Colorado Children's Campaign K-12 Recommendations to the Interim Committee on School Finance

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Over the last decade, Colorado has emerged as a national leader in crafting innovative solutions for challenges facing its public school system, reorienting the entire education system from the bottom up:

- At the **classroom level**, teachers and principals are accountable for objective student growth.
- An accountability system at the **school and district level** gives the state broad authority to intervene in struggling schools and districts.
- **Statewide** preK-12 standards and assessments are rigorous and aligned to the skill sets needed in a rapidly changing, globalized economy.

Despite this progress, one monumental task remains: creating an adequate and equitable school finance platform that will drive the reforms of the past and future. While Colorado is moving ahead in many ways, the state's formula for funding schools remains largely unchanged since 1994, meaning investments are not strategically targeted to meet the diverse and changing needs of Colorado's students or the workforce they will enter. Some schools and districts are making steady progress, but student academic achievement in Colorado has not significantly improved over the last 10 to 15 years. Across all grades tested by Colorado's 2017 statewide assessment, White students were twice as likely to meet or exceed expectations as their Black, Hispanic or American Indian/Alaskan Native peers in English language arts and math. Similar gaps exist by income status, emphasizing how much work remains to ensure that all students have the support they need to succeed in the classroom.

At the outset, it is critical to recognize two truths: First, there is little evidence to suggest that increased funding by itself leads to improved outcomes.[i] Second, Colorado's funding needs do not exist in a vacuum, and Colorado has proven itself a wise and efficient spender of education funding compared to other states.[ii] In recent years, the public debate has shifted from *does* money matter to *where* money matters.[iii] With these truths in mind, we believe the following objectives should form the foundation of a new school finance system:

1. **Prioritize developing an *equitable* public revenue system that reduces property taxpayer inequality, accounts for differences in property wealth, and reverses the reliance on state (over local) revenue for education.**
2. **Prioritize developing an *adequate*, *modernized*, *equitable* school finance formula that targets investments to meet the needs of all students and accounts for the unique challenges posed by geography and poverty, among other factors.**

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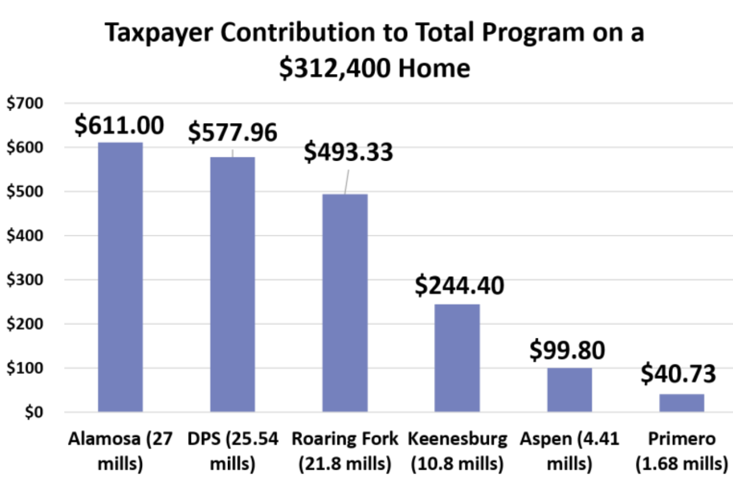
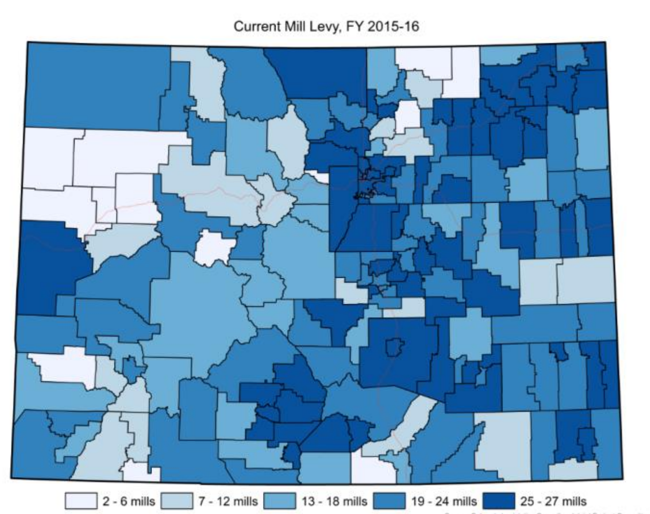
- *Long-term sustainability*: Our preK-12 funding system and state budget are structurally broken and unsustainable without fixes to the state's methods for acquiring revenue. Due to the interplay of the Taxpayer's Bill of Rights (TABOR, which limits the growth of state revenue and spending) and the Gallagher Amendment (which requires the state to maintain a certain ratio between residential and commercial property tax revenues collected), local contributions to preK-12 funding have eroded dramatically over the past three decades. As assessed property values have increased statewide, local property mill levies[iv] have plunged, forcing the state to backfill a growing and unsustainable amount of K-12 funding. Decreasing property assessment rates, forced by Gallagher, have accompanied the drop in mill levies, severely limiting the amount of revenue the mill levies capture. Because the state must backfill the erosion in local contributions, the state's share of school finance funding has spiked from 46 percent to 64 percent. Many have rightly predicted that this phenomenon will place Colorado's fiscal future in jeopardy.[v]
- *Taxpayer inequality*: The property tax system that generates revenue for preK-12 education inexplicably places an unfair burden on certain taxpayers in our state. TABOR's implementation limited local revenues so they could only grow annually by inflation plus population growth. In districts where assessed value increased dramatically, local mill levies were statutorily required to ratchet down to stay within that cap. Between 1992 and 2007, this dynamic created incredible variation in local mill levies, which was frozen into place by the legislature in 2007. Primero School District provides a great example. Primero currently levies 1.68 mills, while 39 districts in Colorado levy 27 mills. This disparity means that taxpayers can pay a property tax rate that is *14 times higher* than that of taxpayers in neighboring school districts, on houses with the same value. The figure below left depicts how our current property tax system affects property owners with a median value home ($312,400) in five school districts. The figure on the right shows the range of mill levies across the state.





- *Differences in property wealth* exacerbate inequities at the local level. Many districts have turned to local voters to approve bonds or mill levy overrides (MLOs). Given the broad variance in property tax bases, this course of action has further exacerbated inequities. In some districts with low property wealth, one mill raises less than $4,000, while in districts with higher levels of property wealth, the same one mill raises more than $13 million. Due to the differences in property values across communities, poor districts may be taxing themselves at the highest allowable rate yet generating negligible amounts of funding, while wealthy districts can generate substantial amounts of funding by raising their property taxes by a relatively small amount.
  - As just one comparative example, in the 2015-16 school year Mapleton School District levied 9.73 override mills (in addition to 26.08 total program mills), with each mill raising approximately $501,000, or $61 per pupil in the district. On the other hand, Platte Valley RE-7 levied 1.51 override mills (in addition to just 5.36 total program mills), with each mill raising approximately $1,654,000, or $1,465 per pupil in the district. In other words, Mapleton residents are taxed at a much higher rate than residents in Platte Valley RE-7, but each mill raises much less funding per pupil in Mapleton due to lower property wealth in the district.[vi] Some communities are more successful than others at getting voters to approve tax measures,[vii] but even some of those who do pass overrides are not able to raise a significant amount of funding.

Prioritize developing an adequate, modernized, equitable school finance formula that targets investments to meet the needs of all students and accounts for the unique challenges posed by geography and poverty, among other factors.

- *Adequacy*: Due to the state's unique mix of budgetary and constitutional constraints, the state faces increasing challenges to adequately fund preK-12 education. Despite an improving economy, Colorado school districts are consistently asked to do more with less because of the interaction of TABOR and Gallagher. In response to the 2010 economic downturn and resulting budget crisis, the legislature instituted the "budget stabilization factor" (also known as the "negative factor") that has allowed for across-the-board cuts to school funding each year since. The current negative factor, $830 million, is the annual amount by which Colorado is underfunding its students compared to what they should through our School Finance Act. The negative factor has reduced the statewide per pupil funding average from approximately $7,712 to $6,546. Even before the introduction of the negative factor, Colorado's base per-pupil amount was low compared to other states. Colorado began the recession ranked 49th nationally, at $5,843 per student in K-12 funding as a percentage of personal income and 40th on a funding-per-pupil basis – about $2,000 per student less than the national average – making the impact of the negative factor even more severe.[viii] Moreover, as the trial court decision in the Lobato adequacy lawsuit noted, Colorado has made sweeping systemic policy change pertaining to standards, assessments, and accountability without any increase in base funding.[ix] Funding cuts have resulted in cuts to important educational programs, with a disproportionate impact on districts and communities across the state.

- *Equity*: Colorado's current school finance formula attempts to equalize school funding by supplementing local contributions. However, the state provides dollars to districts based on the amount they raise, not their ability to invest. As a result, wealthier districts with low mill levies (and, in some cases, the ability to fund themselves entirely with local revenue) receive state funds that could otherwise be used to aid poorer school districts that are shouldering incredibly high mill levies. [x] Our tax structure compounds the structural inequities. Most K-12 education funding comes from the state General Fund, 96 percent of which is financed by a flat personal income tax of 4.63 percent and a sales and use tax of 2.9 percent (both of which hit low-income Coloradans harder on a relative basis). Stated simply, our current formula disproportionately subsidizes wealthier districts with state revenues gleaned from regressive taxes, a deficiency identified in the Lobato decision.[xi]
- *Targeted Investments*: Adequacy of funding and other resources is a necessary but not sufficient condition for providing high-quality educational opportunities.[xii] Resources must be targeted effectively based on student needs. Our current school finance formula does not fully take into account the funding needed to educate diverse student populations, despite the research base that supports devoting additional resources to meet the unique needs of various groups of students.

What specific investments hold promise for student achievement?

While not an exhaustive list of areas where increased investment is likely to lead to improved outcomes, we offer these as a useful starting point given the considerable consensus and research base supporting them:

1. Quality early childhood education

Despite widespread recognition that investing in full-day kindergarten and preschool boosts school readiness, improves long-term outcomes for all children, and reduces several of the core cost drivers in Colorado's education system, Colorado's funding for these programs has been erratic at best.

- A recently published comprehensive analysis of the most comprehensive, high quality experimental and quasi-experimental studies of the impact of early childhood education conducted between 1960 and 2016 found that, on average, participation in early childhood education (ECE) leads to statistically significant reductions in special education placement (-8.1 percent), grade retention (-8.3 percent), and increases in high school graduation rates (+11.4 percent).[xiii]
- These conclusions mirror consistent evaluation findings that Colorado's own state-funded pre-K program (the Colorado Preschool Program) improves student performance on standards-based assessments, reduces the probability of being identified with a Significant Reading Deficiency under the READ Act, and reduces early elementary grade retention.[xiv] Participants in quality early learning programs show substantial improvements on test scores early in life.[xv] In adulthood, these students are more likely to complete high school,[xvi] attend college, and even have better health outcomes. They are less likely to have been charged with a crime or become a teenage parent.[xvii] The returns from quality early care and education have been estimated to be

7 to 13 percent per year.[xviii] Numerous studies highlight the long-term cost savings of investing in high quality early learning programs (see The Abecedarian Project, the High/Scope Perry Preschool study, Chicago Parent-Child Centers, among others).[xix]

- Solutions:
    - Fully fund full-day kindergarten students by counting them as a full FTE
    - Fully fund half-day Colorado Preschool Program slots
    - Eliminate the CPP cap
    - Make ECE available for all at-risk 4-year-olds and some 3-year-olds

<u>2. Children living in poverty</u>

People disagree about the correlation between funding disparities and student achievement,[xx] but there is broad agreement about the clear need for additional resources to bring students living in poverty to academic proficiency.[xxi] Through no fault of their own, these students are often behind their peers in foundational literacy and numeracy skills by the time they enter school. They often need more counseling and dropout prevention supports, and frequently rely on the meals served at school for basic nutrition.[xxii] Colorado's current formula increases funding only for students who are eligible to receive free lunch.[xxiii]

- A 2016 study of the highest-performing school systems internationally (including Ontario, Hong Kong, Singapore, Finland, Shanghai, and Japan) demonstrated that, with added support, struggling students can meet high expectations. In these systems more teachers are typically allocated to schools with lower-performing students, and resources are allocated within schools to reach those most in need of extra support.[xxiv]
- A recent study of multiple states that made significant investments in low-income children determined that a 10 percent increase in funds for all 12 years of public school does very little to affect the future outcomes of non-poor children. However, the same investment in low-income children is associated with an estimated half-year of additional education, 9.6 percent higher adult earnings and a 6.1 percent reduction in the annual incidence of adult poverty.[xxv]
- The studies above add to a strong body of research supporting the conclusion that higher funding levels are connected to improved results for children living in poverty.[xxvi]
- Solutions:
    - Expand the "at-risk" factor to account for students identified as needing both free *and* reduced price lunch
    - Substantially increase the weight per low-income student
    - Better target low-income funding by using student poverty estimates other than free lunch eligibility figures

<u>3. Emerging Bilingual Students</u>

Colorado is home to a growing number of non-English-speaking students (ELs). Currently more than 126,000 students (14 percent of statewide enrollment) have a primary language other than English. These students enrich our schools with 262 different languages and cultures.[xxvii] Developing proficiency for academic success is a

lengthy process; it takes an EL 3 to 5 years to become proficient in conversational language, but 4 to 7 years to develop academic proficiency.[xxviii] Success with ELs clearly requires sustained support.

- Bringing ELs to English-language mastery is an important investment that brings future economic returns. Working-age adults that have limited English proficiency earn at least 25 percent less, and among some groups as much as 40 percent less, than those who are fluent in English. Even highly skilled immigrants with limited English proficiency tend to find only unskilled work. On the other hand, the children of English-proficient immigrant parents are more likely to see positive future academic and economic outcomes.[xxix]
- Cost studies related to ELs produce widely varied spending recommendations. One area of difficulty associated with determining the appropriate level of funding for non-English-proficient students is the high rate of overlap between these students and students below the poverty line, and the commonalities between services that support these populations.[xxx]
- Solutions:
    - Move English Learner support out of categoricals and create a weight for at least five years; like the at-risk weight, the EL weight could range based on a district's concentration of EL students
    - Allow for double-counting of students who are both FRL-eligible and emerging bilingual students
    - Support CDE with the information needed to improve the count of, review accountability requirements for, and more closely monitor the costs associated with instructing ELs in Colorado

<u>4. Teacher quality</u>

There is near-universal agreement on the importance of high-quality teachers and the evidence showing that classroom teaching is the number one in-school contributor to student achievement.[xxxi]

- Top-performing teachers (as measured by student growth) can have an enormous impact on students' lives. Students with these high-quality teachers learn two to three additional months' worth of math and reading compared with the average teacher, and five to six months more compared to low-performing teachers, per year; and are more likely to go to college and earn higher salaries as adults.[xxxii]
- The average starting salary for teachers in Colorado is 9% lower than the national average, $31,126 versus $36,141.[xxxiii] Lower salaries exacerbate recruitment and retention challenges, and challenges are most acute in rural areas where 95 percent of rural school districts' salaries are below the local cost of living.[xxxiv] Sixty-seven percent of teachers who left the profession in 2011-12 stated that they would reconsider entering the field for a salary increase.[xxxv]
- Solutions:
    - Increase state support of teacher residency and "grow your own" programs
    - Equalize salary inequities between Colorado districts

    - Devise state solutions for offering loan forgiveness to teachers to alleviate some of the cost of investment in a degree and make a career in education more financially viable

5. Special education and G/T education

As categorical programs in Colorado, special education and education for gifted and talented students are acutely underfunded compared to actual cost obligations and the amount research says is needed to adequately serve students with special needs.

- *Special education*: Of the more than $890 million spent on special education services in Colorado in 2014-15, $550 million (62 percent) were unreimbursed expenditures absorbed by local school districts.[xxxvi]
- *Gifted and talented*: In 2014-15, the state funding share for G/T education was 31 percent, at $9.6 million. Districts picked up the other 69 percent, or $21.3 million. Since 2010-11, per pupil funding for gifted education has decreased.[xxxvii] The Jefferson County Association for Gifted Children estimates that the Gifted and Talented categorical needs as much as $21.4 million in additional funding in that district alone to produce better outcomes for GT students.[xxxviii]
- Solutions:
    - Implement a multi-tiered weight that provides dollars to districts based on the diagnoses of special education students
    - Request that CDE review recommendations to ensure that disability tiers are appropriately matched and classified, and that Maintenance of Effort requirements under IDEA are met
    - Consider a weight for G/T-identified students rather than a consistent categorical amount

6. Funding fairness regardless of school type

Public school students should have equal access to public school funds, no matter what type of public school they attend.

- Charter School Institute (CSI)-authorized schools have no legal access to mill levy override revenues. While HB17-1375 created a framework for state funding to address this inequity, it did not allocate any dollars toward this fund. The 41 charter public schools currently authorized by CSI, which collectively serve over 17,000 students, remain underfunded by more than $18 million ($900+ per student) relative to other schools in their geographic districts.
- Solutions:
    - Equalize funding for students attending CSI schools
    - Ensure that HB17-1375 (equitable mill levy override sharing) is strongly implemented at the district level and that there is no legislative regression

Measuring Outcomes, Evaluating Impact, and Adapting to Emerging Learnings

Education is always evolving, and our finance system should be flexible enough to respond to progress and learnings in the field. In the preK-12 space it will be important to:

- Ensure we have robust and reliable measures of children's progress as they move through the K-12 system by implementing valid assessments that inform educators and policymakers on what is working and what is not.
- Surface and implement best practices that lead to achievement gains for students, either in Colorado schools or nationally.
- Identify and publicly report the teaching staff, programs and services needed to provide a meaningful educational opportunity to all students of every race and income level, based on evidence of effective education practices.
- Periodically review, develop performance evidence and update the finance system to respond to changes in academic standards, student demographics, program research, costs and other factors relevant to maintaining meaningful educational opportunities and to reaching high levels of achievement for all students.

Conclusion

The opportunity to overhaul Colorado's school finance system presents a once-in-a-generation opportunity to reimagine the potential of our education system. In our current system, many children enter school unprepared to succeed, and achievement gaps widen as they progress through school, resulting in poor academic performance, grade repetition, expensive remedial services, and high rates of school dropout.[xxxix] This is because, in part, Colorado continues to finance public education through methods that have no demonstrable link to the cost of delivering a rigorous education that can produce high achievement in all students.

The School Finance Interim Committee can play a pivotal role in elevating the shortcomings of our current preK-12 funding system and communicating and advancing solutions for a system that is adequate, equitable, adaptable and sustainable. This is the first and most fundamental step in ensuring that structural barriers to opportunity are removed, leading to more equitable outcomes, and ensuring that all students in Colorado graduate from high school prepared for college, careers and life.

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[i] Hanushek, Eric A., Paul E. Peterson, and Ludger Woessmann. "Achievement Growth: International and U.S. State Trends in Student Performance." *Harvard Kennedy School Program on Education Policy and Governance Report 12-03* (2012). (p. 27 states that "[o]n average, an additional $1,000 in per-pupil spending is associated with a trivial annual gain in achievement of one-tenth of one percent of a standard deviation [in test scores]").

[ii] *Id*. (observation on p. 27 that Colorado was one of a handful of states that "made the most achievement gains for every incremental dollar spent over the past two decades").

[iii] Eric Hanushek, arguably the most prominent of the "money doesn't matter" theorists, has said that "money spent wisely, logically, and with accountability would be very useful indeed."

[iv] A district's mill levy is essentially its property tax rate. A district's total program mill levy is controlled by the state, based on Colorado's school funding formula. When school districts want to spend more money per student than what they are required to spend based on the state formula, districts must seek approval from voters to raise and spend "override" property tax revenues via an additional mill levy. Money generated from mill levy overrides stays in the community and goes directly to the school district, without impacting the amount of state funding a school district is eligible to receive.

[v] Center for Colorado's Economic Future. *Financing Colorado's Future: An Analysis of the Fiscal Sustainability of State Government*, (Aug. 2011, updated Mar. 2012).

[vi] Colorado Children's Campaign. *2017 KIDS COUNT in COLORADO! Report*, (April 2017).

[vii] See, e.g. *Denver Post* articles "Colorado school funding disparities on rise, educators call for change" or Brighton, Greeley and Grand Junction schools need more funding."
[viii] Colorado School Finance Partnership. *Financing Colorado's Future: Assessing Our School Finance System*, footnote 21 (August 2012).
[ix] *Lobato v. State of Colorado*, No. 2005CV4794, 46 (Dec. 2011).
[x] In 1992, only one district had a levy of fewer than 10 mills, and that district received very little aid from the state. Presently, 22 districts have levies of fewer than 10 mills. Of these, 14 receive at least half of their funding from the state.
[xi] *Lobato v. State of Colorado*, No. 2005CV4794, 31 (Dec. 2011).
[xii] Hedges, Larry V., Richard D. Laine & Rob Greenwald. "Does Money Matter? A meta-analysis of studies of the effects of differential school inputs on student outcomes". *Educational Researcher*, Vol. 23, pgs. 5-14 (1994).
[xiii] McCoy, Dana C., Hirokazu Yoshikawa, Kathleen Ziol-Guest, et. al. "Impacts of Early Childhood Education on Medium- and Long-Term Educational Outcomes." *Educational Researcher*, Vol. 46, pgs. 474-487 (2017).
[xiv] CPP Legislative Reports, available at https://www.cde.state.co.us/cpp/legreports.
[xv] Currie, Janet and Duncan Thomas. "Does Head Start Make a Difference?" *The American Economic Review*, Vol. 85, pgs. 341-364 (1995).
[xvi]Garces, Eliana, Duncan Thomas and Janet Currie. "Longer-Term Effects of Head Start." The American Economic Review, Vol. 92, pgs. 999-1012 (2002).
[xvii] Ludwig, Jens and Douglas L. Miller. "Does Head Start Improve Children's Life Chances? Evidence from a Regression Discontinunity Design." The Quarterly Journal of Economics, Vol. 122, pgs. 159-208 (2007).
[xviii] The Heckman Equation Project. "Invest in early childhood development: Reduce deficits, strengthen the economy."
[xix] For additional studies showing the positive impacts of early childhood education, see Early Childhood Recommendations to the Education Leadership Council, compiled by my colleague Bill Jaeger.
[xx] Hanushek, Eric A. and Alfred A. Lindseth. *Schoolhouses, Courthouses, and Statehouses: Solving the Funding-Achievement Puzzle in America's Public Schools* (Princeton, NJ: Princeton University Press, 2009); Baker, Bruce D. and Sean P. Corcoran. "The Stealth Inequities of School Funding, How State and Local School Finance Systems Perpetuate Inequitable Student Spending." (Washington, DC: Center for American Progress, Sept. 2012).
[xxi] See, e.g.: "Resource Needs for English Learners: Getting Down to Policy Recommendations." UC Linguistic Minority Research Institute (Apr. 2008); Duncombe, William and John Yinger. "How Much More Does a Disadvantaged Student Cost?" *Economics of Education Review* (Oct. 2005); King, Jennifer A. "Meeting the Educational Needs of At-Risk Students." *Educational Evaluation and Policy Analysis* (Mar. 2004); Chambers, Jay G. "Educational Cost Differentials and the Allocation of State Aid for Elementary/Secondary Education." The Journal of Human Resources (1978).
[xxii] EdBuild. "FaultLines: America's Most Segregating School District Borders," pgs. 8-9 (Aug. 2016).
[xxiii] Students identified as needing free lunch live in families at or below 130% of the federal poverty level (about $31,980 per year for a family of four in 2017).
[xxiv] National Conference of State Legislatures. "No Time to Lose: How to Build a World-Class Education System State by State" (Washington, DC: 2016).
[xxv] Jackson, C. Kirabo, R. C. Johnson, & C. Persico. "The effects of school spending on educational and economic outcomes: Evidence from school finance reforms." *The Quarterly Journal of Economics*, Vol. 131, pgs. 157-218.
[xxvi] See, e.g.: Card, David and A. Abigail Payne. "School finance reform, the distribution of school spending, and the distribution of student test scores." *Journal of Public Economics* (2002); Lafortune, Julien, Jesse Rothstein, & Diane Schanzenbach. "School finance reform and the distribution of student achievement." *National Bureau of Economic Research* (Working Paper No. 22011, 2016).
[xxvii] "English Learners Accountability and Educator Development" presentation given to Colorado State Board of Education at November 2017 meeting.
[xxviii] Hakuta, Kenji, Yuko Goto, & Daria Witt. "How Long Does It Take English Learners To Attain Proficiency?" UC Linguistic Minority Research Institute, (Policy Report 2000-1, Jan. 2000).
[xxix] Wilson, Jill. "Investing in English Skills: The Limited English Proficient Workforce in U.S. Metropolitan Areas." Metropolitan Policy Program at Brookings (2014).
[xxx] Gándara, Patricia and Russell Rumberger. "Defining an Adequate Education for English Learners." Education Finance and Policy, pgs. 130-148 (2008).
[xxxi] Chetty, Raj, John Friedman and Jonah Rockoff. "The Long-Term Impacts of Teachers: Teacher Value-Added and Student Outcomes in Adulthood." (Harvard University: Dec. 2011).
[xxxii] TNTP. "The Irreplaceables: Understanding the Real Retention Crisis in America's Urban Schools." (July 2012).
[xxxiii] Learning Policy Institute. "Colorado: Understanding Teacher Shortages." (2015).
[xxxiv] Bissonette, Doug. Unpublished raw data on teacher salaries, cost of living and turnover in Colorado, 2017.
[xxxv] Colorado Department of Higher Education. "Teacher Shortages Across the Nation and Colorado: Similar Issues, Varying Magnitudes." (Dec. 2017).
[xxxvi] Colorado School Finance Project. *Special Education Funding: Federal, State, Local*. (2017)
[xxxvii] Colorado School Finance Project. *Gifted Education Students: A Look at Student Count and Supplemental Funding.* (2017)

[xxxviii] K-12 Gifted Education: A Critical Economic Growth Driver for Colorado. Jefferson County Association for Gifted Children (January 2013).
[xxxix] Reardon, Sean F. "The Widening Academic Achievement Gap between the Rich and the Poor." *Community Investments* (Summer 2012).