FINANCING COLORADO’S FUTURE: Assessing our school finance system
Introduction and Background

Over the last decade, Colorado has emerged as a national leader in crafting innovative solutions for challenges facing its public school system. From implementing the Colorado Student Assessment Program (CSAP) and No Child Left Behind (NCLB) reforms to more recent legislation including standards and assessments for a preschool-through-college framework,1 school and district accountability and accreditation requirements2 and teacher evaluation systems tied to student performance,3 Colorado’s education policies and schools are deeply focused on innovation and accountability. Despite this progress, one part of the state's public policies hasn’t kept up; it has been nearly 20 years since Colorado revamped and modernized its school finance legislation. The state’s School Finance Act (SFA) was last overhauled in 1994. While Colorado is strategically moving ahead on education policy reform, the issue of school finance remains largely unchanged and outdated in many areas.

About the School Finance Partnership

The Colorado Children’s Campaign, a nonprofit research and advocacy organization with education expertise, convened a diverse group of education leaders, education reform advocates, elected officials and business leaders to form the School Finance Partnership (SFP or the Partnership) in the spring of 2011. The purpose of the SFP is to examine how Colorado currently funds its public schools and to propose innovative recommendations to the state’s policymakers for a comprehensive overhaul of Colorado’s school funding system. The Partnership seeks a defined connection between the student outcomes schools are expected to achieve, the resources that are provided to schools and how schools are funded to reach those targets.

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1 Senate Bill 08-212 and Senate Bill 09-256
2 Senate Bill 09-163
3 Senate Bill 10-191
The School Finance Partnership is made up of two committees:

A **Steering Committee**, which holds the decision-making authority and comprises 16 executive leaders who represent the convening organizations, education stakeholders (such as teachers and school administrators), business leaders, legislators and school reform advocates.

A **Partnership Committee**, which is open to all executive or senior-level leaders of interested organizations, and provides broad insight and feedback to inform recommendations made by the Steering Committee.

The Partnership is co-chaired by Chris Watney, president and CEO of the Colorado Children’s Campaign; Cary Kennedy, the City of Denver’s Chief Financial Officer and Bob Deibel, president and owner of OfficeScapes.

The Steering Committee is composed of the following organizations and individuals:

- Colorado Association of School Boards, represented by Ken DeLay
- Colorado Association of School Executives, represented by Bruce Caughey
- Colorado Education Association, represented by Tony Salazar
- Colorado Forum, represented by Kara Veitch
- Colorado Legacy Foundation, represented by Helayne Jones
- Colorado Succeeds, represented by Tim Taylor
- Denver Metro Chamber of Commerce, represented by Kelly Brough
- Donnell-Kay Foundation, represented by Tony Lewis
- Great Futures Colorado, represented by Lisa Weil
- Barbara O’Brien, Piton Foundation, early childhood education representative
- Paul Teske, University of Colorado, Denver, School of Public Affairs, higher education representative
- Tom Massey, state representative (R-Poncha Springs)
- Michael Johnston, state senator (D-Denver)
- Chris Watney, chair of the School Financial Partnership, and president and CEO of Colorado Children's Campaign
- Cary Kennedy, chair of the School Financial Partnership, and CFO of the City of Denver
- Bob Deibel, chair of the School Financial Partnership, and president and owner of OfficeScapes.

The School Finance Partnership Steering Committee began meeting in April 2011 and met semi-monthly through December 2011. During that time, the group examined a wide range of topics associated with school funding, heard nearly 20 expert presentations and engaged in a substantial amount of discussion and debate. Recommendations were finalized by the Steering Committee in early January 2012, and this report was approved in July 2012.
School Finance Partnership Principles and Recommendations

The recommendations developed by the School Finance Partnership are the result of a full-consensus model, where all present members of the Steering Committee agreed to each recommendation and, ultimately, to the full set of recommendations. The recommendations were developed through intensive learning processes, including presentations from national experts and analysis of research about the current school finance structure and potential alternatives. There was also strong discussion, compromise and collaboration by all participants. Although bringing together a diverse group of stakeholders with a wide range of perspectives was a bold endeavor, the common values and goal the group established – providing a high-quality education for every student in Colorado – led to the development of a robust set of recommendations that the Partnership believes will lead to critical changes in the way Colorado funds its schools.

Overarching Principles

An effective school funding system must be innovative, sufficient, equitable and aligned with student outcomes. But our current system is not wholly meeting any of these objectives. For this reason, the Partnership established a set of recommendations that lays the foundation for creating a new School Finance Act that will foster innovation, equality and sufficiency and be directly aligned with student outcomes.

- **Principle 1:** In making funding adjustments to the State Education Funding System, the state should use the most recent and research-supported data and methodology in order to best achieve state goals.

- **Principle 2:** When the foundational per-pupil funding is sufficient, separate funds for targeted programs should only be included when absolutely necessary. We should strive to reach outcomes for all students rather than increasing numbers of fragmented funding streams.

- **Principle 3:** The state should promote the development of incentive programs that build a culture of continuous quality improvement and accountability for Colorado schools.

- **Principle 4:** The funding system should provide every incentive to look for the most efficient and effective ways to reach outcomes.
Recommendations

A. Aligned and Accountable

A School Funding System Based on Continuous Quality Improvement

In order for our education system to succeed, it is vital we fund it in a way that drives and promotes the best possible outcomes for our schools and our students. The school accountability framework developed by the Colorado Department of Education establishes performance expectations and accountability measures for districts and schools. It was constructed on the principle that schools should function on a continuous quality improvement model. Such a model provides flexibility for local districts and schools to develop and implement programming and curriculum that suits the needs of their students, while also requiring a system of ongoing evaluation to ensure programs and schools are effective and drive the outcomes the programs intend. Where there is excellence and improvement, there must be evaluation and the opportunity for replication, and where there are struggles, there must be assessment and intervention measures in place. If this is the way we expect our schools to function operationally, we should expect the same when it comes to funding our schools.

Accountability for Schools and Districts

A.1. Guiding Principle: Low-performing districts should come under more oversight than high-performing districts.

With a goal of continuous quality improvement, it is important that districts are held accountable for the performance of their schools and are also supported when improvement is necessary. Schools and districts should be empowered to develop innovative programs and initiatives tailored to meet the needs of their students. But there also must be strong accountability measures in place to ensure that programs are helping students succeed and that resources are being used efficiently and effectively. For schools and districts whose performance falls below certain levels or whose programs are not proven to be effective, more oversight should be established. In essence, flexibility should be granted to schools and districts across a continuum, where the highest performing schools and districts receive the most flexibility, and the lowest performing receive the most oversight, including technical assistance where it could be helpful.

*SB 09-163; Colorado Department of Education, 2012*
Funding Schools

A.2. **Guiding Principle:** The state should encourage districts to develop allocation methods in which a portion of funding follows students to the public schools they attend.

A.2.1. School leaders should have a large role in budgeting and resource allocation within their schools.

A.2.2. The state should ensure that expenditures at the state-, district- and school-levels are publicly available for review. Funding to build the capacity for districts to accomplish this transparency should be provided through the State Education Funding System. The purpose of this is to compare district and school expenditures. Note: This is a modification of the Transparency Act (§44-22-301 C.R.S. (2010)).

A.2.3. The state should ensure that additional funding for student characteristics is spent on those students or programs.

A state education funding system that identifies and delivers additional funding designed to meet the needs of certain students holds an inherent interest in seeing that those resources are spent on the individual children they are intended to serve. Currently, funding comes from adjustments made in state and federal formulas to provide additional resources to students with particular needs (e.g., children who are at-risk or English Language Learners). It is important that funding from those types of adjustments results in services going to those students who need the additional support. Furthermore, allocating funding directly to schools based on student need contributes to increased transparency and accountability. In order to ensure dollars allocated support the populations for which they are intended, a portion of those dollars should flow directly to the schools providing those additional supports and services; however, it is not the intention that these changes are formed through state-wide voucher systems.

Additionally, transparency and efficiency in school funding are essential tools for improving student outcomes. How the state, districts and schools spend public money should be information that is easily accessible to parents and taxpayers. While districts are already required to make school-level expenditures available to the state, this type of information has not often been made easily accessible to the general public.

Finally, in order to foster innovation and autonomy, school leaders should be encouraged to play a more central role in budgetary decisions for their schools. While there are certain resource allocations most appropriately made at the district level, there is benefit in training and empowering school leaders to have greater responsibility in managing the budgets of the schools they run. However, in considering budgeting at the school level, it is also imperative to take into account the capacity of school leaders and the significant responsibilities they currently have. This issue points to the need for increased resources and support, in addition to training for school leaders in the area of budgeting and allocation of resources.
Building a Continuous P-20 Pipeline

In the past several years, Colorado has undertaken a rigorous effort to frame education as a continuous process from preschool through higher or post-secondary education (“P-20”). As part of this effort, the state has established policies intended to help students transition successfully from one stage to another and to begin erasing the separations that exist. It is critical that our funding system reflect those policy changes and fund education as a seamless pipeline, rather than as one with unnecessary silos.

Due to financing for early childhood learning, K-12 public education and public higher education has not kept up with the reshaping of the P-20 system, and separate categories of funding still exist. One area in which the state should address the structure of a continuous education pipeline is by supporting quality early childhood education to ensure kindergarten readiness so that all students are able to successfully transition into the next stage of the system.

Early Childhood Education

A.3. **Guiding Principle:** The State Education Funding System should support quality early childhood education to ensure kindergarten readiness and ease transitions through the system so that all students are college and career ready and are prepared to successfully move into post-secondary and/or workforce programs.

A.3.1. The State Education Funding System should provide for full-day kindergarten for all families who choose it.

A.3.2. The State Education Funding System should provide for full-day, quality preschool for all at-risk 4-year-olds.

A.3.3. The State Education Funding System should provide for half-day, quality preschool for all at-risk 3-year-olds.

A.3.4. Funding for preschool in the State Education Funding System should recognize that community preschool providers are a critical component of the state’s preschool delivery model.

Both national and Colorado-specific research indicates the time between birth and age 5 is the most crucial period to set children on a path to success because it is when children’s brains develop most rapidly. Thus, preschool is a key area to invest resources in order to achieve the most significant financial and social returns. While there is a cost for providing high-quality preschool and other early childhood services, the investment in early education will ultimately yield to lower costs to society down the line. Children who receive high-quality early education, especially at-risk children, are much less likely to require more costly services like special education and remediation and are much more likely to succeed later academically in their education and in life.

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5 Senate Bill 08-212 and Senate Bill 09-256
6 The PEW Center on the States, 2011; Colorado P-20 Council, 2010
7 Invest in Us
The Colorado Preschool Program

In 1988, the Colorado General Assembly created the Colorado Preschool Program (CPP) to serve the young children in Colorado who were most vulnerable to starting grade school unprepared. CPP is currently funded through the State Education Funding System. However, there are currently significant differences between the funding mechanisms for preschool and those for students in grades K-12. While K-12 funding is based on demand and enrollment numbers, preschool funding is provided only for at-risk children who meet certain eligibility requirements8 and is limited to a fixed number of students who represent a small portion of preschool-aged children in Colorado.9

The state provides funding for 20,160 preschool slots, and while this number has not increased in the past several years, the number of at-risk children in Colorado has steadily increased.10 This means that in the 2010-2011 school year, when taking into account CPP students, Head Start students and special education students, there existed a gap of about 8,000 at-risk children in Colorado who were eligible for preschool but not being served.11

Even though the majority of state-funded preschool services are based in public schools, the importance of continued and increased utilization of external child care centers and community-based services should not be overlooked. The provision of community-based preschool may alleviate pressure on overcrowded school facilities, which is especially important when considering the expansion of preschool availability and eligibility and may provide more flexible schedules for working parents.

Higher Education: Investing in Colorado’s Workforce Development

A.3.5. The state should fund concurrent enrollment, early college and 5th year programs based on the principle of no cost to students and no harm to partnering districts, schools and higher education institutions.

A.3.6. The state should ease transitions to higher education by providing high school students with the opportunity to take college courses and accumulate college credits, up to and including an Associate Degree, while still being funded through local school districts for up to five years of high school.

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8 While the K-12 system identifies at-risk students as having free lunch status, CPP uses a more comprehensive approach that includes family risk factors as well as child risk factors. Risk factors include children in need of language development, a parent or guardian who has not successfully completed a high school education or its equivalent, and others. To be eligible for CPP, a 4-year-old must have at least one at-risk factor, and a 3-year-old must have at least three risk factors. Colorado Department of Education, 2012
9 Colorado Department of Education, 2012
10 Colorado Children’s Campaign, 2012
11 Colorado Department of Education, 2012
Another important area where the state can ease transitions and better prepare students for next steps after high school is by ensuring that our State Education Funding System supports student transitions from K-12 to postsecondary education and the workforce. The dividends realized by postsecondary education are significant, and they accrue both to the individual and the state: higher lifetime earnings, better health, less use of safety net programs, lower incarceration rates and many other improved outcomes. Furthermore, the state’s economy relies on higher education for workforce development. Given the critical role higher education plays for the state and individual, ensuring access to this benefit should be a priority for Colorado.

Over time, the cost burden of higher education has shifted from the state to students and families, while tuition and fees continue to increase dramatically. As families are being asked to pick up an ever-increasing share of the cost of public higher education, the state should ensure that students have early access to tuition-free college credits in high school.

In 2009, the General Assembly took a step toward the goal of increased access to early college credits by creating the Accelerating Students through Concurrent Enrollment (ASCENT) program, which allows qualifying seniors to remain enrolled at their high school and take a fifth year of coursework consisting entirely of college or Career and Technical Certificate classes. Through ASCENT, students graduate with Certificates or Associate Degrees after their fifth year. Unfortunately, budget constraints have prevented the ASCENT program from reaching as many high school seniors as originally intended in the 2009 legislation. So, while strides have been made in increasing access to public higher education, there is still more that can be done to ensure these opportunities are available to all Colorado students.
B. Innovative

As our society has evolved significantly in innovation and technology in the 21st century, so must our education system and the funding that supports and drives it. Students are spending less time sitting at desks receiving a lecture from one teacher and instead are more often interacting with multiple teachers, other students and the larger world through new learning tools. Education is no longer largely limited to the classroom. These rapid changes, emerging programs and ever-increasing knowledge about the diversity of learning styles among students provide increased opportunities for learning and require changes in the way we fund Colorado’s schools and students.

Although communities and schools are the best incubators for change, the state can help foster innovation by providing incentives to help districts and schools adapt and modernize. Providing seed money for development can incentivize innovations such as locally created alternative teacher-compensation systems, blended and digital learning programs, mastery-based models and extended learning opportunities.

Local Autonomy and Flexibility

B.1. Guiding Principle: In order to encourage innovation and allow districts the autonomy to address unique situations, the State Education Funding System should provide districts and schools with as much fiscal flexibility as possible to meet educational outcomes.

B.1.1. The state should create a pool of money to be competitively allocated as seed funding and technical assistance to schools and districts for the design, development, planning and evaluation of innovative programs that improve student outcomes. Note: This might entail two separate pots of funds for different-sized districts.12

As our education system and the needs of the students within it change and progress, the needs of districts and their unique student populations will also vary greatly. The state should support and encourage districts to develop and implement programs they believe will serve their students best and will provide opportunities for sharing best practices and replicating programs where there is success. As we address the issue of oversight and interventions when problems or inefficiencies exist, the opposite should be true for areas where programs are proven to be successful. While it is necessary for the state to ensure programs are and continue to be effective, districts and schools know their students best, and they should be supported in generating the outcomes needed with the tools and flexibility to do so.

12 An existing Colorado law (§34-22-69 C.R.S. (2008)) comprises such a fund intended to support locally-created alternative compensation systems, but it has never been funded.
B.1.2. Given the interconnectedness and comprehensiveness of the proposed funding structure, the state should set funding levels through one process.

The creation and updating of the School Finance Act is a significant undertaking for the Colorado General Assembly. While the effort is large and by its nature, complicated, it should not be further complicated by a disjointed legislative process with many committees’ involvement. Rather it should be undertaken through a more simplified, integrated process.

Mastery-Based Learning

B.2. Guiding Principle: The School Finance Act should encourage student advancement based on mastery of content areas, rigorous pace and challenge levels, the flexibility for different delivery models at the school and district levels, and innovation to achieve these ends. The School Finance Act should also create direct linkages to the current school accountability system. Mastery should not preclude the social and emotional development needs of students.

In developing an outcome-focused system, the needs of students must be continuously assessed and instruction should be targeted to individual learning needs and timelines. Schools and districts should be encouraged to explore and implement models of mastery-based learning. Implementing such models will allow students to advance their learning at their own pace and will support teachers who are typically limited to a short timeline for covering material and are expected to provide full attention to each individual student’s needs, which can vary to a great degree within a classroom. Allowing students to advance in units or subject areas upon successful completion better ensures that students grasp material and are not held back in their learning or overly rushed and left confused and behind. This type of system should include the implementation of interventions to help students progress while recognizing and addressing the social and emotional needs of students.
C. Equitable

The level of funding districts receive should not be determined by access to local tax resources. Students’ needs vary widely and funding should be distributed to address those needs, and should not be determined by arbitrary geographic calculations. The same is true of district needs, which vary based on size, density and geographic location. Colorado currently makes minimal adjustments to its funding formula that are not wholly based on meaningful data and the actual costs needed to educate students. The arbitrary nature of determining adjustments for district and student needs must evolve to be based on the most recent and reliable data for determining true costs of educating students based on their individual needs. Just as we know it will take varied approaches to ensure mastery of content for every student, we must also recognize that it will take varied supports and programs to ensure all children can excel. We must take into account the research-proven supports that will help students and the cost associated with providing them.

Student and District Characteristics

C.1. Guiding Principle: Equitable funding to school districts must address the unique and special needs and challenges faced by districts and the students they serve.

Adjustments for Student Characteristics

C.1.1. The State Education Funding System should provide additional resources for students with limited English proficiency in order to close the achievement gap and ensure these children graduate from high school prepared for college and careers.

C.1.2. The State Education Funding System should provide additional resources for students living in poverty in order to close the achievement gap and ensure these children graduate from high school prepared for college or careers.

Currently, the achievement gap in Colorado between economically disadvantaged children and those from wealthier families is one of the largest in the country and continues to grow, as does the graduation gap between English language learners and their English-speaking peers. In addition, Colorado has one of the highest high school dropout rates in the nation. These issues point to the need for increased financial investment in Colorado’s most vulnerable populations.

Research has proven that students who are at-risk (as typically defined by family income level) or English Language Learners (ELL) require increased financial resources in order to achieve at the same levels as more advantaged students. Currently, the provision per year in additional funding for students who speak little or no English is minimal and provided for two years per student only, although districts are required to continue providing services to ELL students as long as they need them – even after the two years of additional funding from the state has expired. Furthermore, the number of students living in poverty in Colorado continues to grow at an alarming rate.

13 Colorado Department of Education, 2011
14 National Center for Education Statistics, 2011
15 Duncombe & Yinger, 2008, Duncombe & Yinger, 2004
16 Colorado Children’s Campaign, 2012
Adjustments for District Characteristics

C.1.3. The State Education Funding System should recognize the different resources necessary to attract and retain high-quality personnel in different geographic regions across the state.

Attracting quality teachers to Colorado's rural and remote areas is a significant challenge for many school districts. While Colorado's current education funding formula includes a cost-of-living factor, it does not adequately or appropriately address the needs of many of the communities where the challenges are the greatest, including many districts located on the Eastern Plains or in the San Luis Valley. Remote communities often have limited access to basic amenities including grocery stores, fresh foods and health care services, and research indicates these are important factors for attracting a quality workforce, including teachers. Colorado's Education Funding System should take into account these challenges and understand the importance of effective teachers when it comes to student success.

C.1.4. The State Education Funding System must address district variances created by size and geography, but also account for a regional service delivery model.

C.1.5. In making funding adjustments, the state should use the most recent and research-supported data and methodology that best achieve state goals.

Colorado is a geographically and demographically diverse state. A large portion of Colorado's landscape is a part of either the Eastern Plains or the rugged mountain terrain of the Western Slope, with rural communities spread throughout. Children who attend schools in small, rural districts must have the resources necessary to achieve at the same level as their urban and suburban peers. Local communities determine curricula and programs according to their needs and priorities. However, districts should not be limited in the quality of programming and curricula provided to their students due to their location. Children in rural areas often lack access to specialized programming and classes that can be more easily provided in areas where populations are denser and there is higher availability of faculty with specialized capacities. The state must help to ensure that these small, isolated communities have access to the same educational resources as their peers living in highly populated, metropolitan communities.

17 Chambers, 1998; Duncombe & Yinger, 2008
Providing for Other Programs

Special Education

C.1.6. The State Education Funding System should provide adequate revenue for districts to address the needs of special education students in a way that does not incentivize districts to over-identify those students.

C.1.7. The State Education Funding System should fund proactive, research-based, early interventions to limit the need for special education services.

As a society, at both the federal and state level, we have made a commitment to educate all children, including the broad spectrum of students with special needs. Because these students’ needs require additional resources, special education has become a large and growing issue for state school finance systems, including Colorado’s.

Even though the costs associated with special education are significant, federal and state funding currently only covers about one-third of special education expenditures after a brief period of increased federal assistance through American Recovery and Reinvestment Act dollars that have lapsed in the past year. As a result, Colorado places an extremely significant burden on local district General Funds to cover the majority of these costs. The state should stand by its commitment to children with disabilities and ensure districts have the resources necessary to fully address their needs, including students with profound disabilities. It is also important that the state works collaboratively with local districts to ensure best practices are utilized to maximize the quality of instruction for Colorado students with special needs.

The state should also invest in effective early interventions, as they have proven to be successful in promoting academic success and reducing the amount of time that some children require special education services.

The system should be created to accurately identify and appropriately support all children with special needs. Currently, Colorado identifies children with disabilities at a rate almost 25 percent below the national average (10.2 percent compared with the national average of 13.3 percent.) Colorado has the second-lowest rate of special education identification in the nation. The state should ensure that schools and districts are given the resources needed to effectively address and identify the needs of all students.

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17 State of Colorado Joint Budget Committee, 2011
18 Colorado Department of Education, 2010
Allocating the Funding

C.1.8. Contingent on additional resources, the State Education Funding System should allocate funds equitably based on accurate student counts throughout the year.

Colorado currently allocates funding to districts based on student attendance on a single count date each school year. Schools are required to report the number of students enrolled and attending on October 1, and the state then allocates funding based on this count without taking into consideration any changes in enrollment that occur during the rest of the year. This creates problems, particularly for districts where there is high mobility or in small districts where even the influx of children from a single family can have a significant impact on costs. In order for funding to be more equitably distributed, the state should allocate it in a way that does not hurt small districts or districts with high mobility, but serves the schools as student populations change.

While it is necessary to change Colorado’s system of counting students and allocating funding, it is also important to consider the impacts of such a change on schools and districts, both in terms of administrative costs and on the funding districts receive. Any change without additional financial investments could impact districts with unanticipated consequences. Therefore, this recommendation is based on the contingency of additional resources to provide for making these changes with the least amount of harm to the most vulnerable districts.

Capital, Transportation and Regional Service Delivery

C.1.9. The state should provide needs-based, means-tested, matching grants to school districts to address school facility needs.

Each child in Colorado should attend school in a safe facility that provides the spaces and equipment needed for a 21st-century education. Local district capacity to pay for school building projects, which is property tax-based, varies tremendously statewide. Without assistance from the state, many districts and schools would not be able to address serious facilities challenges or pay for technology. The quality and safety of a child’s school should not depend on his or her zip code.

C.1.10. The state should provide funding to help mitigate the cost burden of student transportation.
As education funding continues to be cut, with state reimbursement for transportation currently covering slightly more than half of a district’s total transportation costs, many districts have been forced to cut services and collect fees from families whose children require transportation to school. A number of districts in Colorado have sought voter approval to increase property tax revenues in order to cover the costs of transporting children to school each day.

Transportation costs vary greatly across Colorado and can be especially burdensome in districts where communities are sparsely populated and some children must travel long distances. These varying costs, coupled with limited state reimbursement, contribute to the inequity of funding across our state and impede upon the ability of districts to provide for the needs of students.

C.1.11. The State Education Funding System should establish a robust regional delivery structure that delivers consistent, efficient and high-quality service to every student with the recognition of a balance between standardization and innovation. Examples include, but are not limited to: purchasing, ELL programs, professional development, innovation, human resources, special education, technology/IT support and curriculum/instructional pooling.

As we work to align funding with student outcomes, there are also areas in school funding where services can be more efficiently delivered through a robust regional structure.

Greater cooperation and collaboration are the keys to sustainable district viability and student success in rural Colorado. Collaboration and service sharing are economical ways for districts to provide programs and services that they might not be able to afford on their own, as it is often more efficient and less costly to operate one central service for certain areas like purchasing and human resources than it is to have separate programs in each school district. In many remote locations, regional service delivery also provides higher quality services to districts, schools and children in addition to greater efficiencies. The state should identify successful collaborations between schools and colleges, pre-collegiate programs, other government agencies and community-based organizations and invest in their efficient replication.
Other Student Characteristics and Programs

C.1.12. The State Education Funding System should account for other differences that require different funding levels such as vocational education, gifted and talented programs, academically behind and concurrent enrollment.

As our education system moves toward providing increasingly diverse learning environments for students’ varying educational needs, more programs are being developed to address the unique learning and educational needs of all students. In many cases, these programs require additional costs to implement. The programs include, but are not limited to:

• Career Technical Education (CTE), which provides many students with skills, certifications and experience that make school more applicable for CTE students (thereby improving student achievement and graduation rates) and prepare them for successful careers. The State Education Funding System should ensure there are opportunities available for CTE programs throughout the state.

• Gifted and Talented programs and services, which recognize and address the different learning styles, special social and emotional needs and elevated risk of dropping out of this diverse population. The state should ensure that districts have the ability to provide specialized instruction to this population of students.

• Remedial programs for students who are academically behind, including intensive early interventions and expanded learning opportunities that head off greater gaps in later grades.

• Concurrent Enrollment (see section A.3.5 under Aligned & Accountable).

Tax Restraints and Inequities

C.2. Guiding Principle: There are three areas of inequity in the tax structure that the School Funding System needs to address: District to District, State to Local and Residential to Non-Residential.

C.2.1. The tax structure supporting the state's school funding system should be made more equitable.

The tax and revenue structure that supports education in Colorado should be equitable across the state. Tax equity should be considered from several perspectives. First, residents in different school districts should not pay substantially different tax rates to support their schools. Similarly, school funding is a partnership between the state and local school districts. Therefore, neither of these entities should pay a disproportionate share. Finally, the effective tax burden should be equitable between families and businesses. Neither should be disproportionately burdened.
D. Sufficient

D.1. Guiding Principle: The State Education Funding System should provide revenue sufficient for districts to meet state standards as well as assessment, accountability and evaluation expectations. We support a longer pipeline that starts in early childhood, blurs the lines with higher education and includes a wider array of educational programs.

D.1.1. The State Education Funding System should adequately meet the needs of districts to attract, retain and support the needs of high-quality educators to achieve the state’s educational goals.

D.1.2. The state should provide full funding for the development and initial implementation of the teacher evaluation system.

The importance of effective school leaders and teachers in student success cannot be overstated. With excellent educators, adequate resources and effective professional support, Colorado will meet the goals of decreasing dropout rates, closing achievement gaps, increasing achievement for all students and improving post-secondary education outcomes. In light of the critical role teachers play in a student’s life, recruiting, hiring, evaluating, retaining and supporting quality educators are the key determinants of whether or not Colorado will meet its educational challenges.

Yet our current funding system does not support the high quality we demand in our educators. Colorado is in the process of implementing a state-of-the-art teacher evaluation system that will contribute to the identification and development of high-quality instruction. The state must ensure this program is implemented effectively by providing the necessary funding along with ensuring that school leaders and teachers are provided with the resources and training they need to meet the accountability standards placed upon them and their students. Districts must have resources to attract, support and retain high-quality teachers. Sufficient funding must also be available to ensure that teachers, regardless of where they teach, are given equal opportunities to improve their craft and thereby the outcomes and academic achievement of their students.

D.1.3. In order to provide a 21st-century learning environment for students, the State Education Funding System should provide for technology.

Just as technology has become a fundamental part of our daily lives, it is also a critical part of the environments in which students learn. Our economy and workforce are increasingly dependent on technology, which continues to advance at a rapid pace. For our students to be given the chance to thrive and contribute to the workforce and to grow our economy, technology must be woven into the curriculum schools provide for students. Moreover, schools must have the resources to ensure that all students have access to appropriate technology. Currently, the availability of both appropriate hardware and connectivity is of vastly differing quality and quantity across schools and districts in the state.
D.1.4. Colorado voters should be asked to support both a tax and revenue structure, as defined by the School Finance Partnership recommendations. This would include constitutional changes addressing the conflicts among TABOR, Gallagher and Amendment 23 to ensure sustainability of the recommendations as well as ensure the constitutional guarantee of a thorough and uniform system of free public schools.

Like the rest of the country, Colorado’s economy and its tax base have been struggling with the recent recession. In addition, Colorado struggles with constitutional limits that don’t allow us to recover from economic hard times. As a result, education funding has been cut significantly in the past several years. Colorado began the recession ranked 49th nationally in K-12 funding as a percentage of personal income and 40th on a funding-per-pupil basis – about $2,000 per student under the national average\(^2\) – making the impact of recent budget cuts even more severe.

In a related Colorado judicial decision, a trial court judge issued a ruling that found no rational relationship between how the state funds schools and the outcomes it expects from its education system. For this reason, the judge found the state was not in compliance with the constitutional mandate to provide a thorough and uniform system of education in Colorado.\(^2\) This ruling underscores the critical need for state leaders to focus attention on addressing education funding. While Colorado is a leader in so many significant education policy improvements, many well-crafted, innovative reforms could, in fact, have a negative impact on student achievement if there is not sufficient funding to implement them fully or as intended.

\(^1\) State of Colorado Joint Budget Committee, 2011
\(^2\) District Court Ruling, Lobato v. State of Colorado, 2011
E. Action Plan

E.1 The School Finance Partnership agrees that this package of recommendations needs corresponding outcome targets: concrete signs of improvement on specific timelines. Further, the Partnership commits to ensuring such a plan is created using existing accountability and data tools.

In recent years, Colorado has built a school accountability system that is nationally renowned and replicated. Efforts like the 2008 Colorado Achievement Plan for Kids (CAP4K), the Educational Accountability Act of 2009 (SB 09-163) and the 2010 Great Teachers and Leaders Law (SB 10-191) have created a system that provides the necessary accountability and data tools to drive student achievement and provide meaningful targets for improvement. But in order for our school funding system to be held accountable for driving student achievement, continuous evaluation and targets must be in place for districts and schools based on specific timelines.

As districts are given the opportunity and resources to adopt innovative practices such as extended school days or blended learning opportunities for students, outcomes and progress can be identified through the rigorous standards instituted in our accountability system. They can also be continuously evaluated for areas where improvement is necessary and where effective practices can be shared and replicated. For example, the results of early interventions to prevent students from requiring special education services could be indicators of the success of these interventions.

E.2 The state should convene a task force charged with creating a new School Finance Act in accordance with the principles and recommendations developed by the School Finance Partnership.

E.2.1 The state should contract for a cost analysis of reaching state education standards using a balance between all available methods.

The members of The Partnership came together to develop a set of strong and robust principles that can provide the basis for a State Education Funding System that serves the needs of all Colorado students and will drive high levels of student achievement. There is still a great deal of work to be done, however, in ensuring these principles are effectively applied using the most recent research-supported data. This would include convening a council or taskforce made up of experts who can turn the School Finance Partnership recommendations into a new School Finance Act. This task force would determine how to calculate adjustments and funding levels for programs and how to best ensure a school funding system is developed that is directly connected to the state education accountability system and drives funds in a way that creates the best outcomes for Colorado students.
Additionally, the foundational funding provided to districts must not be determined arbitrarily or by the budget climate. A cost analysis should determine the resources needed for students, schools and districts to reach state standards. It should also inform the creation of a new School Finance Act. A balance of all available methods for determining costs should be used, including professional judgment, successful school district approaches and evidence-based approaches. In using multiple methods, we can ensure funding is sufficient and based on accurate, balanced measures.

E.3. The School Finance Partnership agrees to develop an outreach plan, including strategies for communications with opinion leaders, stakeholders and the public that will include the following components.

E.3.1. Build a toolkit of outreach materials based on the key messages that will be widely distributed.

E.3.2. Make the issue of Colorado’s school finance structure relevant to broader audiences in order to develop a statewide network.

E.3.3. Demonstrate how the School Finance Partnership’s recommendations will impact the school finance system, the education system as a whole and the lives of ordinary Coloradans.

E.3.4. Present at Steering Committee members’ organizations.

Even though the subject of school finance is complex and technical, we believe that it is our duty to make information regarding the way we fund our schools and the solutions we have presented available to broad groups of stakeholders in a way that can help them relate to our work and how it directly affects Colorado children. For this reason, we have developed an outreach plan for the dissemination of a toolkit of materials that may be used to fully demonstrate how the recommendations of the School Finance Partnership will have a lasting impact on our school finance system and drive positive outcomes for students in a way that has not been done previously.
E.4. The Partnership will coordinate and provide substantive support for other statewide efforts related to school finance. Important efforts and organizations to coordinate with include, but are not limited to:
- TBD Colorado;
- The Fiscal Planning Project (convened by The Colorado Forum);
- Steering Committee members’ organizations and memberships;
- The Colorado Blueprint;
- The Education Leadership Council;
- The Interagency Alignment Initiative; and
- Key industry associations and policymakers.

The School Finance Partnership believes that our work cannot be finished once this report is published. The Partnership recognizes that there are multiple, coordinated and ongoing efforts currently in place in Colorado that are working to address issues surrounding our education system and the influences on funding for our schools. We believe that these efforts can present opportunities for collaboration and dialogue and that coordinating these efforts will yield the most optimal outcomes for Colorado’s students. These groups include a diverse range of stakeholders, viewpoints and influences, all of which should be considered in order for the goals of the School Finance Partnership to be reached.

E.5. Maintain the Partnership website as a clearinghouse for information on school finance and SFP activities.

In keeping The Partnership website (www.schoolfinancepartnership.org) as a primary source of information regarding our work, we will provide a forum for expanding and broadening our audience and encouraging all who are interested in our work to contribute to dialogue surrounding school finance, along with receiving updates as we move forward.
The Urgency of the Education Funding Issue

After a year of shared education and robust debate about a range of issues around school finance, the overarching conclusion of the School Finance Partnership is that Colorado’s students cannot wait for a school funding system that drives student achievement and aligns with our state’s values around educational access and excellence. Now is the time to create a system that is equitable, innovative and sufficiently funded. The work of the School Finance Partnership serves as the first step in changing the way we view school funding and represents a vision and set of values for the future funding of our schools.

If our state is committed to the value of high-quality public education as a key to future prosperity, we must make the necessary investments for a comprehensive, innovative overhaul of our school funding system, and we must apply those investments wisely. To do one without the other, or to do nothing at all, will leave our students at risk and our state lacking an education system that can compete across the nation and the globe in the 21st century.
The Colorado Children’s Campaign, as convener of the School Finance Partnership, would like to extend our gratitude to those who contributed valuable time and resources to this effort.

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Bibliography


