

2018

Report to the Colorado General Assembly



Legislative Interim Committee on School Finance



Prepared by Legislative Council Staff
Research Publication No. 713
January 2019

Interim Committee on School Finance

Representative Paul Lundeen, 2018 Interim Chair
Representative Alec Garnett, 2017 Interim Chair, 2018 Interim Vice-Chair
Senator Owen Hill, 2017 Interim Vice-Chair

Representative Janet Bucker
Representative Millie Hamner
Representative Timothy Leonard
Senator Matt Jones

Senator Bob Gardner
Senator Jerry Sonneberg
Senator Nancy Todd
Senator Rachel Zenzinger

Legislative Council Staff

Josh Abram, Fiscal Analyst
Marc Carey, Economist
Anna Gerstle, Fiscal Analyst

Office of Legislative Legal Services

Brita Darling, Senior Attorney

December 2018

Table of Contents

Committee Charge	1
Committee Activities	1
Contractors.....	1
School Finance Formula Revenue and Funding Components	2
Principles and Values	2
Related Presentations	3
Summary of Recommendations	5
Bill 1 — Extend School Finance Interim Committee	5
Text of Bill 1.....	9
Resource Materials	7

This report is also available online at:

<https://leg.colorado.gov/committees/legislative-interim-committee-school-finance/2018-regular-session>

Committee Charge

Pursuant to Section 2-2-1901, C.R.S., the Legislative Interim Committee on School Finance was created to study issues related to school funding and to consider alternative school finance funding formulas during the 2017 and 2018 interims. The committee was authorized to meet up to five times each interim. Specific issues the committee is required to study and report on include:

- the costs and benefits of state and federal laws on school districts and public schools;
- the total amount of federal, state, and local funding available for public education in each school district, in aggregate, and per pupil;
- the relative value of and return on resource investment across the time frame of a student's education career;
- alternative methods for identifying at-risk students;
- allocation methods for per pupil, student-based school funding;
- allocation methods for district attribute-based school funding;
- replacing direct funding of categorical programs with a per pupil, eligibility- based allocation;
- transportation funding strategies;
- alternative methods for determining enrollment;
- school district organization;
- property taxation, equalized mill levies, calculating assessed values of property, and other local resources of education funding; and
- capital construction needs.

The committee was required to hire a contractor to assist in gathering and analyzing school finance data.

Committee Activities

During the 2017 interim, the committee held five meetings. During the 2018 interim, the committee held four meetings and two workshops. A majority of briefings and presentations were made by the vendors hired by the committee. The following sections discuss the committee's activities during the 2017 and 2018 interims. Committee activities included:

- presentations from committee contractors;
- discussion of school finance revenue and funding components;
- discussion of guiding principles and values; and
- school finance-related presentations by non-contractors.

Contractors

In September, 2017, the committee hired FourPoint Education Partners (FourPoint) as the vendor to support the committee's work. FourPoint led discussions at subsequent committee meetings covering a wide range of topics, including the ones specified in the committee's enacting legislation, and compiled and conveyed data related to those required discussion topics. In August, 2018, the

committee ended its contract with FourPoint. The committee subsequently enlisted the company EdBuild to build and host a simulation model of the state's current school finance model.

School Finance Formula Revenue and Funding Components

The committee discussed the school finance formula currently in statute. Topics included pupil enrollment, identification of at-risk students, district personnel and non-personnel costs, district size, economies of scale, transportation of students, and capital construction. The majority of school finance topics were addressed by FourPoint in the 2017 interim and the first quarter of the 2018 interim.

In addition, FourPoint facilitated a committee discussion concerning state, local and federal sources of school funding, including per pupil revenue, mill levy overrides, and the impact of TABOR, the Gallagher Amendment, and Amendment 23 on school finance.

Simulation model. EdBuild built a simulation of the current school finance model, allowing legislators to adjust weights and alternatives for the formula components to see the impact of those changes on individual district funding, and on overall state funding.

Principles and Values

The committee discussed the principles and values important in a school funding formula. FourPoint facilitated the committee discussion, including how to frame the problem and prioritize objectives and goals. FourPoint presented the committee with nine principles for the committee to discuss and consider:

- align school finance and funding with contemporary education systems, goals, objectives and learning contexts;
- center allocations based on students and their characteristics;
- provide every student access to quality core learning;
- provide every student equitable opportunities to achieve;
- share investment in providing learning opportunities to children;
- make the school finance and funding system transparent and understandable to stakeholders;
- accurately finance and fund learning needs of students;
- maximize productivity and efficiency of learning resources; and
- locally control educational management methods.

In addition, the committee also considered data evaluating how well Colorado currently meets these proposed principles.

Related Presentations

The committee heard presentations on two topics related to school finance from people other than their hired contractor. First, the committee heard two presentations from a group of superintendents who proposed changes to the school finance formula during the 2018 legislative session. Those changes were presented in House Bill 18-1232, and include modifications to funded pupil count, student and district factors, total program funding calculations, and categorical funding. Second, Bret Ridgway, the Chief Business Officer at School District 49, presented to the committee on the issue of district equity based on size, geography, district characteristics, and the ability to generate local revenue. Mr. Ridgway also discussed the idea of an override incentive program to encourage districts to adopt mill levy overrides.

Summary of Recommendations

As a result of the committee's activities, the committee approved one bill to be introduced during the 2019 legislative session. The approved bill is described below.

Bill 1 – Extend School Finance Interim Committee

The bill reauthorizes and extends the committee for one additional year, through the 2019 interim. The bill also clarifies the composition of the committee and appointment procedures for its members, gives the committee flexibility to determine issues of study, allows the committee the option to contract with an outside vendor; and permits the committee to use any unspent and uncommitted appropriations from FY 2018-19 to pay for FY 2019-20 expenditures.

Resource Materials

Meeting summaries are prepared for each meeting of the committee and contain all handouts provided to the committee. The summaries of meetings and attachments are available at the Division of Archives, 1313 Sherman Street, Denver (303-866-2055). The listing below contains the dates of committee meetings and the topics discussed at those meetings. Meeting summaries are also available on our website at:

<https://leg.colorado.gov/committees/legislative-interim-committee-school-finance/2018-regular-session>

Meeting Date and Topics Discussed

2017 interim. The committee met five times during the 2017 interim and discussed the following topics:

July 24, 2017

- Discussion of vendor proposals, committee logistics, and staff resources

September 27, 2017

- Vendor experience, methodology, and approaches to different the school finance formula.

November 9, 2017

- Framing the Problem
- How does Colorado's current school finance formula work?
- Options for counting funded pupils
- Making district adjustments (personnel costs, non-personnel costs, economies of scale, etc.)
- Role of federal government, civil rights, religion, poverty, politics

December 15, 2017

- State and local revenue generation
- At-Risk Students
- Categorical programs
- Per-pupil student-based allocations

January 9, 2018

- Capital construction
- School district organization
- Public testimony, including a presentation on superintendent's proposed school finance formula

2018 interim. The committee met four times and held two workshops during the 2018 interim, and discussed the following topics:

June 18, 2018

- Post-mortem on HB 18-1232
- Using principles to evaluate finance and funding systems
- Effectiveness and efficiency of existing school funding system
- Prioritization of principles and technical simulations and parameters

July 31, 2018

- FourPoints simulation model and designing an evaluation model to inform return on investment
- Innovative ideas from the field – Brett Ridgeway, School District 49
- Inherent values of existing school finance system and ideas for legislation

September 17, 2018 (workshop)

- Briefing on EdBuild simulation model

October 29, 2018 (workshop)

- Review of EdBuild simulation model

November 16, 2018

- Formalize committee action on consultant contracts
- Request bill drafts

December 11, 2018

- Consideration of bill drafts

**First Regular Session
Seventy-second General Assembly
STATE OF COLORADO**

BILL 1

LLS NO. 19-0488.01 Brita Darling x2241

INTERIM COMMITTEE BILL

Legislative Interim Committee on School Finance

A BILL FOR AN ACT

101 **CONCERNING THE LEGISLATIVE INTERIM COMMITTEE ON SCHOOL**
102 **FINANCE.**

Bill Summary

(Note: This summary applies to this bill as introduced and does not reflect any amendments that may be subsequently adopted. If this bill passes third reading in the house of introduction, a bill summary that applies to the reengrossed version of this bill will be available at <http://leg.colorado.gov/>.)

Legislative Interim Committee on School Finance. The bill extends the work of the legislative interim committee on school finance (interim committee) for one year to include the 2019 legislative interim.

For the 2019 legislative interim, the bill maintains the party and chamber balance of legislative members as it existed during the 2018

*Capital letters or bold & italic numbers indicate new material to be added to existing statute.
Dashes through the words indicate deletions from existing statute.*

legislative interim and specifies the method of appointing new members to fill vacancies created by nonreturning or resigning members who served during the 2018 interim.

The bill permits the interim committee to determine whether and in which interim to study the issues set forth in statute.

The bill authorizes the interim committee to contract with a vendor or vendors to assist with or facilitate the work of the interim committee.

The bill authorizes the interim committee to use unexpended money from the 2018-19 budget year during the 2019-20 budget year to cover costs incurred by the interim committee, including the hiring of a consultant or facilitator, if applicable.

1 *Be it enacted by the General Assembly of the State of Colorado:*

2 **SECTION 1.** In Colorado Revised Statutes, 2-2-1901, **amend** (1),
3 (2)(b), (3), (4), and (6) as follows:

4 **2-2-1901. Legislative interim committee on school finance -**
5 **creation.** (1) (a) Notwithstanding the provisions of section 2-3-303.3,
6 there is hereby created the legislative interim committee on school
7 finance, referred to in this part 19 as the "interim committee", to study the
8 issues described in section 2-2-1902 and create a new school finance
9 funding formula. The interim committee will meet during the 2017, ~~and~~
10 2018, AND 2019 legislative interims. EXCEPT AS PROVIDED IN SUBSECTION
11 (1)(b) OF THIS SECTION, the interim committee consists of:

12 ~~(a)~~ (I) Five members of the senate, three of whom the president of
13 the senate shall appoint and two of whom the minority leader of the
14 senate shall appoint; and

15 ~~(b)~~ (II) Five members of the house of representatives, three of
16 whom the speaker of the house of representatives shall appoint and two
17 of whom the minority leader of the house of representatives shall appoint.

18 (b) FOR THE 2019 LEGISLATIVE INTERIM, THE INTERIM COMMITTEE
19 CONSISTS OF THE LEGISLATORS SERVING ON THE INTERIM COMMITTEE ON

1 JANUARY 3, 2018. IF AN INTERIM COMMITTEE MEMBER DOES NOT RETURN
2 FOR THE SEVENTY-SECOND GENERAL ASSEMBLY OR A COMMITTEE MEMBER
3 RESIGNS THEIR MEMBERSHIP ON THE INTERIM COMMITTEE AT ANY TIME,
4 THE LEADERSHIP OF THE PARTY AND THE CHAMBER OF THE NONRETURNING
5 OR RESIGNING MEMBER SHALL APPOINT A REPLACEMENT COMMITTEE
6 MEMBER, MAINTAINING THE CURRENT PARTY AND CHAMBER BALANCE.

7 (2) (b) The speaker of the house of representatives shall appoint
8 the chair of the interim committee for the first ~~interim~~ AND THIRD
9 INTERIMS and the vice-chair of the interim committee for the second
10 interim. The president of the senate shall appoint the vice-chair of the
11 interim committee for the first interim and the chair of the interim
12 committee for the second interim. FOR THE THIRD INTERIM, THE MEMBERS
13 OF THE INTERIM COMMITTEE SHALL ELECT THE VICE-CHAIR OF THE INTERIM
14 COMMITTEE.

15 (3) The chair of the interim committee shall schedule the first
16 meeting of the interim committee DURING THE 2017 LEGISLATIVE INTERIM
17 to be held no later than August 1, 2017, AND THE FIRST MEETING OF THE
18 INTERIM COMMITTEE DURING THE 2019 INTERIM TO BE HELD NO LATER
19 THAN JULY 1, 2019. The interim committee may meet up to five times
20 during each interim.

21 (4) The chair and vice-chair of the interim committee may appoint
22 subcommittees as necessary. ~~to provide technical assistance to the interim~~
23 ~~committee. A subcommittee may include members of the interim~~
24 ~~committee and persons with technical expertise in school finance.~~
25 ~~Members of a subcommittee serve without compensation and without~~
26 ~~reimbursement for expenses.~~

27 (6) The interim committee may introduce up to a total of five bills,

1 joint resolutions, and concurrent resolutions in each of the 2018, ~~and~~
2 2019, AND 2020 legislative sessions. Bills that the interim committee
3 introduces are exempt from the five-bill limitation specified in rule 24
4 (b)(1)(A) of the joint rules of the senate and the house of representatives.
5 Joint resolutions and concurrent resolutions that the interim committee
6 introduces are exempt from the limitations set out in rule 26 (g) of the
7 rules of the house of representatives and rule 30 (f) of the rules of the
8 senate. The interim committee is exempt from the requirement specified
9 in rule 24 (b)(1)(D) and rule 24A (d)(8) of the joint rules of the senate and
10 the house of representatives and in section 2-3-303 (1)(f), to report bills
11 or other measures to the legislative council.

12 **SECTION 2.** In Colorado Revised Statutes, 2-2-1902, **amend** (1)
13 introductory portion, (2), and (3) as follows:

14 **2-2-1902. School finance study - issues - hiring consultant.**

15 (1) OVER THE COURSE OF THE THREE LEGISLATIVE INTERIMS, the interim
16 committee shall, at a minimum, study the following issues:

17 (2) THE INTERIM COMMITTEE SHALL DETERMINE THE TIMING AND
18 ORDER IN WHICH ISSUES DESCRIBED IN SUBSECTION (1) OF THIS SECTION
19 ARE STUDIED. NOTWITHSTANDING THE PROVISIONS OF SUBSECTION (1) OF
20 THIS SECTION TO THE CONTRARY, THE INTERIM COMMITTEE NEED NOT
21 STUDY OR CONSIDER AN ISSUE DESCRIBED IN SUBSECTION (1) OF THIS
22 SECTION AFTER CONSIDERING INTERIM COMMITTEE TIME RESTRAINTS,
23 POLICY DECISIONS, OR AVAILABLE APPROPRIATIONS. Based on the study
24 of issues described in subsection (1) of this section, the interim committee
25 shall make legislative recommendations to the general assembly
26 addressing how to most accurately meet the educational needs of
27 individual students through the funding of education in Colorado.

1 (3) Subject to available appropriations, the interim committee
2 ~~shall issue a request for proposals~~ MAY ENTER INTO A CONTRACT OR
3 CONTRACTS for a private entity OR ENTITIES to assist in gathering
4 information and analyzing the issues specified in subsection (1) of this
5 section ~~The interim committee shall~~ MAY enter into a contract with the
6 ~~private entity by September 1, 2017. The interim committee shall not~~
7 ~~contract with a private entity that has ever previously contracted with the~~
8 ~~state of Colorado, or an agency or political subdivision thereof, for a~~
9 ~~study or analysis of school finance in Colorado~~ OR TO FACILITATE THE
10 WORK OF THE INTERIM COMMITTEE.

11 **SECTION 3.** In Colorado Revised Statutes, **amend** 2-2-1903 as
12 follows:

13 **2-2-1903. Repeal of part.** This part 19 is repealed, effective July
14 1, ~~2019~~ 2020.

15 **SECTION 4.** In Colorado Revised Statutes, 22-54-114, **amend**
16 (4)(d) as follows:

17 **22-54-114. State public school fund - repeal.** (4) (d) For the
18 2017-18, ~~and~~ 2018-19, AND 2019-20 budget years, the general assembly
19 may appropriate money from the state public school fund to the
20 legislative department for the costs incurred by the legislative interim
21 committee on school finance as provided in part 19 of article 2 of title 2.

22 **SECTION 5.** In Session Laws of Colorado 2018, section 1 of
23 chapter 410, (HB 18-1293), **add** (1.5) as follows:

24 Section 1. **Appropriation.** (1.5) (a) ANY MONEY FROM CASH
25 FUNDS RECEIVED PURSUANT TO SECTION 22-54-114 (4)(d), C.R.S.,
26 APPROPRIATED IN SUBSECTION (1)(d)(I) OF THIS SECTION, NOT EXPENDED
27 PRIOR TO JULY 1, 2019, IS FURTHER APPROPRIATED TO LEGISLATIVE

1 COUNCIL FOR THE 2019-20 STATE FISCAL YEAR.

2 (b) ANY MONEY FROM CASH FUNDS RECEIVED PURSUANT TO
3 SECTION 22-54-114 (4)(d), C.R.S., APPROPRIATED IN SUBSECTION (1)(e)(I)
4 OF THIS SECTION, NOT EXPENDED PRIOR TO JULY 1, 2019, IS FURTHER
5 APPROPRIATED TO LEGISLATIVE COUNCIL FOR THE 2019-20 STATE FISCAL
6 YEAR.

7 **SECTION 6. Safety clause.** The general assembly hereby finds,
8 determines, and declares that this act is necessary for the immediate
9 preservation of the public peace, health, and safety.