Four ways that tinkering with Colorado’s school funding formula could impact the state’s districts

Lawmakers are nailing down the first draft of the 25-year-old formula’s proposed makeover, but the push for change is far from complete.

DEC 16, 2019 5:05AM MST

Erica Breunlin

Colorado’s 25-year-old school funding formula is one step closer to a
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makeover many argue has long been needed, but lawmakers are still pinning down exactly how changes they’re considering would impact the state’s 178 school districts.

Lawmakers released a bill draft on Friday outlining proposed changes to the formula, including scaling back how much cost of living influences district funding and how dollars flow to districts for students who are low income, are English language learners or who have special needs.

Critics of the formula, known as the Public School Finance Act of 1994, characterize it as an outdated mechanism that doesn’t adequately address the cost of educating students or distribute money among districts equitably.

The bill draft, which would put a new funding formula into effect in the 2021–22 budget year, follows about three years of conversations and debates by the Legislative Interim Committee on School Finance about how to tweak the formula. The 10-person committee, composed of five Democratic and five Republican legislators, built up momentum in October when it passed a motion to draft legislation that would revise the factors dictating how state dollars are divided up among districts.

Progress has been made, but the conversations and debates continue.

The motion pushed forward by the committee in October included the creation of two drafts by the committee’s leaders.

On Monday, the committee will meet to review the formula changes outlined in the bill draft and will listen to two sets of proposals offered up by Rep. Julie McCluskie, committee chairwoman and a Dillon Democrat, and Sen. Paul Lundeen, committee vice chairman and a Colorado Springs Republican.

Each proposal will follow the same changes to the formula, but, using a simulation tool, McCluskie and Lundeen will apply different weights to...
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factors within the formula, which will produce different outcomes for district funding.

State Rep. Julie McCluskie, D-Dillon, works in her office at the Colorado Capitol, using a simulation tool developed by national nonprofit EdBuild to explore how changes to the state’s school funding formula would impact districts across the state. (Erica Breunlin, The Colorado Sun)

Leading up to Monday’s meeting, what McCluskie and Lundeen can agree upon is the need for changes that will transform the formula into a funding mechanism that distributes dollars fairly and better prioritizes students and their learning needs.

McCluskie said she is excited to bring an old formula into the 21st century and work on a formula that “demonstrates our values, our commitment to individual student need, and our hope that we can be more equitable in funding our schools and classrooms.”

Lundeen said the draft bill has the potential to force a “paradigm shift” in how the state looks at funding public education as it replaces a system
focused on the adults and institutions providing education with one centered on students.

He envisions the new formula as a more flexible one that better equips the state to respond to changing student populations and address students’ needs as they move from grade to grade.

State Sen. Paul Luedeke, R-Colorado Springs, is helping draft changes to the state’s 25-year-old school funding formula in order to make it more equitable and focused on students. (Jesse Paul, The Colorado Sun)

While Monday’s meeting will focus on the two presentations and will give committee members a chance to discuss possible formula changes, they’ll meet again in January to potentially vote on concrete changes to pursue in the draft, McCluskie said.

Here are four consequences that changes to the school funding formula could have for districts.

**Districts would be ‘held harmless’ at the outset of the new formula**
Lawmakers acknowledge that establishing a new school funding formula could end up funneling fewer dollars to some districts than they currently receive.

To help those districts ease into that reality, the bill draft contains a “hold-harmless” provision. During the first year the new formula would be implemented, any district on track to net less state money than it did under the current formula would be given additional funding to make up the difference.

In the second year of the new formula, a district would be awarded half the amount of that difference and by year three, each district will be subject to the new funding formula entirely.

McCluskie was cautious in commenting on specifics about the bill draft since specific weights still must be set for each factor, but she noted that the hold-harmless provision as written in the bill draft will be doable depending on what the differences in funding for individual districts look like.

Lawmakers will have to be thoughtful about giving districts a break with the hold-harmless provision for two years, based on the funding amounts created by the new formula, McCluskie said.

Lundeen would prefer to take a faster approach and backfill for only one year so that the new formula would be in full effect sooner.

**Cost of living would take on new meaning**

A cost-of-living factor within the formula determines how more than $1 billion in state funding will be allocated to districts, lawmakers said. The factor, which distributes money to a district based on its relative cost of living, accounts for about 15% of the entire formula.
Within the bill draft, legislators recommend establishing “an eligibility threshold” that would determine which districts would receive cost-of-living funding — specifically those that truly have a higher cost of living than other districts.

The amount within the new threshold has yet to be defined.

Currently, all Colorado school districts are given funds for cost of living, and that factor is a larger portion of the funding formula than it is in other states, according to McCluskie.

The new approach would decrease the total amount of funding earmarked for cost of living and would have stricter rules around which districts would receive it.

That would potentially free up dollars for a student support factor, which would be a flat dollar amount divided by every single Colorado student, McCluskie said.

McCluskie is committed to keeping a cost-of-living factor in the formula, noting that it’s purposeful in helping pay teachers a living wage.

“The cost-of-living factor should really be designed to recruit and retain educators in the communities where they live,” McCluskie said.

Lundeen, however, would prefer to remove cost of living from the funding formula and invest the more than $1 billion into students.

**Students who are low income, qualify as ELL or have special needs would be funded more intentionally**
Through the new formula, lawmakers would redefine what it means to be an at-risk student as well as how districts are given funds for English-language learners and those with special needs.

Districts with more at-risk, ELL or students with special needs receive more money, though other factors like cost of living can affect how much total funding a district is given.

In the current formula, at-risk students only include those who qualify for free lunch along with some ELL students. Within the new formula, at-risk students would also incorporate those eligible for reduced price lunch, which would increase the total number of students considered at risk.

In the new formula, students who qualify as ELL and as at risk can be funded for both.

Lundeen prefers to count at-risk students through a method known as direct certification, which refers to people reliant on food stamps and other government assistance. He believes that approach would be less of an administrative burden for school districts and would provide better data for the state to work with.

McCluskie supports adding direct certification to the definition of at-risk students while also ensuring it refers to students who get free and reduced price lunch.

When it comes to ELL students, the new formula would break those students out as their own factor in the formula. The state would distribute funds to districts based on their ELL enrollment numbers, awarding them the same amount of money for each ELL student regardless of their language proficiency, for a maximum of five years per student.

Lundeen is a proponent of funding ELL students for three years total in explaining “we need to be careful that this isn’t just additional money that
rolls in and rolls in and rolls in.”

He added that there is a legitimate debate about how long it should take to get a student to English language proficiency.

McCluskie is encouraged by the proposal to bring ELL into the formula, but would prefer to fund ELL students according to where they’re at in learning English as that dictates the level of resources they’ll need.

The new formula would make funding for students with special needs more precise, establishing three tiers of funding related to different levels of disabilities.

Currently, two tiers of special education funding exist in the formula along with a grant program for students with severe needs, according to Lundeen.

The new formula would simplify funding for students in special education, Lundeen said, and would give the state a more flexible approach to better ensure all students are being served adequately.

McCluskie said the state does not adequately fund special education in the current system, noting that most districts likely fill in the gaps of special education funding with general fund dollars.

She said she aims to collaborate with Colorado’s Consortium of Special Education Directors as lawmakers clarify definitions for the tiers and decide how much funding to attach to each one.

The formula would allocate more money to rural districts

Lawmakers recognize the difficulties rural districts face in covering the education costs, partly due to fewer resources at their disposal.
The bill draft carves out more money for smaller, rural districts through a factor based on remoteness. Rural districts located more than 25 miles from an urban area will receive more funding.

Under the current formula, all school districts receive extra money through a size factor based on district enrollments.

“And that really doesn’t make sense,” McCluskie said, stressing that smaller districts deserve additional money.

“We’re a rural state,” Lundeen said. “We want to support our rural communities. We want to support our rural students, and this is a way to do that.”

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