make legislative recommendations concerning how to most accurately meet the educational needs of students through the funding of education in Colorado.” To assist the Interim Committee with its work, FourPoint Education Partners (FourPoint) proposed use of principles-focused evaluation as an analytical framework for use by the Interim Committee to assess and evaluate the effectiveness and efficiency of its school finance and funding system. This evaluation framework draws on a preliminary set of principles identified as desirable for a school finance and funding system by the Interim Committee and other Colorado educational stakeholders. Through our engagement with the Interim Committee Members and other Colorado educational stakeholders, FourPoint identified a preliminary set of nine principles that can be used to assess and evaluate the current school finance and funding system:

1. Align School Finance and Funding to Contemporary Educational Systems, Goals, Objectives, and Learning Contexts
2. Center Allocations Based on Students and Their Characteristics (not organizations/institutions)
3. Provide Every Student Access to Quality Core Learning Opportunities, Including Quality & Effective Instructional Resources
4. Provide Every Student Equitable Opportunities to Achieve
5. Share Investment in Providing Learning Opportunities to Children of Colorado
6. Make the School Finance and Funding System Transparent and Understandable to Stakeholders
7. Accurately Finance and Fund Learning Needs of Students
8. Maximize Productivity and Efficiency of Learning Resources
9. Locally Control Educational Management and Methods
If the system satisfies these principles in both its design and outcomes, then the Interim Committee might reasonably conclude that the system is designed and functioning well. Conversely, if the system does not satisfy these principles, then the Interim Committee might reasonably conclude that the system is not designed and functioning well.

This volume is the first of three volumes of the Year 1 Report and describes the analytical approach to be used to assess and evaluate Colorado’s current school finance and funding system, including further descriptions of the above-mentioned nine principles. Volume II of the Year 1 Report includes data and analyses related to the preliminary set of principles to inform the Interim Committee’s assessment and evaluation of the current school finance and funding system. To the extent that the current system is not designed and functioning well, these principles can be used to help design an improved school finance and funding system. Volume III of the Year 1 Report includes description of the issues identified in the authorizing legislation that created the Interim Committee.
INTRODUCTION: PROMINENCE OF COLORADO’S SCHOOL FINANCE AND FUNDING

More than $9.4 billion is expended by Colorado’s 178 school districts, its charter schools, and Boards of Cooperative Educational Services (BOCES) in providing learning opportunities to Colorado children. K-12 education made up 19.4 percent of the state’s operating budget of $28.84 billion—the second largest proportion of the operating budget; and 38.6 percent of the state’s $10.62 billion general fund—the largest proportion of the general fund. Colorado’s current school finance and funding system was established in 1994 with the passage of the Public School Finance Act of 1994. Every school district’s level of funding is determined through formulaic provisions included in this law. With the level of funding set, the law also includes the finance processes, procedures, and provisions by which local school district and the state government share in paying for that level of funding.

Given this prominence in state and local financing and funding, the Colorado Legislature sought to understand how school districts are financed and funded. House Bill (HB) 17-1340 created a legislative Interim Committee to study school finance issues over the course of the 2017 and 2018 legislative interims and make legislative recommendations concerning how to most accurately meet the educational needs of students through the funding of education in Colorado. The list of topics to be addressed, at a minimum, by the Interim Committee is provided in Appendix A.

CREATING A PROCESS TO ASSESS & EVALUATE COLORADO’S SCHOOL FINANCE & FUNDING SYSTEM

The Interim Committee is charged with making legislative recommendations concerning how to most accurately meet the educational needs of students through the financing and funding of education in Colorado. FourPoint recommended that the Interim Committee pursue a process that first builds understanding of the operational mechanics of the current school finance and funding formula. FourPoint worked with the Interim Committee to describe and analyze the current school finance and funding system with the assistance of Legislative Council Staff and the Colorado Department of Education. This volume is the first of three volumes that describe
and analyze the school finance and funding system; this volume sets forth the analytical approach. Volume II of the Year 1 Report puts forward data and analyses to be used to assess and evaluate the current school finance and funding system. Finally, Volume III of the Year 1 Report includes the description of the school finance and funding system topics identified in the authorizing legislation.

A. Systems Thinking: FourPoint’s Analytical Approach

Systems are considered complex when the system can be described as having many inter-related and interdependent policies, structures, processes, and relationships. Complex systems lack direct cause-and-effect interactions given their inter-related and interdependent components. Certainly, Colorado’s public education system, including its school finance and funding system, satisfy these defining characteristics of being a complex system.

FourPoint recommended an analytical approach to assess and evaluate the school finance and funding system (and the entire education system) in recognition of the Colorado’s public education system’s complexity. We operate with an understanding of the maxim: every system is perfectly designed to get the outcomes that it gets. The proposed analytical approach sought to determine the desirability of the system’s outcomes. We proposed using principles that the Interim Committee and other Colorado educational stakeholders believe should be reflected in a school finance and funding system. The Interim Committee, then, can use these principles to assess and evaluate the effectiveness and efficiency of Colorado’s current system. Therefore, if the system satisfies these principles in both its design and outcomes, then the Interim Committee might reasonably conclude that the system is designed and functioning well. Conversely, if the system does not satisfy these principles, then the Interim Committee might reasonably conclude that the system is not designed and functioning well and can seek alternatives.

1. Effectiveness & Efficiency

Operationally, FourPoint draws on systems thinking principles to define effectiveness and efficiency:

“Peter Drucker said, ‘There’s a difference between doing things right and doing the right thing.’ Doing the right thing is wisdom, and effectiveness. Doing things right is efficiency.”5
Russell Ackoff continued his articulation of the difference between effectiveness and efficiency and stated that there can be times that efforts to improve efficiency can deepen the problems of the system:

“The curious thing is the righter you do the wrong thing the wronger you become. If you’re doing the wrong thing and you make a mistake and correct it you become wronger. So it’s better to do the right thing wrong than the wrong thing right. Almost every major social problem that confronts us today is a consequence of trying to do the wrong things righter.”

Determining the “wrong” and the “right” of the Colorado school finance and funding system requires an understanding of the principles by which such determinations can be made. The principles identified by the Interim Committee and other Colorado educational stakeholders help define what would be considered an effective and efficient system.

2. Using Principles to Understand the Current School Finance and Funding System

FourPoint proposed use of the principles-focused evaluation framework to assess and evaluate the state’s school finance and funding system. Principles-focused evaluation provides stakeholders with a framework to evaluate mission fulfillment, strategy, policy operationalization and change, and complex systems design, operationalization, and change.

> “An effectiveness principle is a statement that provides guidance about how to think or behave toward some desired result (either explicit or implicit), based on norms, values, beliefs, experience, or knowledge. The statement is a hypothesis until evaluated within some context to determine its relative meaningfulness, truth, feasibility, and utility for those attempting to follow it.”

Principles are ideas or concepts that relate to the objective governing of human action and interaction, behavior, and worldview that transcend cultures, individuals, and time. This is different than values, which are judgments and beliefs that are often individualistic, subjective, and can change across cultures and time. Principles can be useful in informing choices, creating hypotheses, and making decisions. With these hypotheses identified in design, principles can be evaluated for effectiveness and efficiency in their implementation (e.g., operational processes) and understanding the effectiveness and efficiency of results of previously made choices and decisions.
The GUIDE framework that’s included in principles-focused evaluation helps define and identify high-quality principles:

- **Guidance**: provides advice and guidance on what to do, how to think, what to value, and how to act to be effective. The principle offers direction.
- **Useful**: informs choices and decisions. The utility resides in being actionable, interpretable, feasible, and pointing the way toward desired results for any relevant situation.
- **Inspiring**: incorporates and expresses ethical premises, which is what makes them meaningful. They articulate what matters, both in how to proceed and the desired result.
- **Developmental**: is adaptable and applicable to diverse contexts and over time; able to navigate complexity and uncertainty because they are sensitive and adaptable to real-world dynamics.
- **Evaluable**: is possible to document and judge whether the principle is actually being followed, and document and judge what results from the principle. In other words, evaluation allows you to understand whether following the principle takes you where you want to go.

FourPoint identified several potential principles through our work with the Interim Committee in the 2017 interim and through engagement activities during the 2018 regular legislative session.

**B. Listening to Colorado Stakeholders**

FourPoint set out to understand the values and principles desired of Colorado’s public education system, including its school finance and funding system, over the course of the 2017 interim session and the 2018 regular legislative session. A list of stakeholders and listening activities is provided in Appendix B. The principles included in this analytical framework are distilled from our listening to these stakeholders.
The Interim Committee Members and other Colorado education stakeholders identified several values and principles in meetings, hearings, conversations, surveys, and published works. Included in this section are those principles more consistently identified across Interim Committee Members and other Colorado education stakeholders. The Interim Committee can use these principles to assess and evaluate the current school finance and funding system. Included within the description of each principle are assessment and evaluation questions.

**Principle 1: Align School Finance and Funding to Contemporary Educational Systems, Goals, Objectives, and Learning Contexts**

Interim Committee Members and Colorado education stakeholders desired a school finance and funding system that aligns to other parts of Colorado’s contemporary educational system, including the goals, objectives, and learning contexts. A finance and funding system that is coherent with the other parts of the public educational system would serve to strengthen the entire educational system. When inter-related parts of a system are aligned well, the functioning of the system is greater than the sum of its parts.

Since adopting the Public School Finance Act of 1994, Colorado policymakers have pursued several policy initiatives designed to improve the quality of Colorado’s public education system. The expansion of charter schools, iterations of state standards with the most recent being the adoption of the Common Core State Standards as part Colorado Academic Standards in 2010, alternations to the assessments used to measure the impacts on student learning, and adoption of graduation guidelines are a small sample of significant changes to the public educational system since 1994.

*How effectively and efficiently does Colorado’s school finance and funding system align with contemporary learning contexts?*

*How does the overall education system create coherence so as to realize the whole being greater than the sum of its parts?*

That other parts of the educational system have significantly changed and the educational contexts have changed raises questions about whether and how the finance and funding
system is either effective—*doing the right things*—or efficient—*doing things right*—in accomplishing its purpose within the larger educational system. The school finance and funding system can be efficient in how it operates while being ineffective, and vice versa.

Additional changes to school finance and funding have been made through categorical programs and other educational and operational programs to address particular system needs over time. In reviewing these changes, the Interim Committee might consider whether those changes have made things better or worse, as a whole.

**Principle 2: Center Allocations Based on Students and Their Characteristics (not organizations/institutions)**

The Interim Committee and Colorado educational stakeholders consistently desired a school funding system that is “student-centered.” The Superintendents working group promoted their funding model as being student-centered, i.e., a formula that recognizes student enrollment and characteristics and sets funding levels according to those students and their characteristics. These types of funding mechanisms can set districts’ funding levels through formula-based adjustments or through out-of-formula programmatic adjustments, e.g., categorical programs.

```
How effectively and efficiently does the school finance and funding system center itself on students and their characteristics?

How does the overall education system allocate learning resources based on the number of students and their characteristics?
```

The argument for having a student-centered school funding system is that students are the core unit of learning in the educational system. Put another way, students are those with direct lived experiences and most directly impacted by the educational system. In assessing and evaluating Colorado’s school finance and funding system, to what extent does the current funding system set funding levels and distribute funds based on students and their characteristics as opposed to the characteristics of organizations—schools and school districts?
Principle 3: Provide Every Student Access to Quality Core Learning Opportunities, Including Quality & Effective Instructional Resources

Interim Committee Members and other Colorado educational stakeholders expressed a desire that every child have equitable access to core learning opportunities, including quality and effective instructional resources. Among the many factors that contribute to in-school student learning opportunities are the availability and access to quality core learning resources—a combination of instructional and non-instructional support resources.

How effectively and efficiently does the school finance and funding system provide opportunities to students to access quality core learning opportunities, including quality & effective learning resources?

How does the overall education system provide for quality core learning opportunities, including quality & effective learning resources?

Those core learning opportunities can also be seen as a “base” set of learning resources that provide every student with the same opportunities to learn to the expected standards and outcomes. In school finance and funding systems, this principle is consistent with the idea of equality, the notion that all students in the state are the same. Using the analogy of a 100-meter race, every student is provided the same basic opportunities (a verified 100-meter track, starting blocks, shoes, timer) to run a quality race (see Figure 1).

Figure 1. Equitable access to run a quality race

Source: Photo courtesy of https://www.nerdfitness.com/blog/superhumanspeed/
All runners are provided with an equal starting line with the same expectations of running 100 meters with each runner provided the opportunity to accomplish the task of running the required distance. The race remains the same for all runners and considered to be fair given no extenuating circumstances.

Turning back to funding of learning opportunities, a base funding level that would be applied to all students that can then be translated into core learning and support resources, most notably human resources such as teachers who can serve a critical role in student learning in schools. These learning resources include, but are not limited to, human capital resources (e.g., teachers, administrators, instructional and pupil support, etc.) and operational and capital resources (e.g., instructional materials, technology, etc.); the quantity and price of learning resources associated with providing a strong core of learning activities. In other words, every student in the state would generate the same base level of funding to provide all learners with quality and effective core learning resources available as the foundation of their learning.

**Principle 4: Provide Every Student Equitable Opportunities to Achieve**

The Interim Committee Members and other Colorado educational stakeholders recognized that not every student comes to school with the same previous or out-of-school learning opportunities. While Interim Committee Members desired equality in providing every student the funding reflective of quality core learning opportunities as if every student was the same, the recognition of variation in previous student learning is important. The achievement of expected standards and outcomes is typically more difficult for some vulnerable students.

How effectively and efficiently does the school finance and funding system provide equitable opportunities for every student to achieve?

How does the overall education system provide for equitable opportunities to achieve?

In school finance and funding systems, the principle of equity (versus equality) recognizes the differences in student experiences and adjusts the learning resources to those students to provide them a fair opportunity to achieve expected standards and outcomes. Drawing again on track and field as an analogy, this could be compared to the use of a staggered start in middle-distance runs such as the 400-meter race (see Figure 2).
A runner in lane 8 on a 400-meter track would need to run 453.66 meters if he/she started at the same start line as the runner in lane 1. This would not be considered a fair race.

Instead, the race is made more fair by staggering the starting lines for each lane given the additional distance needing to be run by those runners. Similarly, some students in Colorado’s educational system face a longer race to achieve the expected standards and outcomes given their prior learning experiences, many of which are beyond their control. The principle of equity would work to get those students to the staggered start such that they are running the same 400-meter race as similarly able students.

And for other students who have differing abilities, the principle of equity provides them opportunities to succeed beyond what could reasonably be achieved through equal learning opportunities (see Figure 3).
In assessing and evaluating Colorado’s school finance and funding system, to what extent does the system provide additional learning resources to provide every student the opportunity to achieve the desired standards and outcomes?

**Principle 5: Share Investment in Providing Learning Opportunities to Children of Colorado**

The Interim Committee Members and other Colorado educational stakeholders recognized the public benefits associated with education. Research evidence suggests that a more educated population is correlated with long-term societal benefits such as reduced need for income assistance, increased public health, decreased crime and incarceration, and increased economic productivity and value.⁸
For these reasons, communities and their policymakers articulated a principle of sharing investment in the public education system.

**How effectively and efficiently does the school finance and funding system share investment between local and state revenues in providing learning opportunities to the children of Colorado?**

**How effectively and efficiently does the school finance system treat taxpayers in financing learning in Colorado?**

In further articulating the principle of shared investment, Interim Committee Members and other Colorado educational stakeholders indicate the principle that local investments in the public education system should be fair across the state’s school districts. That is, taxpayers should be treated fairly by the tax system regardless of where they live in the state.

**Principle 6: Make the School Finance and Funding System Transparent and Understandable to Stakeholders**

The Interim Committee and other Colorado educational stakeholders indicated a desire to have the school finance and funding system transparent and understandable, especially with an estimated $9.4 billion spent on public education in Colorado in the 2017-18 school year.

**How transparent and understandable is the school finance and funding system to Colorado stakeholders?**

**How transparent and understandable is the overall education system to Colorado stakeholders?**

Transparency might mean that the formulas, processes, and procedures are accessible, user-friendly and clear, with disclosures of all assumptions. To aid in the transparency, the system is understandable to the average stakeholder, even if conceptually.
**Principle 7: Accurately Finance and Fund Learning Needs of Students**

The Colorado Legislature indicated a desire to have the school finance and funding system accurately meet the educational needs of students. This was a charge put to the Interim Committee in HB17-1340. The inclusion of this principle in the authorizing legislation indicated a desire to provide the appropriate learning resources to meet student needs.

How effective and efficient is the school finance and funding system in accurately meeting the learning needs of students?

How accurate is the overall education system in meeting the learning needs of students?

Accuracy is defined as the distance between a measured value to a known standard. This principle might be thought of as related to other principles, such as the desire for the school finance and funding system to provide every student access to quality core learning opportunities and to provide every student equitable opportunity to achieve.

**Principle 8: Maximize Productivity and Efficiency of Learning Resources**

The Interim Committee Members and other Colorado educational stakeholders identified the responsibility to taxpayers that funds be allocated and used well. Though shared investment in the public education system was valued, the responsibility to taxpayers was also significant. They identified a desire for the productive use of funding (read: maximizing learning outcomes) through the provision of quality learning opportunities for all students and making efficient use (doing things right) across the entire state.

How effectively and efficiently does the school finance and funding system provide meaningful information about the allocation of learning resources?

How effectively and efficiently does the overall education system provide meaningful information about the effectiveness and cost-effectiveness of learning strategies?

To support improving productivity and efficiency, Interim Committee Members and other Colorado educational stakeholders desire direct feedback mechanisms within the school.
finance and funding system. The principle of transparency is related here in a desire to understand how financial resources are translated into learning resources, the effectiveness of those strategic choices, and the cost-effectiveness of different strategies across the state.

Systematic feedback mechanisms might include making available understandable reports of performance outliers (i.e., positive deviants), findings from research and evaluation of educational strategies from across the state, and/or the results from continuous improvement methods. These types of systematic feedback mechanisms might also systemically accelerate learning across the state and thereby improve the productivity and efficiency of educational resources.

**Principle 9: Locally Control Educational Management and Methods**

The Interim Committee Members and other Colorado educational stakeholders articulated the principle that local communities have primary responsibility for educational management and methods. James Guthrie, a prominent education policy scholar, described the “5 Ms” of educational system responsibilities as being balanced between the state government and local school districts. The 5 Ms of educational system responsibilities and the level of government with primary responsibility include:

- **Models** of learning (e.g., standards) – State primary responsibility
- **Measures** of learning (e.g., assessments, standardized reporting definitions) – State primary responsibility
- **Money** (e.g., setting the level of funding levels and financing mechanisms for schools/districts) – State primary responsibility
- **Management** (e.g., supervision of schools) – Local districts primary responsibility
- **Methods** (e.g., educational strategies) – Local districts primary responsibility

Colorado has a strong tradition of local control where struggles over these five responsibilities continue to play out.

> How effectively and efficiently does the school finance and funding system provide control of management and methods to local stakeholders?

> How does the overall education system enable or constrain local control of management and methods?
Categorical program funds typically have administrative requirements of one form or another compared to general operating funds. These administrative requirements can range from reporting how the funds were used (with varying levels of detail) to restricting the types of resources, activities, or even types of students for which the funds can be used.

**Next Steps in 2018: Using Principles to Inform Design of an Improved School Finance & Funding System**

The identification and use of principles can be a powerful way to assess and evaluate a current system. In addition, these principles can be used to think about how and in what ways the school finance and funding system can better reflect these principles.

Looking forward, the Interim Committee is left to address the prioritization of these principles as some of them can seemingly conflict. More fundamentally, the Interim Committee and the full Legislature are left to decide whether the existing school finance and funding system can be made more effective and efficient through incremental improvements to the system (first-order change), or must that only happen through more transformational change (second-order change), e.g., finance and funding mechanisms, governance, and monitoring, evaluation, and accountability?
APPENDIX A: ISSUES TO BE ADDRESSED BY INTERIM COMMITTEE, AT A MINIMUM

Cost benefit analysis. The interim committee is expected to study the costs and benefits of the requirements imposed on Colorado school districts and public schools by state and federal laws, and the relative value of and return on resource investment across the time frame of a student's education career.

Available resources. The interim committee shall take into account all existing federal, state, and local resources used to fund elementary and secondary education, the total amount available to fund public education in each school district in the state, in aggregate, and per pupil.

Identification of At-Risk students. The interim committee shall develop an appropriate, accurate method for identifying students who, because of their life circumstances, are in greater need of services and supports to give them opportunities equal to those of their peers in order to achieve their academic potential.

Per-pupil student-based allocation of school funding. The interim committee shall determine a formula for the allocation of funding for each public school student on a per-pupil basis that consists of a base amount, plus additional funding allocations associated with particular attributes of each student, to be used to provide educational programs to address students' particular attributes, and based on the particular attributes of students as follows:

1. Allocations based on the following grade levels: preschool; kindergarten; grades one through five; grades six through eight; and grades nine through twelve.
2. Allocations based on a student's eligibility for free or reduced-price meals under federal law, taking into account the varying eligibility levels specified in federal law. In considering this allocation, the contractor must assist the interim committee to consider the extent to which a school district or charter school uses the additional state allocation and federal money, including money received pursuant to Title I of the federal "Elementary and Secondary Education Act of 1965", 20 U.S.C. sec. 6301 et seq., as amended, to provide services for at-risk pupils as defined in section 22-54-103, C.R.S., as demonstrated by the school's level of performance on state assessments and the school performance plan.
3. Allocations based on a student's identification as an English language learner, as defined in Section 22-24-103, C.R.S., and taking into account a student's exit from an English language proficiency program.

4. Allocations based on a student's identification as having a significant reading deficiency and requiring reading interventions pursuant to Section 22-7-1205, C.R.S.

5. Allocations based on a student's status as being a child with a disability as defined in Section 22-20-103, C.R.S. The contractor may assist the interim committee to consider different allocation amounts within this category based on a student's specific disability.

6. Allocations based on a student's participation in career and technical education programs or concurrent enrollment pursuant to Article 35 of Title 22, C.R.S.

Allocations based on school district attributes. In addition to student-based allocations, the interim committee is required to study and evaluate allocation methods for school finance that account for differing attributes of school districts as follows:

1. the number of students enrolled in the school district;
2. whether the school district is rural as defined by rule of the Colorado State Board of Education;
3. whether the school district is increasing or decreasing in enrollment; and
4. the cost of living and personnel costs within the school district.

Categorical program funding. The interim committee shall study the elimination of direct funding for categorical programs and evaluate the efficacy of distributing categorical program funding on a per-pupil basis throughout the state, using allocations added to the statewide per pupil base funding amount for each eligible student, and ensuring that categorical allocations are used to provide educational programs related to the categorical program, including high-quality educator professional development.

Transportation funding. The interim committee is required to identify strategies for funding transportation for students enrolled in all public schools in a manner that can be included within the school finance funding formula, including consideration of total mileage traveled on a per-pupil basis.

Determining enrollment. The interim committee is required to examine alternative methods for counting enrolled students for purposes of per pupil funding.

School district organization. The interim committee is required to consider issues of school district organization, including school district size based on pupil enrollment, and the geographic location of school districts.
Local sources of school funding. The interim committee is required to evaluate the level of funding for education that is available from local resources available to each school district, charter school, and institute charter school, and the amount of local resources that each receives, including consideration of:

1. the amount of property tax revenue each school district annually collects from the total program mill levy and additional authorized mill levies for operating purposes, disaggregated by residential property tax revenues, business property tax revenues, and revenues from taxes on mineral resource extraction;
2. strategies for equalizing mill levies in school districts and public schools across the state;
3. the methods and timing for calculating assessed property valuation related to mineral extraction; and
4. other sources of funding for public education available to each institute charter school and each school district, or available to schools of a school district, including district charter schools, individually or by campus, and the amount received from each source.

Capital construction needs. The interim committee is required to study the capital construction needs of each school district, district charter school, and institute charter school, including school districts' capacity to issue bonds and the relationship of bonding capacity to the ability to obtain authorization for other mill levies, and whether there are areas of student enrollment growth or decline within the state public education system.
APPENDIX B: LISTENING ACTIVITIES

A. Interim Committee on School Finance

The Interim Committee on School Finance met five times in during the 2017 interim session to discuss those issues identified in the authorizing legislation and other issues identified by the Interim Committee. The Interim Committee meeting dates and agenda items for the 2017 interim session include:¹

- July 24, 2017
  - Overview of Interim Committee charge and deadlines; organizing the work; staff resources; calendar of activities
- September 27, 2017
- November 9, 2017
  - Enrollment counts; district adjustments; federal resources
- December 15, 2017
  - State and local revenue generation; identification of at-risk students; categorical program funding (including transportation); per-pupil student-based allocation
- January 9, 2018
  - Capital construction; school district organization

FourPoint also sought the thoughts, perspectives, and insights from the Interim Committee members through a questionnaire. The questionnaire included questions related to the school finance (revenue generation) and funding (allocation), the perceived effectiveness and efficiency of those systems, and the desired values and principles related to these systems.

B. Superintendents Working Group

Colorado’s school district superintendents decided at their 2016 annual meeting to create a new school funding formula that they believed would better serve Colorado’s school districts. Work to create a new formula began in December 2016 by a group of superintendents representing the diversity of contextual factors across Colorado’s school districts—large and small; west slope and eastern plains; and urban, suburban, and rural.⁹ In its final form, 171 of Colorado’s 178 school district superintendents supported the proposed funding formula. The proposed funding formula only addressed the distribution of dollars to school districts designed

¹ In addition, an Interim Committee subcommittee met on August 23, 2017 to discuss vendor proposals.
on an assumption of additional revenues of between $1.4 billion and $1.7 billion to be approved by Colorado’s voters.

The Superintendents working group presented their proposed formula to the Interim Committee at the January 9, 2018 meeting. The Superintendents working group’s proposed formula was introduced as a bill in the 2018 legislative session by Representative Young as HB18-1232.

C. 2018 Regular Legislative Session

FourPoint attended several House Education Committee meetings during the 2018 legislative session to listen to bill hearings related to college and career readiness, accountability, and monitoring and evaluation, to name a few, as each can have implications for school finance and funding. In addition, FourPoint continued to meet with Interim Committee Members to gather and understand perspectives of the current school finance and funding system and the opportunities to design an improved system.

HB18-1232

Representative Young, along with Senator Coram and Senator Kerr, introduced HB18-1232 that sought to create a “New School Funding Distribution Formula.” The new formula, based on the work the Superintendents working group, would have replaced the existing formula contingent on voter approval of a ballot measure that increases state revenue specifically for preschool through high school. FourPoint attended the House Education Committee hearing of HB18-1232 on April 2, 2018 where the bill was discussed and testimony provided by bill supporters, including school district superintendents, school board members, boards of cooperatives educational services, and other members of the Colorado education community.

FourPoint also listened in on additional discussion of the bill by the House Education Committee on April 25, 2018. The House Education Committee voted to postpone the bill indefinitely at the request of Representative Young.

D. Colorado Department of Education

FourPoint worked collaboratively with the Colorado Department of Education throughout the 2017 interim and 2018 legislative session to understand the technical mechanics of Colorado’s school finance and funding system, including the administration and funding of different state and federal categorical programs.
E. Education Leadership Council

Governor Hickenlooper created the Education Leadership Council (ELC), a nonpartisan, multi-stakeholder council through Executive Order in 2017 to develop a unified, nonpartisan blueprint for the state’s educational system, from early childhood through the workforce. The ELC’s continuing work to create an educational system blueprint has implications for the design and implementation of a school finance and funding system. The ELC has met five times since August 2017—August 15, 2017; October 23, 2017; December 8, 2017; January 26, 2018; and April 9, 2018.

F. Advocacy Organizations

In addition to listening to the Interim Committee Members, the larger Colorado Legislature, and stakeholders through testimony presented to the Interim Committee and House Education Committee, FourPoint retrieved and reviewed the work being done by Colorado’s advocacy community. These organizations bring together stakeholders across the state around shared interests and public policy issues. Examples of organizations whose education-related work that FourPoint has retrieved and reviewed include (but is not limited to): Great Education Colorado; RISE Colorado; Colorado Education Initiative; Ready Colorado; Independent Institute; Colorado School Finance Project; Padres y Jovenes Unidos; Colorado Children’s Campaign; A+ Colorado; and more traditional educational stakeholder organizations such as the Colorado Association of School Boards, Colorado Association of School Executives; and the Colorado Education Association.
REFERENCES

1 Calculation performed by FourPoint Education Partners based on school districts expenditures data provided by the Colorado Department of Education.


5 Ackoff, R. (2001). Retrieved from: https://www.youtube.com/watch?v=MzS5V5-0VsA


7 Ibid.
