

Review of Recent Formula Changes

Julie Pelegrin, Jacob Baus, Alana Rosen
Office of Legislative Legal Services

Marc Carey, Anna Gerstle
Legislative Council Staff

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School Finance Interim Committee



Objectives for Today's Presentation

Review of recent changes:

- Formula Changes
- Total Program Mill Levy Reset
- Special Education Funding
- MLO Match
- Proposition EE
- CSI Funding

Presentation Structure

- Statutory Overview – OLLS
- Impact Overview – LCS
- Committee Discussion



Formula Changes



At-Risk Changes (SB21-268)

- Currently, “at-risk pupils” means the greater of:
 - the number of district pupils eligible for free or reduced-price lunch; OR
 - the number of pupils, calculated by:
$$\frac{\text{District percentage of pupils eligible for free or reduced-price lunch}}{\text{District pupil enrollment}}$$
- SB21-268 added students eligible for reduced-price lunch, and removed ELL students from definition of at-risk pupils.

At-Risk Changes (HB22-1 202)

HB 22-1 202 requires:

- “...a new at-risk measure in the public school funding formula for identifying students who are at risk of below-average academic outcomes because of socioeconomic disadvantage or poverty.”
- The new measure must be in place beginning in the 2023-24 budget year.
- A working group to address issues concerning the construction and implementation of the new at-risk measure, and report to the Interim Committee on School Finance, the Joint Budget Committee, and Education Committees by January 31, 2023.

At-Risk Changes (HB22-1 202)

The new at-risk measure will include:

- A district's or institute charter school's **identified student percentage**, supplemented by students identified through Colorado's participation in the federal demonstration project for **direct certification** for children receiving benefits through Medicaid or the Children's Basic Health Plan; and
- Student needs that are weighted based on at least 5 **socioeconomic-status neighborhood factors**, linked to each student's census block group.

English Language Learners (SB21-268)

- Starting in the 2021-22 budget year, English language learner funding is included in the total program formula.
- English language learner funding is:
$$\begin{array}{c} \text{(District per pupil funding} \times 8\%) \\ \times \\ \text{English language learner pupils} \end{array}$$
- “English language learner pupil” means the number of pupils who are:
 - linguistically diverse,
 - identified pursuant to the state-approved assessment for English language proficiency,
 - have a level of English language proficiency requiring support to achieve standards in grade-level content in English, and
 - for whom the district received funding through the English language proficiency program.

Extended High School

ASCENT (HB 22-1390):

- Removed the limit on ASCENT program participants, allowing each qualified student selected by their local education provider to participate in ASCENT.
- Repealed provisions that permitted a local education provider to require a qualified student to repay tuition if the student did not complete a course or received a failing grade in a course.

TREP (SB 21-185):

- TREP participants are included in the funded pupil count as a part of extended high school pupil enrollment.

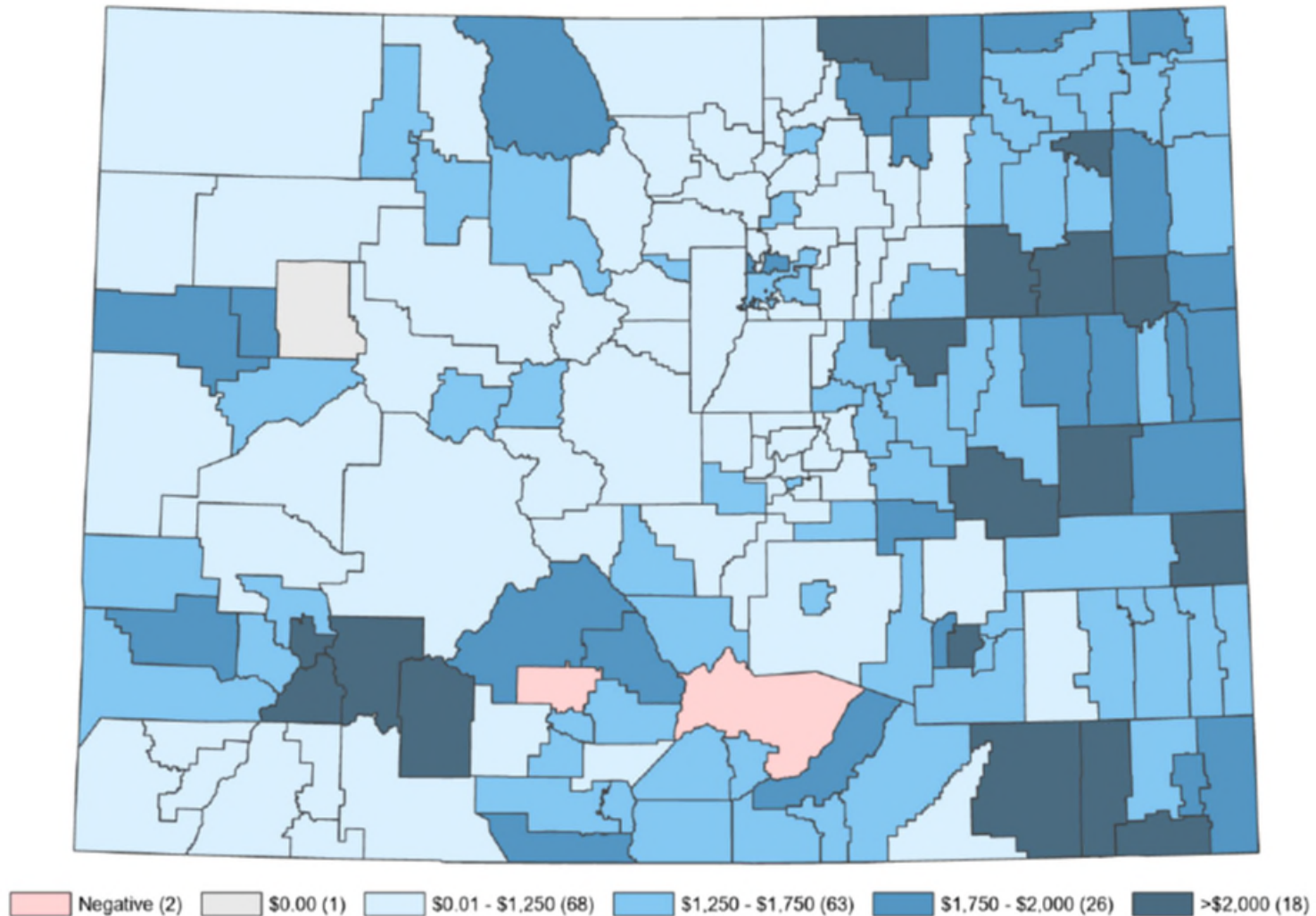
Preschool (HB22-1 295)

- Starting in the 2023-24 budget year, removes preschool program enrollment from the funded pupil count.
- Requires the new Department of Early Childhood to establish per-child rates and formulas for universal preschool services, including preschool services for children with disabilities.

Top 10 Districts for At-Risk Funding Increases FY 2021-22 (Senate Bill 21-268)

School District	Est. Funding Change	Percent Total
Denver	\$12,072,883	17.4%
Aurora	\$5,360,775	7.7%
Jefferson County	\$4,868,972	7.0%
Greeley	\$3,839,973	5.5%
Adams 12	\$3,397,740	4.9%
Cherry Creek	\$3,252,785	4.7%
Colorado Springs	\$2,233,025	3.2%
Mesa Valley	\$2,013,793	2.9%
Westminster	\$1,977,938	2.9%
Douglas County	\$1,741,907	2.5%
Subtotal		58.8%

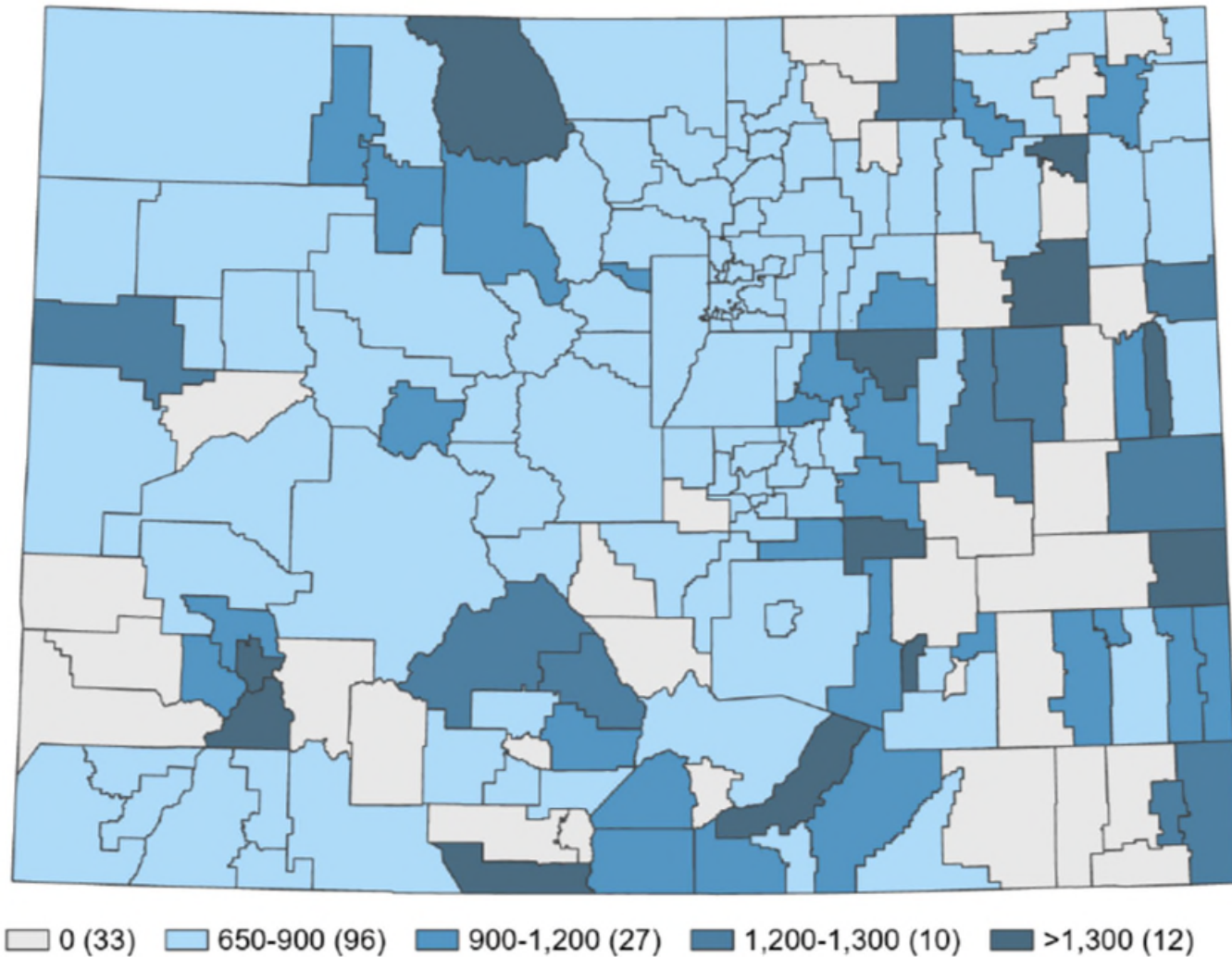
Change in At-Risk Funding – per reduced-price eligible pupil, FY 2021-22



Top 10 Districts ELL Factor Funding, FY 2021-22 (Senate Bill 21-268)

School District	ELL Factor Funding	Percent Total
Denver	\$9,180,371	21.2%
Aurora	\$6,329,582	14.6%
Cherry Creek	\$2,815,364	6.5%
Adams 12	\$2,563,226	5.9%
Jefferson	\$1,917,037	4.4%
Greeley	\$1,853,240	4.3%
St Vrain	\$1,431,273	3.3%
Brighton	\$1,304,816	3.0%
Douglas	\$1,193,994	2.8%
Commerce City	\$1,070,210	2.5%
Subtotal	\$29,659,113	68.4%

Change in ELL Funding - Per ELL pupil FY 2021-22



Per Pupil Funding Increases – by district type FY 2021-22

At-Risk Funding Increases – *per reduced-price eligible pupil*

	Urban	Rural	Small Rural
Maximum	\$2,017	\$1,811	\$2,370
Minimum	\$1,015	\$784	\$674
Average	\$1,258	\$1,168	\$1,638

ELL Funding Increases – *per ELL pupil*

	Urban	Rural	Small Rural
Maximum	\$774	\$980	\$1,516
Minimum	\$673	\$677	\$720
Average	\$714	\$729	\$1,007

Impact of Upcoming Changes

Extended High School (ASCENT/TREP)

- Impact will be known after the October Count
- HB22-1390 fiscal note assumed 350 additional ASCENT participants
- TREP capped at 200 students

Preschool

- Removal of preschool counts from formula will occur in FY2023-24
- In FY 2023-24, the funding amount attributable to preschool students in the formula in FY 22-23 will be transferred to the Preschool Programs Fund.

Committee Discussion on Formula Changes



Total Program Mill Levy Reset

House Bill 20-1418 / House Bill 21-1164

Background

- 1994 Act required reduction of mill levy based on TABOR revenue limit
- After 1994, most districts waived TABOR revenue limit, but still reduced mill levy
- 2007: General Assembly passed legislation to freeze reductions for districts that had waived TABOR limit and capped mill levies at 27 mills

Total Program Mill Levy Reset

House Bill 20-1418 / House Bill 21-1164

Reset district total program mill levies in 2020 to:

- If **not** subject to TABOR limit, lesser of:
 - mill levy without unauthorized reductions
 - fully funded mill levy
 - 27 mills
- If subject to TABOR limit, lesser of:
 - prior year mill levy
 - fully funded mill levy
 - TABOR mill levy
 - 27 mills

Total Program Mill Levy Reset

House Bill 20-1418 / House Bill 21-1164

Beginning in 2021, district mill levy is:

- If **not** subject to TABOR limit, lesser of:
 - prior year mill levy
 - fully funded mill levy
 - 27 mills
- If subject to TABOR limit, lesser of:
 - prior year mill levy
 - fully funded mill levy
 - TABOR mill levy
 - 27 mills

Total Program Mill Levy Credits

House Bill 20-1418 / House Bill 21-1164

- In 2020, districts granted mill levy tax credits equal to the increase in mills as a result of the reset
- Beginning in 2021, districts must decrease mill levy tax credits by 1 mill per year until taxpayers pay the number of reset mills

Total Program Mill Levy Credits

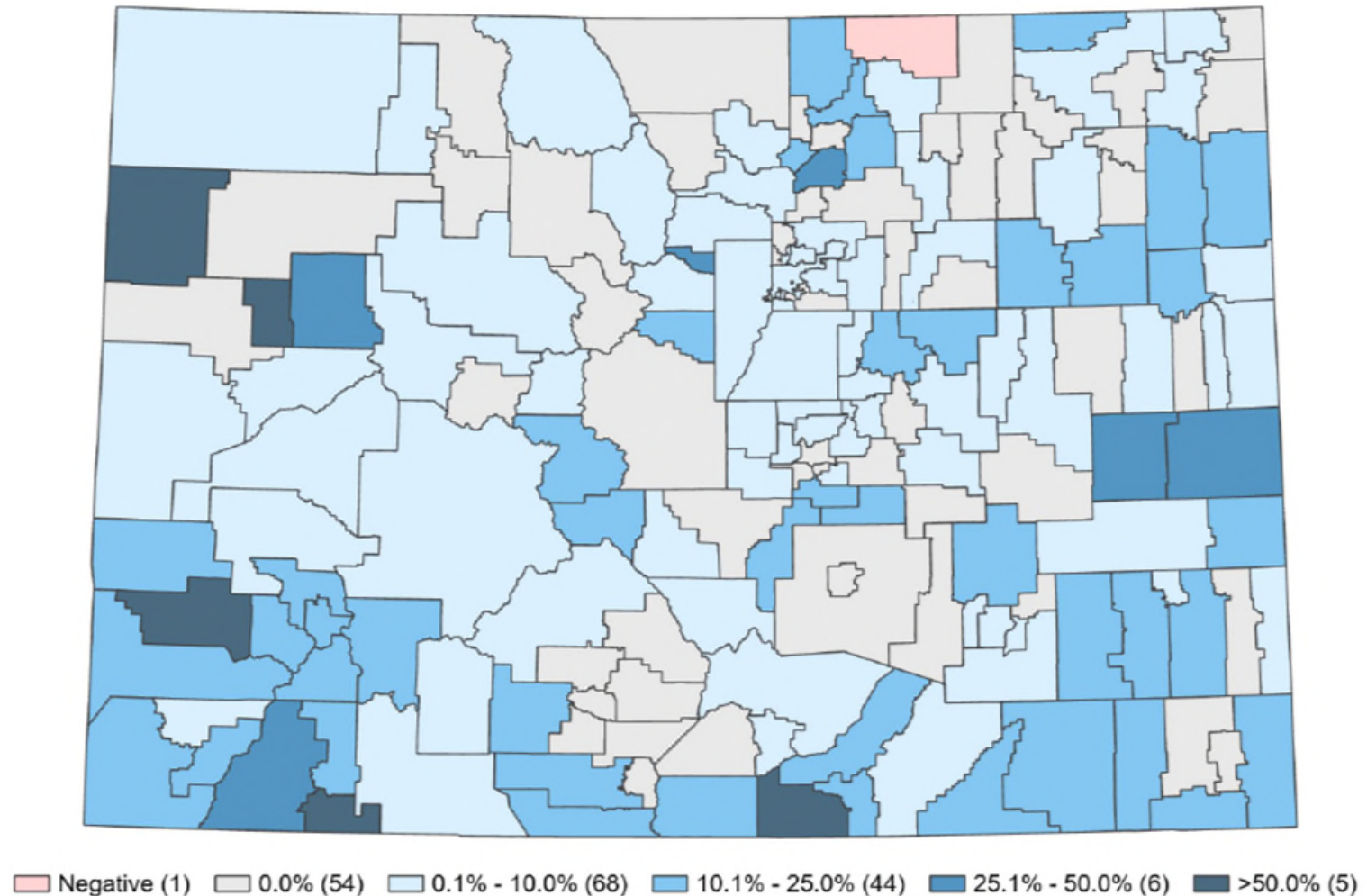
Increase in Local Share

- FY 2021-22 (1st Year)
 - \$88.2 million (based on actual 2021 AV)
- FY 2022-23 (2nd Year)
 - \$142.5 million (based on estimated 2022 AV)
- FY 2039-40 (Full implementation)
 - \$226.6 million (based on estimated 2022 AV; does not include changes in future AV or inflation)
 - 121 districts will be at 27 mills

Top 10 Districts for Local Share Funding Increases, FY 2022-23 vs. FY 2020-21 (HB20-1418/HB 21-1164)

School District	Est. Change Local Share	Percent Total
Denver	\$32,216,266	22.4%
Boulder	\$15,448,701	10.8%
Douglas County	\$12,683,198	8.8%
Jefferson County	\$8,638,002	6.0%
St. Vrain	\$8,471,508	5.9%
Thompson	\$4,879,488	3.4%
Mesa Valley	\$4,260,523	3.0%
Aurora	\$3,720,791	2.6%
Littleton	\$3,351,356	2.3%
Durango	\$2,747,167	1.9%
Subtotal	\$96,417,000	67.1%

Local Share Funding Percent Increases FY 2020-21 to FY 2022-23



Committee Discussion – Total Program Mill Levy Changes



Funding Special Education Services (SB22-127)

Background

- 2006: General Assembly created a tiered funding system
 - HB 06-1375
- **Tier A:** \$1,250 for each student with a disability served by an administrative unit.
- **Tier B:** After Tier A, Child Find, educational orphans, and high cost grants are funded, any remaining funds are distributed on a per pupil basis to administrative units for children who have one or more of the following disabilities:
 - A visual impairment, including blindness;
 - a hearing impairment, including deafness;
 - deaf-blindness;
 - a serious emotional disability;
 - an autism spectrum disorder;
 - a traumatic brain injury;
 - multiple disabilities; or
 - an intellectual disability.
- Tier B funding is capped at \$6,000 per student

Funding Special Education Services (SB22-127)

Background

- Beginning in the 2013-14 budget year, the General Assembly is required to appropriate \$20 million from the State Education Fund for Tier B purposes.
 - Senate Bill 13-260
- Beginning in the 2019-20 budget year, the General Assembly is required to appropriate \$22 million, which may be appropriated from either or both of the State Education Fund or the General Fund, for Tier B.
 - Senate Bill 19-246

What does Senate Bill 22-127 do?

- Increased Tier A funding from \$1,250 to \$1,750 for each student with a disability
- Increased Tier B funding by \$26.8 million from the SEF or General Fund
 - Tier B designated funding now \$68,825,000
 - Beginning in the 2024-25 budget year, Tier A and Tier B are annually increased by inflation
- It is the intent of the GA to increase special education funding annually, beginning in the 2023-24 budget year, in order to fully fund special education services (\$6,000 per child with one or more disabilities).

What does Senate Bill 22-127 do?

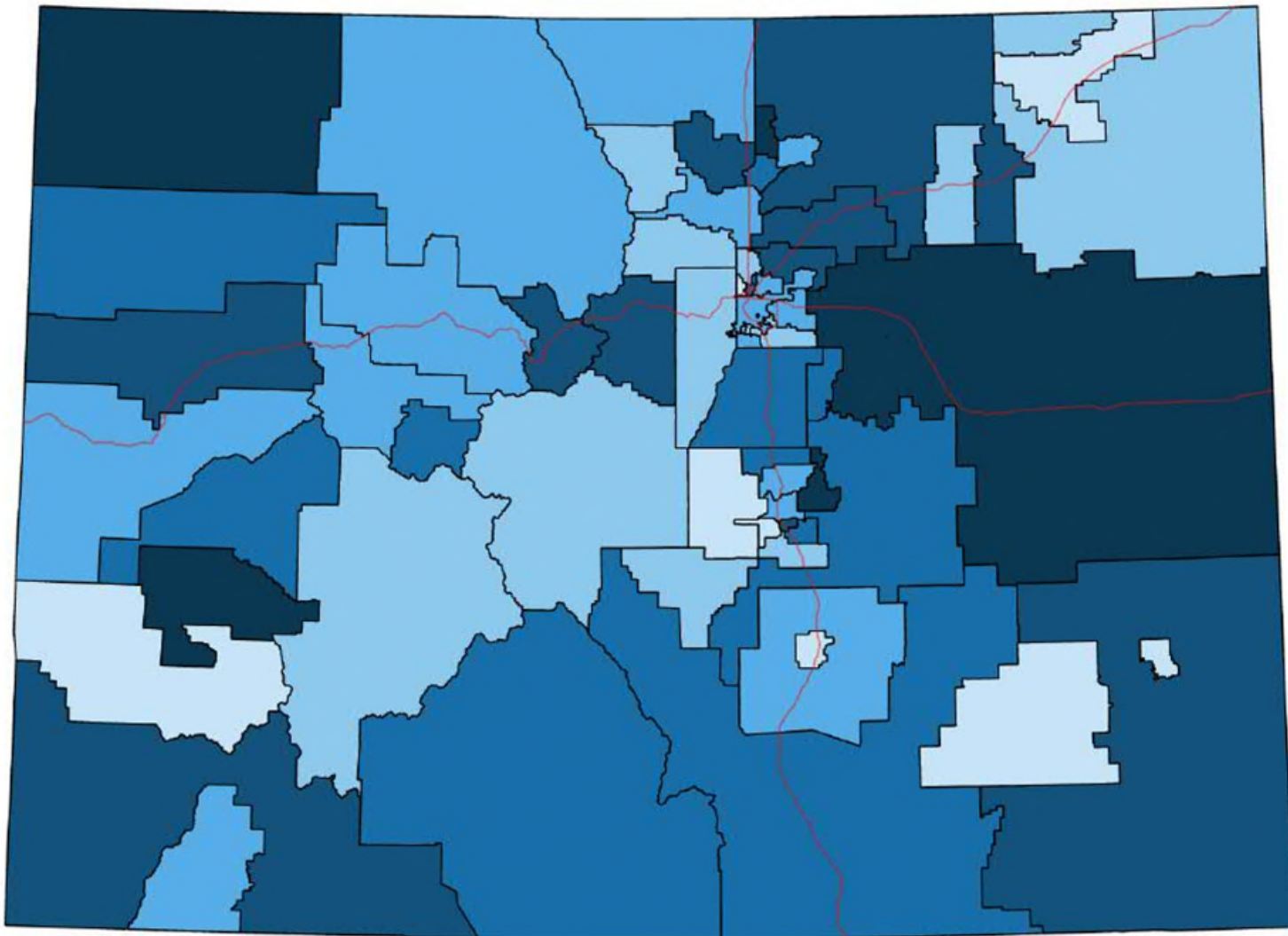
- By January 1, 2023, the Special Education Fiscal Advisory Committee (SEFAC) must submit a report and recommendations to the Education Committees of the House and Senate.
- It must include an analysis of:
 - special education funding models and disability categories in other states;
 - actual costs to provide special education services;
 - the effectiveness of the current funding model;
 - the high-cost special education trust fund;
 - an evaluation of current disability categories for recommended changes to the special education funding model.

Changes in Special Education Funding Under SB22-127

Preliminary FY 2022-23

	FY 21-22 Per Pupil	FY 22-23 Per Pupil	FY 22-23 Pupil Count	FY 22-23 Total
Tier A	\$1,250	\$1,750	108,305	\$189,533,750
Tier B	\$3,392	\$4,318	23,898	\$103,184,329
Total Tier A + B*		-	-	\$292,718,079
<i>Change from FY 21-22</i>			2,005 (Tier A) 319 (Tier B)	\$79,975,000

Percent Increase in Special Education Funding



Less than 30% (6) 31% - 35% (13) 36% - 40% (15) 41% - 45% (12) 46% - 50% (10) Greater than 51% (5)

Map prepared by Colorado Legislative Council Staff.

Committee Discussion – Special Education



Mill Levy Override Match



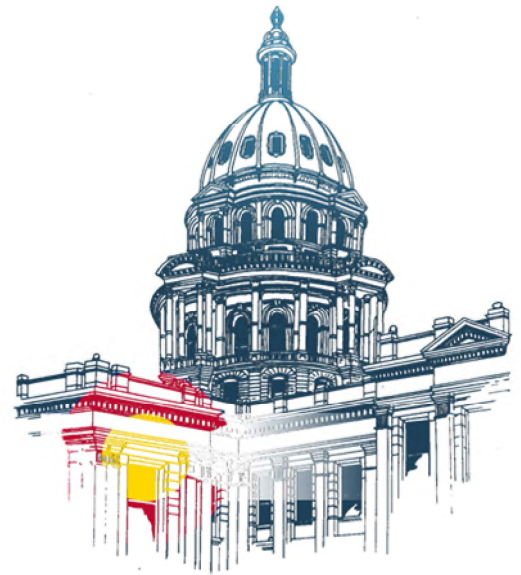
Mill Levy Override Match – SB22-202

- Maximum number of override mills: The number of mills required to generate 25% or 30% of total program, adjusted if necessary to limit online pupil enrollment to 10% of funded pupil count
- Override mill capacity: number of mills a district is expected to levy toward the maximum number of override mills, based on district's average median household income
- State match percentage based on difference between maximum number of override mills and district override mill capacity

Mill Levy Override Match – SB22-202

- Match amount:
 - district's state match percentage multiplied by property tax revenue generated by district's override mills
- Institute charter school receives per-pupil state match amount equal to amount received by district in which institute charter school is located
- 2022-23: estimated amount to fully fund state match to existing MLOs is \$67.2 million
- GA appropriated \$10M for state match; each district's match amount will be reduced proportionately

Other Changes



Proposition EE Funding – Rural Schools

- Approved by voters in 2020
- Raises taxes on cigarettes, tobacco products, and nicotine products
- After distributions specified in law, the remainder of the new revenue is deposited in:
 - State Education Fund in FY 20-21 through FY 22-23
(estimated \$137.6 million in FY 22-23)
 - Preschool Programs CF in subsequent years.

Proposition EE Funding – Rural Schools

- A portion of the revenue raised is distributed to rural schools:
 - \$25.0 million in FY 2020-21
 - \$30.0 million in FY 2021-22
 - \$35.0 million in FY 2022-23
- Funding for rural schools is on a per pupil basis to rural school districts and charter schools in those districts
 - 55% to large rural schools
 - 45% to small rural schools
- Districts must report to CDE on how the funds are used

Proposition EE Funding – Rural Schools

Per Pupil Distributions

	FY 2020-21	FY 2021-22	FY 2022-23
Total Funding	\$25,000,000	\$30,000,000	\$35,000,000
Small Rural	\$324 per pupil	\$389 per pupil	\$452 per pupil
Large Rural	\$141 per pupil	\$175 per pupil	\$196 per pupil

FY 2022-23:

- **Average district distribution:** \$195,530
- **Range of distribution amounts:** \$22,585 (Kim & Campo) to \$1.2 million (Montrose)
- **CSI Distributions:** \$284,889 (7 schools)

CSI Funding – School Finance Formula

- Students at CSI schools are funded through the school finance formula, based on their geographic district.
 - \$193.8 million estimated in FY 2022-23
- Two withholdings occur prior to distribution:
 - 3% for CSI administration; and
 - Any payments through the Charter School Intercept Program through the State Treasurer's Office

CSI Funding – Mill Levy Equalization Fund

- Created in HB17-1375
- Provides funding for CSI schools located in districts that have mill levy overrides
- Allocated on a per pupil basis, and cannot exceed the per pupil MLO amount for each school's geographic district.
- \$17 million appropriated to the fund in FY 2022-23, an increase of \$8 million.

Committee Discussion



Questions?

Julie Pelegrin
julie.pelegrin@state.co.us

Jacob Baus
jacob.baus@state.co.us

Alana Rosen
alana.rosen@state.co.us

Marc Carey
marc.carey@state.co.us

Anna Gerstle
anna.gerstle@state.co.us



Cost of Living Factor



Cost of Living Factor

- Provides additional funding for districts with high cost-of-living
- Preliminary Per Pupil Funding =
$$\left[(\text{Statewide Base} \times \text{Personnel Costs Factor} \times \textbf{Cost of Living Factor}) + (\text{Statewide Base} \times \text{Nonpersonnel Costs Factor}) \right] \times \text{Size Factor}$$
- HB22-1390 – School Finance Act
 - COL \$1.27 billion or 15 % of total funding before BSF
 - 60 % of factor funding (without Base funding)
 - Other factors \$886 million or 40 % of factor funding

Cost of Living Study

- New factors certified to CDE on March 11, 2022 based on 2021 Cost of Living Study
- Uses Reference Teacher Household
 - Avg salary with bachelors degree, 10 years experience
 - Reference salary: \$59,834 per year
 - Reference salary change: 5.81 percent
- New factors effective in FY 2022-23 & FY 2023-24
 - 111 districts unchanged (< 5.82 %)
 - 55 districts increased by .001 (5.82 % - 8.70 %)
 - 12 districts increased by .002 (> 8.70 %)
- [2021 Cost of Living Study can be found here.](#)

Cost of Living Factors in Other States

- Education Commission of the State identified two states that have cost of living adjustments – Alabama and Washington
- EdBuild noted that there are 10 states that have some metric for cost of living, including Tennessee, Missouri, and New Jersey.

Questions?

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julie.pelegrin@state.co.us

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jacob.baus@state.co.us

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alana.rosen@state.co.us

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marc.carey@state.co.us

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anna.gerstle@state.co.us

