Building a Better Colorado
K-12 Education Whitepaper
September 2021

Table of Contents

Why Colorado's K-12 Education System is important

K-12 education as a NATIONAL priority

Our nation's Founding Fathers maintained that the success of the fledgling American democracy would depend on an educated population that could understand political and social issues, participate in civic life, and vote wisely to protect their rights and freedoms.

> *"I think by far the most important bill in our whole code is that for the diffusion of knowledge among the people. No other sure foundation can be devised for the preservation of freedom, and happiness."*
>
> - Thomas Jefferson

Soon after the American Revolution, Thomas Jefferson, John Adams, and other early leaders proposed the creation of a more unified system of publicly funded schools. While a formal education was historically only available to the wealthiest families through private institutions prior to 1800, the U.S. government made access to PRIMARY education (grades 1-8) a priority in the 1800's and succeeded in growing the percentage of the country's school-age children (5-14 years old) who were enrolled in public school from about 55% in 1830 to 78% by 1870[1].

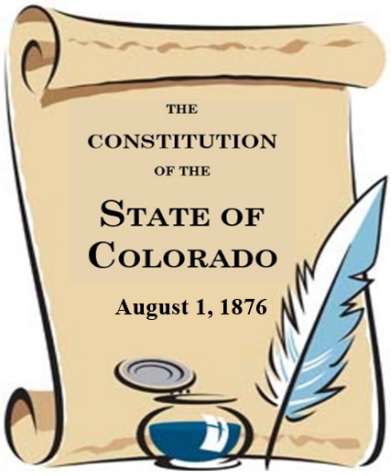
In the 1900's, through the evolution of the industrial age, the U.S. government recognized the importance of expanding public education to include a SECONDARY education (grades 9-12), and the percent of Americans over age 25 who attained a high school diploma grew from 14% in 1910, to 55% in 1970, to 90% today[2].

K-12 education as a COLORADO priority

Although the funding and programming of K-12 education in Colorado has historically been a LOCAL responsibility, our state government has always had a responsibility to provide access to public K-12 education. As a requirement of statehood, the Union required that Colorado include within its original constitution an assurance that our new state would provide for a thorough and uniform system of free public education.

[1] History and Evolution of Public Education in the U.S., Center on Education Policy, 2020

[2] History and Evolution of Public Education in the U.S., Center on Education Policy, 2020



(from Colorado's original constitution)

"The general assembly shall, as soon as practicable, provide for the establishment and maintenance of a thorough and uniform system of free public schools throughout the state, wherein all residents of the state, between the ages of six and twenty-one years, may be educated gratuitously."

Today, we recognize the myriad benefits of a quality K-12 public education system, including:

- Equipping citizens to participate in the sustenance of our civil democracy.
- Providing the future workforce to serve our society's needs.
- Contributing to each American's individual quality of life.

To the degree that our K-12 education system prepares students to SUCCEED, it largely determines our state's and nation's productivity and standard of living. Conversely, to the degree that our education system FAILS to prepare students to succeed, it contributes to some segments of our society falling behind and subsequently contributes to civil unrest and the social problems that inhibit our society's progress.

K-12 education as a PERSONAL priority

Regardless of how closely we each might choose to follow K-12 education issues, our K-12 education system is deeply personal to each of us. While it collectively defines our state's economic productivity and contributes to sustaining our civil society, it individually determines the quality of life that each of us enjoys, to the extent that we each have access to a quality education.

Education touches each of us personally -- it touches our kids, our values, our minds, our pocketbooks, and our future. In recent years, our K-12 education system has increasingly become a proxy stage to debate our diverse political perspectives, sometimes on matters that have seemingly little to do with the actual academic development of our children (e.g. the controversy over face masks).

Our individual and collective future largely hinges on the quality and effectiveness of our K-12 education system.

A brief history of K-12 education in Colorado

As their largest budget expenditure (over 50% of local property tax collections and almost 40% of the state's General Fund budget), funding K-12 education has evolved to be a partnership effort between local and state governments. While local governments have historically had primary responsibility for

funding and establishing the program objectives of K-12 education, the erosion of the local residential property tax base (caused by the unintended interaction between the Gallagher and TABOR Amendments to Colorado's constitution) has inhibited the ability of local governments to fund K-12 and has thus forced the State to assume the majority share of that funding responsibility. Additionally, as the federal government has expanded its role in funding K-12 education -- and required recipient states to subsequently comply with associated federal education rules and regulations -- the federal government has assumed not only a share of the responsibility for funding K-12 education, but also a larger role in the oversight and management of of education programming which federal funding supports.

1876: Statehood requirement and Local Control of public education

- Colorado's constitution requires the state to create a *"thorough and uniform system of free public schools"* in order for Colorado to be admitted to the Union.
- While a matter of state responsibility, the framers of Colorado's constitution were insistent that the decisions regarding the programming of public education would be a LOCAL responsibility. During the Colorado constitutional convention in 1876, the initial draft of the constitution put the state department of education explicitly in control of instruction and curriculum. The delegates rejected this framework and instead established two provisions in Article IX, one of which explicitly put control of instruction in control of local school boards and the other of which put choice of textbooks exclusively in control of local school boards. Colorado is one of only six states to establish such local control within its constitution (the others being FL, GA, KS, MT and VA) and has arguably emphasized more than any other state the importance of ensuring that local school boards control K-12 instruction.

1930's: The state begins its first investment in public education

- For the first 60 years of statehood, local governments were almost exclusively responsible for the funding and programming of public education. State funding for K-12 was limited to monies generated by state school trust lands and was used to support the training of teachers. In 1913, the legislature established that these monies also help support minimum teacher salaries.[3]
- In 1937, as part of the effort to recover from the Great Depression, the state began to make its first significant investment in public education by dedicating part of the state's new income tax to support local school districts.[4]

1952: Colorado legislature adopts the state's first Public School Finance Act

- The state legislature's first statutory school funding formula was adopted in 1943. In 1952, the state adopted its first School Finance Act which provided each school district with a set amount of money in each calendar year, however, it was criticized from the outset for not eliminating the spending disparities among school districts.

1958: The federal government begins to play a role in public education

- In response to the Soviet Union's successful launch of the first artificial satellite, Sputnik-1, President Dwight D. Eisenhower signed into law the National Defense Education Act to promote

[3] Colo Legislative Drafting Office amicus brief, Lujan v. State Board of Education, 2/13/84, pg 13

[4] Colo Legislative Drafting Office amicus brief, Lujan v. State Board of Education, 2/13/84, pg 20

education in science and technology in the interest of national security.[5] This action marked the beginning of large-scale involvement by the federal government in education, although this initial effort simply provided a funding stream to encourage science and math and didn't attempt to establish federal authority in determining education programming.

- The federal government's role in public education grew significantly in the mid-1960s when the Johnson administration pushed through the Elementary and Secondary Education Act (ESEA) which emphasized equal access to education, aiming to shorten the achievement gaps between students by providing federal funding to support schools with children from impoverished families.[6] The Act provided a funding stream to the states and local school districts contingent upon the state and school districts creating programs that met federal requirements, although the Act limited the federal government's requirements to only those programs which dealt with the targeted student groups.

1960's & 70's: National effort to provide more equitable student access to education

- Prior to the 1960's, it was simply accepted that a child's opportunity for a K-12 education was largely dependent on their ZIP code, their ethnicity, and their social status.
    - In Colorado, K-12 education was funded almost entirely by local governments through local property taxes and locally-established tax mill levies; neither the State nor Federal government played much of a role in either funding or K-12 programming. Not surprisingly, the wealthier school districts had the best schools and best education and there was significant disparity in the quality of education based on a student's zip code.
    - Despite the U.S. Supreme Court's landmark ruling in 1954 which ruled that segregated schools were unconstitutional (Brown vs. Board of Education), states still struggled to effectively integrate ethnic minorities in public schools.
    - Many states had laws that explicitly excluded children with certain types of disabilities from attending public school, including children who were blind or deaf and children labeled "emotionally disturbed" or "mentally retarded".[7]
- Beginning in the latter half of the 1960's, through a combination of new federal laws and court rulings aimed at increasing access to public education, the federal government assumed a new role in providing funding to states to support the education opportunity for previously disadvantaged student populations. These new federal funds required that states also contribute, which began a new era of significant state responsibility for supporting K-12 education in partnership with local governments.
    - The Elementary and Secondary Education Act (ESEA) of 1965 was a cornerstone of President Lyndon B. Johnson's "War on Poverty" and represented a landmark commitment to equal access to quality education.
    - Title IX of the federal Education Amendments of 1972 prohibited sex-based discrimination in any school or other education program that receives federal money.
    - The 1974 Supreme Court case Lau v. Nichols prohibited discrimination based on race or national origin and determined that school systems in the United States must provide English language instruction.

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[5] Eisenhower signs National Defense Education Act, Politico, 2018 (https://www.politico.com/story/2018/09/02/this-day-in-politics-sept-2-1958-801912)

[6] Elementary & Secondary Education Act, Wikipedia (https://en.wikipedia.org/wiki/Elementary_and_Secondary_Education_Act)

[7] Back to School on Civil Rights: Advancing the Federal Commitment to Leave No Child Behind," a report published by the National Council on Disability on January 25, 2000.

- The Education for All Handicapped Children Act in 1975 required public schools to evaluate handicapped children and create an educational plan to emulate as closely as possible the educational experience of non-disabled students. The successor federal legislation -- the Individuals with Disabilities Education Act (IDEA) -- expanded the federal government's role by further limiting the discretion of states and local school districts in the use of federal funds for those target populations.

  Although the federal government has never contributed more than about 5% of Colorado's K-12 funding (primarily to support special education), State funding for K-12 in Colorado has increased dramatically from very little prior to 1970, to 40% of total K-12 funding by 1977, and 50% by 1992. The state's share of funding K-12 has subsequently grown to over 60% as a result of the formulaic interaction of the Gallagher (1982), TABOR (1992), and Amendment 23 amendments to the state constitution, and therefore the State now funds the majority of Colorado's K-12 education system.

1973: Public School Finance Act of 1973

- With the passage of the "Public School Finance Act of 1973", the Colorado legislature took its first cut at adopting a comprehensive modern school finance system which attempted to equalize funding in the school districts across the state regardless of the property wealth in the local school district. By contributing state funds to match newly-available federal funds, the legislature began to raise the per-pupil funding in the least wealthy districts in the state and began to establish the role of the state in contributing funding to provide access to all students.

1982: Gallagher Amendment

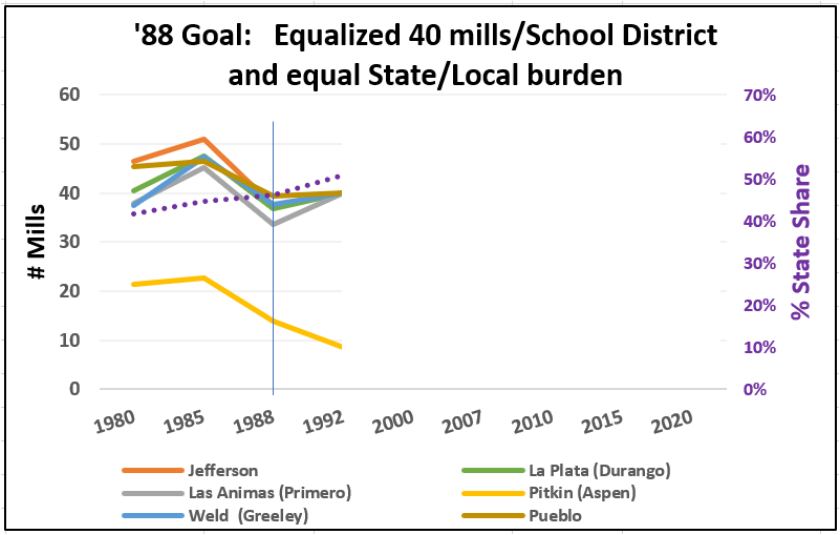
- In response to growing residential property values and the increasing property tax bill for homeowners, Colorado voters adopted the "Gallagher Amendment" to the state constitution which provided property tax relief to homeowners by freezing their share of the state's property tax burden at 45%.
- The Gallagher Amendment begins a 38-year erosion of the local residential property tax base on which schools depend for local funding (schools receive about 50% of local property tax revenues). Local governments try to counter this erosion of their property tax base by "floating" their local tax rate (mill levy) upward to sustain a consistent funding stream to support K-12 education. (This ability to "float" local mill levies is later prohibited by the voters' subsequent adoption of the TABOR Amendment in 1992.)

1988: School Finance Act of 1988

- Fifteen years after the passage of the 1973 Finance Act, the Colorado legislature took its second cut at creating a modern school finance act by establishing two new themes in the school finance debate[8]:
  - STUDENT EQUITY: The 1988 Act set as one of its goals funding an equitable level of education for every student in the state, regardless of local wealth and costs. That theme of student equity – providing equitable access to education for every student in the state – remains the dominant theme of school finance today.

[8] Time for a Divorce, Delay, 2008

- TAXPAYER EQUITY: The 1988 Act recognized that both the local school district and the state had an important role in funding public education, and it sought to establish taxpayer equity by:
  - balancing the responsibility for funding K-12 education between the state and local governments, with each assuming 50% of the burden (at the time, the state contributed approximately 43% of total K-12 funding), and
  - standardizing the mill levy in all school districts so that every school district was to have the same mill levy -- and therefore a similar amount of taxpayer effort to fund K-12 -- regardless of the property values in the district.



While the Act sought to standardize the mill levy between districts, it also permitted local school districts to ask their voters to approve "Mill Levy Overrides" to provide additional local funding which is NOT considered as part of the Local Share of the school finance formula (and therefore would not result in a corresponding decrease in state funding) up to 5% of their "total program" funds as calculated by the School Finance Act or $200k, whichever was greater. This ability for individual school districts to seek local voter support for additional funds opened the door for continued disparate educational opportunities as some districts might seek and secure such additional funding and others would not. Local educational opportunities would become increasingly disparate in ensuing years as K-12 funding was reduced and the legislature responded by expanding the "limited" opportunity for school districts to seek additional local funding through Mill Levy Overrides.

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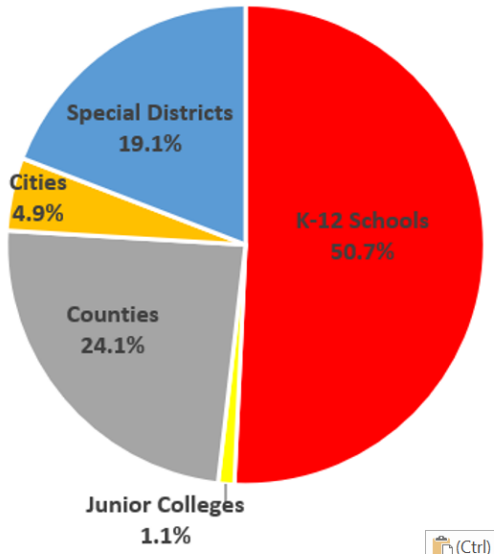
SHORT DETOUR

What is property tax, and how is mine calculated?

Property taxes in Colorado entirely pay for local services, including schools, roads, and county administration, with fully HALF of all local property tax collections used to pay for the local share of K-12 education. Although most states have a state-level property tax, Colorado hasn't had a state property tax since 1964, and the adoption of the TABOR Amendment in 1992 prohibits the state from adopting one.



In Colorado, property taxes are used exclusively to pay for LOCAL government services. Just over 50% of property tax revenues is used to fund local K-12 school districts; the remainder supports local services provided by counties, special districts, and, to a lesser degree, cities and towns (which are primarily funded by sales taxes), including fire protection, recreation, water and sewer infrastructure, libraries and county road maintenance. Property taxes in Colorado are assessed, collected and spent locally.

Colorado has not imposed a state level property tax since 1964, and therefore property tax revenues do not pay for any state services like highways, prisons, or higher education; state services are paid for through a combination of the state income tax, the state sales tax, motor fuel taxes fees and other tax revenues. Although 36 other states levy a property tax, this funding source represents only 1% of their own-source general revenue.[9]

How Property Taxes are Calculated

Colorado's local property tax revenue is calculated by the following simple formula which includes three parts:

1) the "Base Property Value",
2) the "Assessed Property Value", and
3) the "Mill Levy.

<u>"Base Property Value"</u>

[9] Tax Policy Center (https://www.taxpolicycenter.org/briefing-book/how-do-state-and-local-property-taxes-work)

Nationally, it is common practice to establish the property tax base by starting with the market value of property. In Colorado, the property tax base is established every other year through a "reassessment" process performed by your locally-elected County Assessor. Changes in market conditions will result in your property's base value fluctuating with each reassessment.

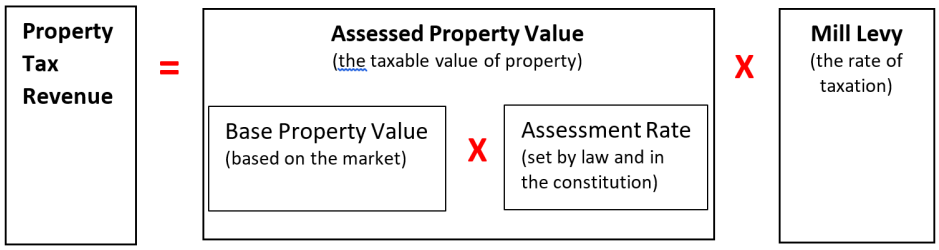
"Assessed Property Value" and "Assessment Rate"

In many states, including Colorado, the base property value is amended by an "Assessment Rate" which is established for each class of property (Residential, Commercial, Agricultural, etc) in order to allow different classes of property to contribute to the total tax burden at different levels. The Assessment Rates are set by law and in the state constitution. Different classes of property are assessed at different rates; for example, Commercial property (an office building) is assessed at 29% of its market value, whereas Residential property (a house) is assessed at 7.15% of its value.

The "Assessed Value" is the taxable value of your property and is determined by multiplying your property's base market value by an "Assessment Rate" which has been established for your class of property. Because the taxable Assessed Value of your property is determined every two years by your local County Tax Assessor, your "Assessed Value" lags the actual market value by two years.

"Mill Levy"

The mill levy is the rate of tax that is applied to the assessed value of a property to determine property tax revenue. One mill is one dollar of tax revenue per $1,000 dollars of assessed value, therefore the "tax rate" for one mill would be .001 (1/1000). For example, if your property has an assessed (taxable) value of $100,000, and the mill levy in your community is 1 mill (or an effective "tax rate" of .001), you'll pay $100 in taxes. Tax mills are approved by voters, and the mill levy on your property will include all of the various tax mills which voters in your jurisdiction (city, county, state and any special districts) have approved over the years.

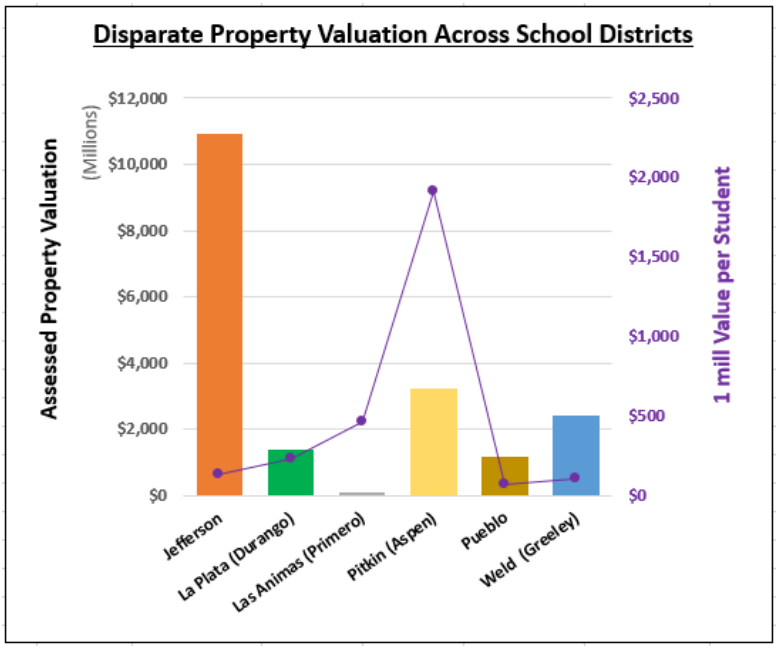


Why did the legislature try to equalize local school district mill levies in 1988?

To understand the state's ongoing school finance challenge, it's important to understand why the legislature set the goal of equalizing the mill levies of school districts in 1988.

Since statehood, Colorado's various counties and school districts have had very disparate property values -- influenced by such factors as population, energy & mineral production, and irrigated farmland -- and therefore very different abilities to fund public education which relies almost entirely on property tax mill levies. 1 property tax mill generates $1 of tax revenue per $1,000 of assessed property value, therefore, an equal mill levy across School Districts would represent an equal funding EFFORT by taxpayers, although the underlying property values and corresponding tax amount paid would be different.

Some districts, like the Jefferson County school district, have large property wealth relative to other districts, but they also have the state's 2nd-largest student population, so the amount of property tax revenue that can be generated per student is about average. Conversely, the Aspen school district has more property wealth than most districts, but it has a relatively few number of students, therefore they are able to generate significantly more property tax revenue per student to fund their schools. And the Pueblo school district has relatively low property wealth and a relatively large student population, so their property tax mills are able to generate less per student than other school districts.



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A brief history of K-12 education in Colorado (cont)

1990's: National effort to establish Educational Standards

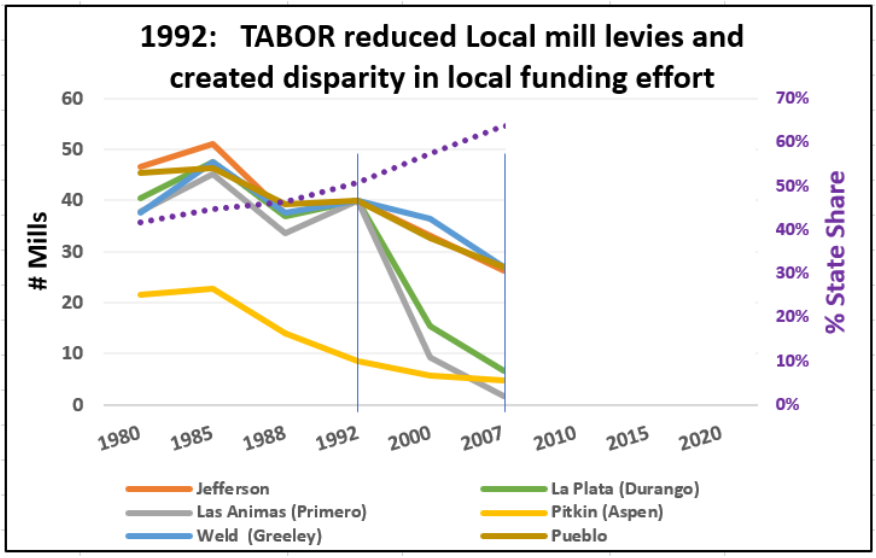
- For the first time, a series of new educational "standards" are developed, both nationally and at the state level, which require additional K-12 investments for specific priorities such as educational proficiency, closing achievement gaps between socio-economic classes, providing assistance to those for whom English is not their primary language, and providing special assistance to those with learning disabilities and academically-gifted students. Many of these new mandates are either unfunded or insufficiently funded. Congress' adoption of the "No Child Left Behind Act" in 2001 also begins to insert the federal government into K-12 administration which had previously been under the jurisdiction of local and state governments. (The voters' adoption of the TABOR Amendment in 1992 further challenged the state's ability to adequately fund these new educational standards.)

1992: TABOR Amendment

- Colorado voters adopted the "Taxpayer's Bill of Rights" (TABOR) amendment to the state constitution, which limits funding for state and local governments (of which K-12 is the largest

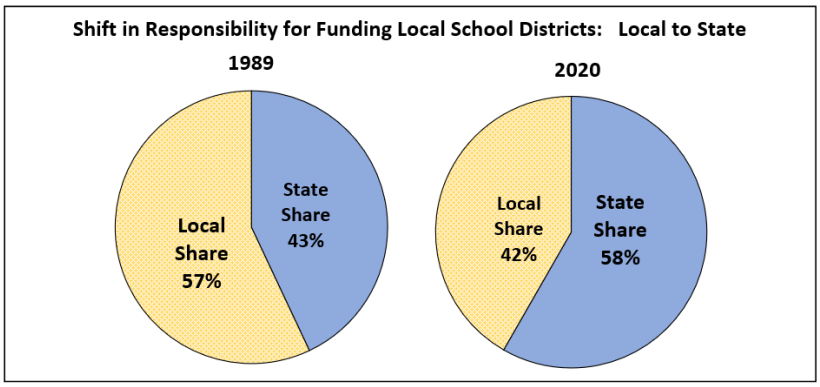
component at 40% of the state budget) and prohibits state and local government from sustaining consistent funding streams to support K-12 without ongoing voter approval. TABOR has had two significant impacts on K-12 funding:

1. **TABOR has increased TAXPAYER INEQUITY in funding K-12.**
   Because the Department of Education interpreted TABOR to permanently force mill levies to be lower in school districts with higher revenues, it created new disparity in local mill levy rates, perversely keeping mill levies high in poorer districts, which have little economic growth, and forcing them lower in wealthier districts, which enjoy strong economies. While almost all of Colorado's 176 school districts maintained a similar mill levy rate between 38-40 mills prior to the adoption of TABOR in 1992, the interpretation of TABOR's revenue limitation contributed to a reduction in the mill levies for all school districts with wildly disparate rates ranging from 2 to 38 mills by 2007, creating equally disparate levels of local taxpayer contribution to support K-12 statewide.



2. **TABOR has contributed to shifting the K-12 funding burden from Local government to State government.**

   Because of TABOR's erosion of Local mill levies, the State has had to assume more of the funding responsibility. Additionally, from 1992 to 2020 (before Coloradans repealed the Gallagher Amendment to the state's constitution), the Gallagher Amendment eroded the local Residential property tax base and TABOR prohibited local governments from raising mill levies to offset that erosion in the same way they had done during the first 10 years of the Gallagher Amendment. This erosion of the local tax base also contributed to shifting the K-12 funding burden to the State. In 1989, the state was responsible for contributing 43% of total K-12 funding; the state's share had grown to 66% in 2015 and currently stands at 58% in 2020 .



1994: School Finance Act of 1994

- Because of the adverse impact which the TABOR Amendment and its interaction with the Gallagher Amendment was having on school funding, and because the legislature never fully funded the 1988 School Finance Act, the legislature made another attempt to achieve equity in K-12 funding in the "School Finance Act of 1994" which created the current funding formula with the following components:

"Total Program" Funding

1. "BASE funding" represents the minimum amount of funding required to educate a student with no special needs. The "base" represents costs for such things as salaries for teachers and administrators, staff development, technology, software, and class materials.

2. "FACTOR funding" provides additional funding to address disparities between school districts based on:
   - Cost-of-Living (COL) for their community
     Schools can receive additional funds if they operate in areas that have a higher cost of living.
   - Personnel costs
     The formula recognizes that differences in the cost of living primarily affect the salaries that must be paid to hire and retain qualified personnel, therefore, the cost-of-living factor is applied only to the portion of each school district's base that relates to personnel, as defined by the personnel costs factor.
   - Size of the School District.
     Smaller school districts which cannot realize the same economies of scale as larger school districts are eligible for additional funding.
   - "At-Risk" students
     Schools with a higher number of students who qualify for free- and reduced-lunch based on federal guidelines are eligible to receive additional funding to deal with these higher per-pupil costs. This additional funding is based on both the number of at-risk students in the district and the proportion of at-risk students in the district.

"Categorical" funding

The State provides additional support for unique student needs in the categories of Special Education, English Language Learners, Gifted & Talented, Career and Technical education, Transportation needs, and Small Attendance Centers. The categorical funding for Special Education and English Language Learners served as the evidence of state support necessary to receive additional matching federal funds.

- The 1994 Act also established that each district would contribute the same funding "effort" of 40 tax mills, or about 50% of the total K-12 funding needed. (In 1994 most districts were raising between 38 and 40 mills and local funding represented about 60% of the revenue for school districts.)
- The 1994 Act increased from 5% to 10% the allowable amount of additional funding which local school districts were permitted to ask their voters to approve through "mill levy overrides" which is NOT considered as part of the Local Share of the school finance formula. This allowable cap on mill levy override revenues has subsequently been increased to the point that, beginning in FY 2009-10, a district's override revenues cannot exceed 25% of its Total Program funding (or 30% for rural districts) or $200,000, whichever is greater. Because school districts with more property wealth have had more success than poorer districts in securing local voter approval for such mill levy overrides, this increasing allowance to utilize overrides has resulted in increasing the funding disparity between school districts.
- The 1994 Act also codified into statute TABOR's limits on revenue growth. This statutory directive went beyond TABOR's restrictions by requiring school districts to automatically and immediately reduce their mill levy if the growth in property values caused local revenues to exceed TABOR's limit. This interpretation of how TABOR's revenue limit applies to school district mill levies was stricter than how it's interpreted to apply to either the state or other local governments which are allowed the choice to comply with TABOR through a variety of mechanisms, including refunding excess revenue and/or temporary reductions in tax rates. The Colorado Department of Education (CDE) went even further by interpreting the 1994 Act to require school districts to permanently reduce their mill levies when their revenues exceeded TABOR's revenue limit EVEN IF LOCAL VOTERS APPROVED THAT THEIR SCHOOL DISTRICT SHOULD BE EXEMPT from this application of TABOR. This interpretation by CDE began a 13-year erosion of local mill levies until the legislature "froze" school mill levies in 2007, and contributed to the shift in funding K-12 from Local to State government.

2000: Amendment 23

- In response to TABOR's erosion of the state's revenue base and increasing K-12 costs, Colorado voters adopted "Amendment 23" (codified as Article IX, Section 17) to the state constitution, which required the state to increase "base funding" for K-12 every year, regardless of economic conditions.

Amendment 23 did three things:

1. **Mandated INCREASED funding for K-12 for 10 years**
   By increasing statewide base funding by inflation plus 1% per year for ten years, and by inflation for subsequent years, Amendment 23 proposed to return funding for K-12 to the level it was in 1988 when Colorado's per-pupil investment was roughly equal to the national average.

2. **Mandated MINIMUM FUNDING for K-12 based on Student Enrollment and Inflation**
   Amendment 23, as originally applied, required that the state annually increase both "BASE

funding" and "FACTOR funding" by the rate of inflation PLUS student population, and increase "CATEGORICAL funding" by the rate of inflation, alone. Later, in 2010, the legislature (with a supporting decision by the Colorado Supreme Court) chose to limit Amendment 23's funding mandate to ONLY apply to "base funding".

a. "BASE funding" represents the minimum amount of funding required to educate a student with no special needs. The "base" represents costs for such things as salaries for teachers and administrators, staff development, technology, software, and class materials.

b. "FACTOR funding" provides additional funding to address disparities between school districts based on:
    i. the Cost-of-Living for their community
    Schools can receive additional funds if they operate in areas that have a higher cost of living.
    ii. Size of the School District
    Smaller school districts which cannot realize the same economies of scale as larger school districts are eligible for additional funding.
    iii. "At-Risk" students
    Schools with a higher number of students who qualify for free lunch based on federal guidelines are eligible to receive additional funding to deal with these higher per-pupil costs.
    iv. Personnel costs
    Schools can receive additional funds if their employees reside in areas with a higher cost of living.

c. "Categorical funding" is calculated outside of the state's School Finance Act and is intended to provide additional support for unique student needs in the areas of Special Education, English Language Learners, Gifted & Talented, Career and Technical education, Transportation needs, and Small Attendance Centers. While Amendment 23 requires the state to increase the total amount of categorical funding by the rate of inflation, the legislature is allowed the discretion to determine how much each category receives from that total inflationary increase. Because Amendment 23 requires that Categorical funding grow at only the annual rate of inflation and NOT student enrollment, and since this formula was put in place in 1994 and has never been updated, it doesn't account for the cost of the additional 300,000 students which have been added to the K-12 population since then.

3. **<u>Created the State Education Fund (SEF)</u>**
In creating the SEF, Amendment 23 diverts an amount equal to one-third of one percent of taxable income to the fund, or about 7.2% of the total revenue which the state collects through its income tax. Money in the SEF may be used to meet the minimum K-12 funding requirements which Amendment 23 also established. In addition, the General Assembly may appropriate money from the SEF for a variety of other education-related purposes as specified in the state constitution.[10]

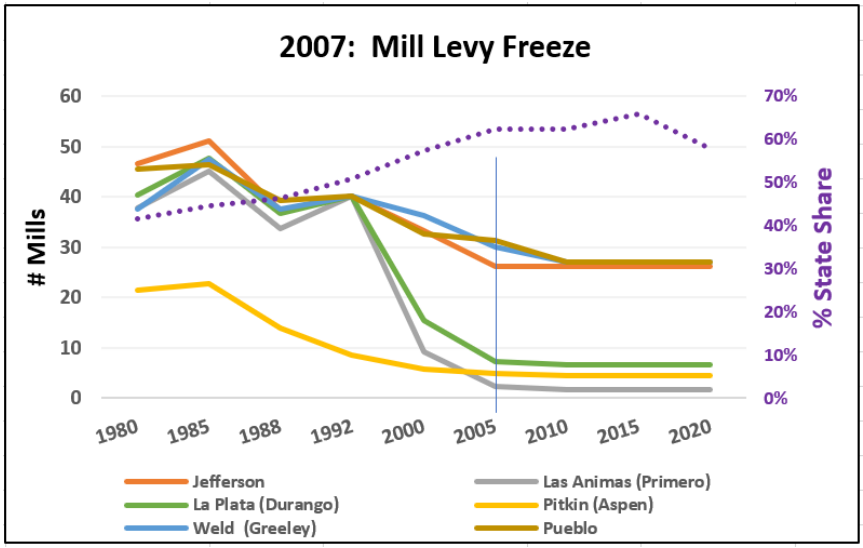
[10] Colorado Legislative Council, "Report on the State Education Fund", 2/1/18 (https://leg.colorado.gov/sites/default/files/report18-final.pdf)

2001: No Child Left Behind Act expands role of federal government in K-12 education

- The George W. Bush administration successfully passed the No Child Left Behind (NCLB) Act in 2001, which further expanded the role of the federal government in K-12 education by applying the federal government's rules and regulations to the education of ALL students rather than only those within a specific target group. One outcome of NCLB is that state accountability systems are no longer entirely within the control of the state, but, rather, must include the national requirements or the state risks losing federal funding.

2007: Mill Levy Stabilization Act

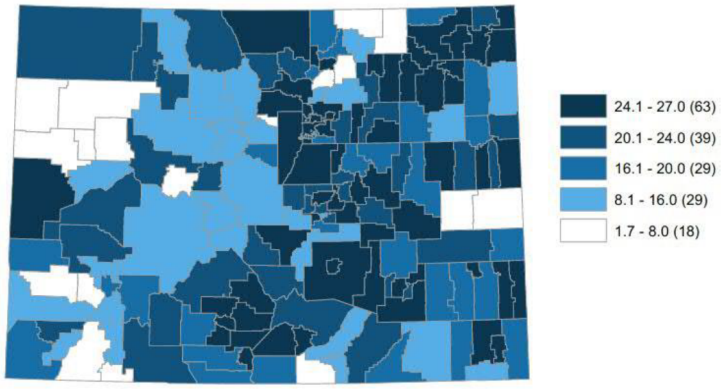
- In order to stabilize local school district mill levies that the Department of Education's 1994 interpretation of TABOR was continually forcing to be lower, the legislature adopted the Mill Levy Stabilization Act (SB 07-199), which capped local district mill levies at no more than 27 mills and froze mill levies for districts with mill levies of 27 mills or less. The mill levy cap/freeze applied to the 174 out of 178 school districts whose voters had "de-Bruced" local school district revenues and enabled their school district to keep additional revenues beyond TABOR's spending cap. At the time, the highest local mill levy assessed by any school district amounted to 33 mills, and the 27-mill limit was determined to be the highest mill levy for which the State could afford to backfill the reduction in local funding for those districts which were already higher than that.



Today, mill levies for individual school districts range from 1.7 to 27 mills, with most districts in the Denver and Pueblo metro areas at or near the cap, and the lowest mill levy category in high property wealth districts either in the resort communities such as Aspen and Telluride or districts in the oil and gas producing areas of Weld County, the Piceance Basin in northwest Colorado, and the San Juan Basin in southwest Colorado.[11]

[11] School Finance in Colorado, Colo Legislative Council, https://leg.colorado.gov/sites/default/files/final_-_2021_booklet.pdf

District Mill Levies for the School Finance Act, FY 2020-21



Source: Legislative Council Staff.
Note: Numbers in parentheses indicate the number of school districts in each tier.

2008: Building Excellent Schools Today (BEST)

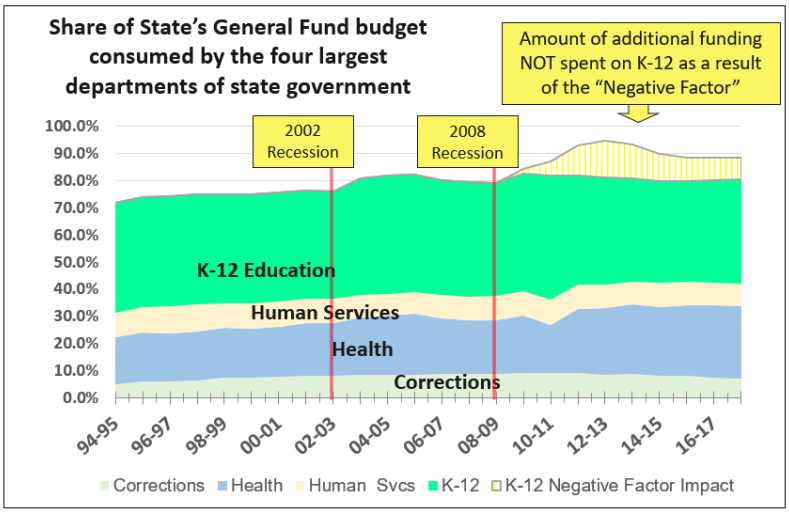
- The legislature created the BEST competitive grant program to provide school districts with matching funds for the construction of new schools as well as general construction and renovation of existing school facilities. BEST is funded through multiple revenue sources, including State Land Board proceeds, marijuana excise tax, Colorado Lottery spillover funds, and interest accrued in the Public School Capital Construction Assistance Fund. BEST grants have totaled about $100 million/year and a match from local school districts. (To put this amount in context, the state estimated in 2008 that the identified need for school construction amounted to somewhere between $13.9 billion and $18 billion.)

2010: Budget Stabilization Factor (a.k.a. Negative Factor)

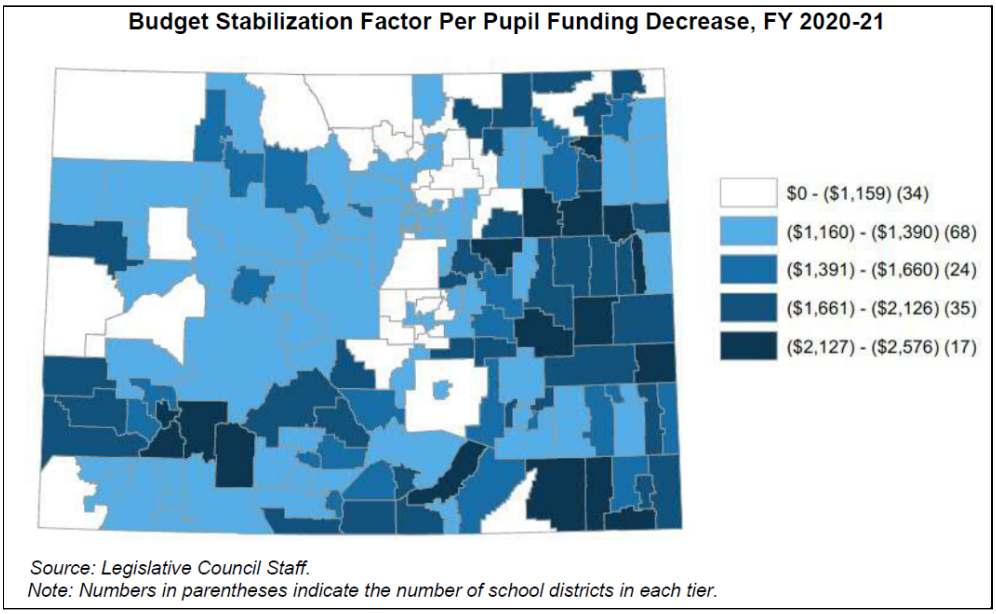
- Because Amendment 23 requires that statewide base funding for K-12 continue to grow at the rate of student enrollment plus inflation regardless of the state's economic condition, K-12's share of the state's budget has increased during times of economic recessions in 2002 and 2008 as the state has had to reduce discretionary funding for other program areas. With the drop in state revenue as a result of the "Great Recession" of 2008-2010, the legislature was faced with the prospect of having to drastically cut funding for other programs like Higher Education to comply with Amendment 23's funding mandate. In order to preserve funding for other programs, the state chose to apply Amendment 23's funding mandate to EXCLUDE the additional "factor" funding which addressed school disparity (district's size, cost of living, personnel costs and at-risk students). This has since resulted in a reduction in annual K-12 funding by about $700-900 million annually which has allowed the state to continue to support other priorities such as Higher Education.

  By applying Amendment 23's K-12 funding mandate to only "base funding" and eliminating "Factor" funding from this annual inflationary increase, the state essentially converted approximately $1.5 billion in previously FORMULAIC funding to now be DISCRETIONARY. Since 2010, the state has opted to contribute about $600-800 million annually in discretionary funding to K-12 to partially offset the $1.5 billion cut in previously mandated support.

Amendment 23's funding mandate grows K-12's share of the state budget during economic downturns and prompted the legislature to reinterpret it in 2010 in order to sustain funding for other programs.



Because the state applies the Negative Factor as an across-the-board percentage cut applied equally to all school districts which receive state funds, the smaller rural school districts are most adversely impacted because they don't have the economies of scale to mitigate that impact.



Source: Legislative Council Staff.
Note: Numbers in parentheses indicate the number of school districts in each tier.

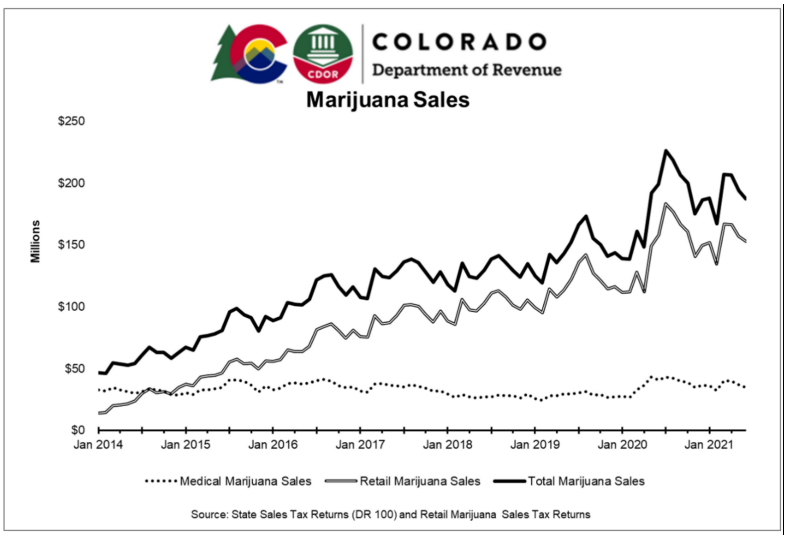
While the Negative Factor has effectively nullified Amendment 23's funding mandate for the time being, and subsequently stemmed the growth of K-12's share of the state General Fund budget, it is likely that Amendment 23's funding mandate may be realized again at some point in the future if the state endures an economic downturn similar to 2008 and is forced to exhaust all of its remaining discretionary funding for K-12. If the state were to reduce funding for more than one school district to ONLY its calculated amount of "base funding" (unless that district is considered "fully-funded" at that base funding amount), this would likely be in violation of

previous court decisions in the Lujan and Lobato cases which established that funding between districts must be differentiated to achieve the requirements of "equity" and "adequacy".

2012: Marijuana Tax Revenues

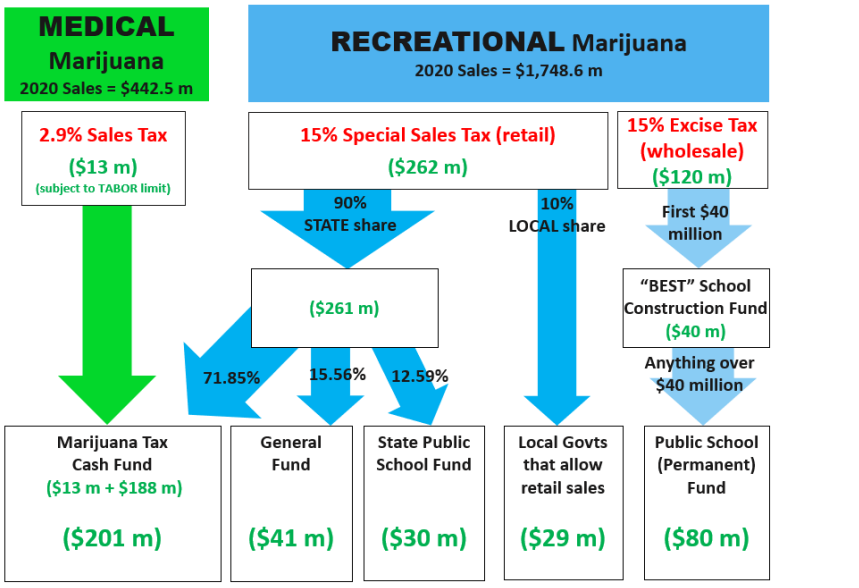
- With the voters' adoption of the use of RECREATIONAL marijuana in 2012, K-12 education receives a portion of recreational (a.k.a. retail) marijuana tax revenues in three forms.
    1. The first $40 million of the 15% Excise Tax on recreational marijuana is dedicated to the state's "Building Excellent Schools Today" (BEST) program to provide matching grants to help pay for school construction costs. This amount represents approximately 3% of the total estimated $17 billion in K-12 construction needs as estimated by the Colorado Department of Education in 2009[12].
    2. Any remaining amount of the 15% Excise Tax on recreational marijuana BEYOND the first $40 million (which is dedicated to help pay for school construction) is dedicated to the K-12 "Public School Fund" which can support either school construction or the state's K-12 funding obligation as defined in the School Finance Act.
    3. 12.59% of the State's 90% share of the 15% Sales Tax on recreational marijuana is dedicated to the K-12 "Public School Fund" which the legislature may use to help satisfy the state's K-12 "Total Program" funding obligation.

Additionally, the Department of Education receives grant funds from the Marijuana Cash Fund appropriated by the legislature. These grants totaled $136 million in FY19-20.[13]



[12] Capital Construction Fact Sheet, Colo Dept of Education, 2018

[13] Colorado Department of Education (https://www.cde.state.co.us/communications/2019marijuanarevenue)



(SOURCE: Colo Dept of Revenue (Total sales reflect 2020 CALENDAR year, while tax distributions reflect 20-21 FISCAL year.)

2020: The impact of COVID

The social-distancing requirements mandated by COVID created unprecedented upheaval in education throughout the world. Traditional classroom learning opportunities were closed, student learning rates declined dramatically (particularly among vulnerable populations) and anxiety among teachers, students and parents soared as our education system was forced to adapt to a new entirely virtual learning environment. School closures have underlined the importance of in-person schooling to children's mental and physical health. In many ways, we won't know the full impact of COVID on our education system for years to come, if ever.

While everyone in our education system felt the obvious adverse impacts of the new virtual learning world, we learned to adapt and, in many ways, created opportunities to make our education system stronger and more effective.

- COVID has strengthened communication between teachers and parents, and it's well-documented that such parental engagement contributes to increased attendance rates and academic achievement.
- The need for and value of individual academic tutoring was recognized as a necessary tool for enabling many students to succeed. A recent study in Britain found that 12 hours of tutoring could advance a child's math skills as much as would three months of conventional schooling.[14]
- The education community, along with most other aspects of our society, was forced to embrace the technology of virtual engagement, which has now opened doors to learning that, while previously available, were not widely understood or embraced. The virtual learning environment has actually proven to be more effective for some students, including children who suffer from anxiety or are the victims of bullying.
- Federal COVID stimulus funds have helped school districts to increase their investment in computers, which helps to level the educational opportunity for all students.

[14] How covid-19 is inspiring education reform, The Economist, 2021 (https://www.economist.com/briefing/2021/06/24/how-covid-19-is-inspiring-education-reform)

- Venture capital investment in educational-technology firms more than doubled from $7 billion in 2019 to $16 billion in 2020.[15] , according to Holon IQ, a research group.
- Perhaps the most valuable observation from COVID's upheaval of our education system is that traditional one-size-fits-all classroom instruction is much less effective than more creative learning models which tailor education strategies to each child's unique learning style ability.

COVID brought a large influx of additional funding from the federal government to assist education in weathering and recovering from the COVID storm. In 2020 and 2021, Colorado received $2.5 billion in one-time federal COVID stimulus funds for education. The majority of that funding (approximately $1.6 billion) has gone to school districts which serve low-income students through the Title I formula.[16] All of these COVID stimulus funds must be spent on COVID-related purposes, including paying for such costs as additional school sanitization, upgrading HVAC systems to improve air quality, hiring additional staff to support hybrid (in classroom and virtual) learning environments, and technology investments to allow for online learning (laptops, wifi infrastructure and maintenance). Because these COVID funds must be spent by 2024, they cannot be used to support ongoing education programming needs beyond the anticipated short-term impact of COVID.

Crisis often breeds innovation, and, like the city of New Orleans which used its recovery from Hurricane Katrina to make sweeping educational reforms which contributed to improving graduation rates by 9-13 percentage points, Colorado may have an opportunity to turn the COVID crisis into a transformative opportunity to improve our state's education system.

2021: Most recent changes in education law

- The Colorado legislature adopted three significant changes in 2021 which will impact the funding of K-12 education funding:
    1. Regarding the "At Risk" formula funding factor for which school districts may qualify for additional funding, the legislature expanded the definition of "At Risk" from only those who qualify for FREE lunch to now also include students who qualify for REDUCED-LUNCH. This broader definition is more consistent with the definition used by most other states and is expected to increase the number of students who will receive weighted funding through the formula by about 56k students and add an estimated $71.6 million to total program funding in FY 2021-22. (Senate Bill 21-268)
    2. The legislature created a 5th formula funding "factor" which enables schools to qualify for additional "total program" funding based on their number of English Language Learner (ELL) students. This new ELL funding "factor" contributes an additional $20 million to support ELL students beyond the already existing "categorical" funding and other miscellaneous funds. (Senate Bill 21-268)
    3. The legislature overturned a 1994 interpretation by the Colorado Department of Education (CDA) that TABOR's revenue limit required even "de-Bruced" school districts to reduce their total program mill levy whenever the growth in property tax revenue exceeded TABOR's revenue limit (which affected 174 of the 178 school districts where the local voters had previously approved their district's exemption from TABOR's revenue limit). With this reinterpretation, and a subsequent affirming opinion by the Colorado Supreme Court, the mill levies in those de-Bruced school districts will now

[15] $16.1B of Global EdTech Venture Capital in 2020, Holon IQ, 2021
(https://www.holoniq.com/notes/16.1b-of-global-edtech-venture-capital-in-2020/)

[16] $2.5 Billion in COVID-19 Federal Relief Funding to Colorado's K-12 Education System, Commonsense Institute, 2021
(https://commonsenseinstituteco.org/2-5-billion-in-covid-19-federal-relief-funding-to-colorados-k-12-education-system/)

gradually increase over time to the lower of either: 1) the mill levy rate they were at when they de-Bruced, 2) the mill levy rate at which the district generates enough money to be fully-funded or at which the district was fully funded at some point since TABOR's passage, or 3) the statutory 27 mill limit.

This reinterpretation is expected to generate an additional $91 million in local mill levy funding in the first year, which the legislature has dedicated to expanding "at risk" student eligibility to now include "reduced lunch" students (instead of only "free lunch students) and adding English Language Learners as a new 5th "factor" in the funding formula. When this reinterpretation is fully implemented over time, it's anticipated that it will increase local school district funding by about $288 million annually. While allowing local mill levies to rise to a maximum of 27 mills will help to reduce the current taxpayer inequity which was created by the CDE's original interpretation of TABOR, school districts won't be able to recover to their original funding level of 33-34 mills which is where most of them were at when they de-Bruced in the mid-90's. (House Bill 21-1164)[17] And it's important to note that this additional local funding will only increase total funding for K-12 to the extent that the state can afford to continue its current support of K-12 and not choose to offset this additional local funding by decreasing state funding (through an increase in the "Budget Stabilization Factor").

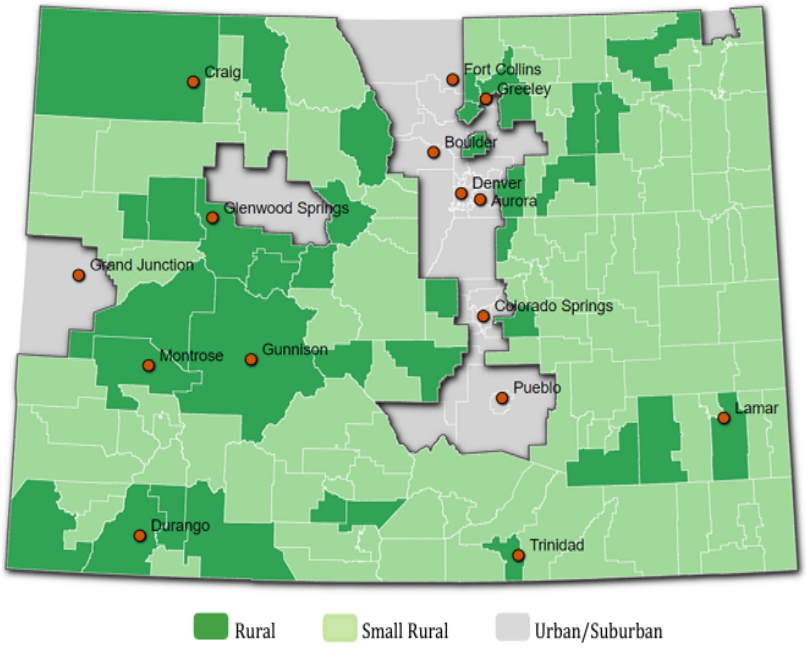
[17] Fiscal Note on HB21-1164, Colorado Legislative Council, 2021

How K-12 operates today

In October 2019, almost 900,000 students were enrolled in Colorado's 178 K-12 school districts, with 86% of Colorado's K-12 students in "Non-Rural" school districts, but 60% of Colorado's school districts having less than 1,000 students.[18]

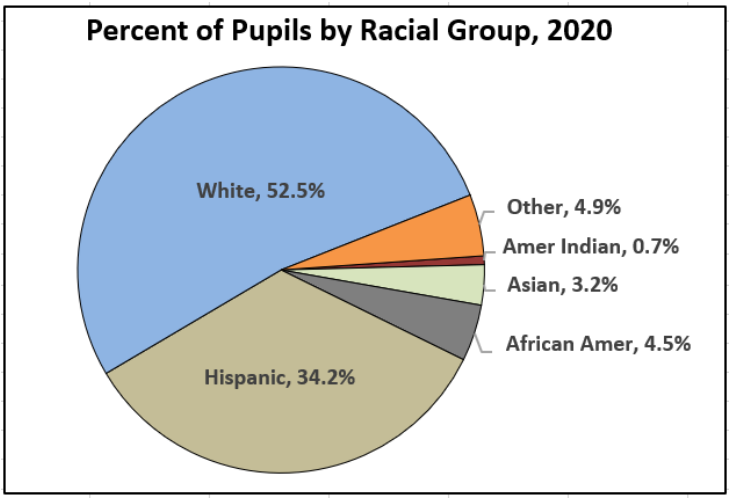
School Districts in Colorado, 2018		
Rural Designation	**# of school districts**	**# of K-12 students**
Non-Rural	32	750,155
Rural (1,000 - 6,500 students)	39	92,110
Small Rural (less than 1,000 students)	107	35,255

Mapping of Colorado School Districts by type

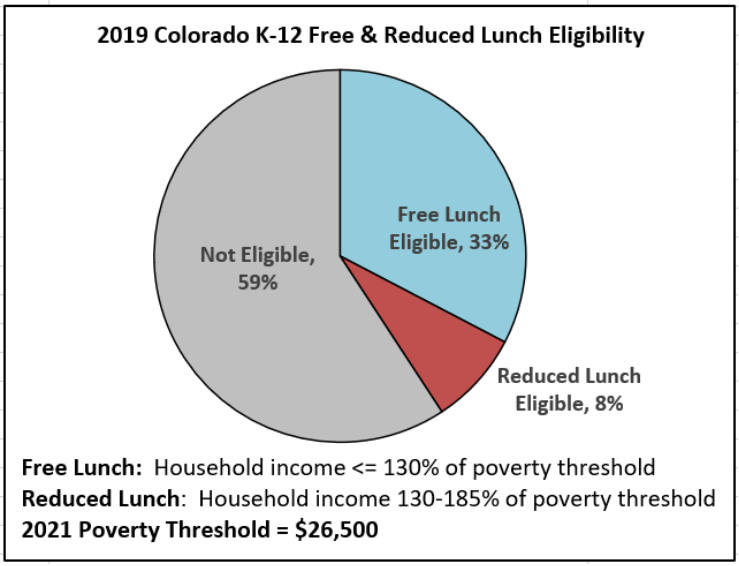


52% of Colorado's K-12 students are White, 34% are Hispanic, 4.5% are African American, 3.2% are Asian and .7% are American Indian.

[18] Colorado Department of Education,



41% of Colorado's K-12 students come from households which earn less than 185% of the Federal Poverty Income Level and therefore qualify for Free & Reduced Lunch assistance.



Governance

Since Colorado achieved statehood in 1876, the governance of our state's K-12 education system has evolved from being almost entirely controlled at the LOCAL level by local school boards (although the state board of education has always maintained a supervisory responsibility) to a partnership effort between local, state and federal governments. Although Colorado still maintains within our constitution one of the strongest "local control" K-12 education frameworks in the country -- whereby local school boards are still primarily responsible for selecting the curriculum and textbooks for their students -- both the state and federal governments have expanded their investment and roles in K-12 programming over the years.

While initially (and still primarily) limited to programming requirements for specific student populations in exchange for funding support, both the state and federal governments have assumed some responsibility for K-12 programming applicable to the entire student population and without any corresponding funding incentive. For example, in passing the No Child Left Behind Act in 2001, the federal government required that states adhere to a minimum framework of educational standards for all students, and, in 2013, the state adopted a required framework for school districts to teach sex education IF schools chose to include that subject in their curriculum.

This evolving tug-of-war between state, local and federal governments in defining the programming of K-12 education reflects the very legitimate and competing values that our society seeks to promote within our education system. For example, while local control of education programming provides the dispersed authority to provide for unique curriculums which reflect each individual school district's local values, that dispersed authority makes it difficult to effectively pursue system-wide improvement. Additionally, history has shown that what constitutes a "local value" for one person might constitute "intolerant descrimination" to another. By contrast, while consolidating education programming under a centralized authority can allow for more administrative efficiency and the ability to pursue system-wide improvements, experience has shown that a one-size-fits-all approach to education programming might not serve all students well and may trample on the legitimate and strongly-held values of individual communities.

> If our society maintained an educational system that was ENTIRELY controlled LOCALLY, we might likely still have segregated schools, still be warehousing special education students in confined classrooms or campuses, , and still be limiting higher education opportunities to only the most privileged or exceptional students.
>
> By contrast, if our society maintained an educational system that was ENTIRELY controlled at the STATE or FEDERAL level, the resulting "uniform" system might likely reduce the overall quality of our education system by foreclosing opportunities for more personalized and innovative education strategies, eliminate any direct accountability to local community members, and potentially be offensive to parents who see none of their own values reflected in their child's education curriculum.

While difficult to negotiate, the effort to strike the right balance between the benefits of both local control and state oversight have been -- and will likely always be -- continual and evolving.

Charter Schools

As noted earlier, the K-12 data within this paper pertains to the sum total of Colorado's almost 900,000 public school students, including the 13% of students who attend public charter schools, and this paper doesn't attempt to argue either in favor of, or in opposition to, charter schools. That said, it is appropriate here to briefly explain the origin, nature and status of Colorado's charter schools.

The legislature authorized the creation of charter schools in Colorado in 1993 with the intent to create "*new and innovative methods of educating children*". Charter schools are public schools that operate under a charter between the school and its authorizer, either a local school district (85%) or the statewide Charter School Institute (15%). Thus, instead of the local school district operating and managing the school, a charter school is run by a group of families, educators or members of the community. Unlike most district-run schools, which have enrollment boundaries and automatically

assign children to schools based on their address, parents must proactively choose for their child to attend a charter school.[19]

Since charter schools are public schools, they are tuition free and open to all students who wish to apply. Funding comes through the state's education finance formula on a per pupil basis, as it does for district-run schools, although charter schools typically receive less due to administrative costs borne by their authorizer; charter schools authorized by the state's Charter School Institute receive, on average, 25% less funding than district-run schools. When a charter is established, it is generally done so with certain waivers from state regulations that give the charter school more flexibility than non-charter schools in areas such as hiring and talent management, school budget, curriculum, educational program, and general school operations. In exchange for flexibility, the charter school is expected to meet the performance benchmarks that have been specified in its charter.

Colorado has over 250 charter schools, with over half of those located in the Denver metropolitan area. While Colorado's charter schools have a slightly higher proportion of students of color and English language learners than district-run schools, they have a slightly lower proportion of students with disabilities and free-and-reduced-lunch students.

The Colorado Department of Education reports the following "Notable Trends" in its "2019 State of Charter Schools Triennial Report"[20]:

1. Although slowing, charter schools continue to grow and serve a larger share of students, while enrollment in non-charter schools has shown early signs of decline.
2. Charter schools serve higher percentages of minority and English language learner (ELL) students than (district-run) schools statewide but serve lower percentages of students eligible for free or reduced-price lunches (FRL) and students with disabilities.
3. In aggregate, charter school academic performance, both overall and for students of color, low-income students, English Language Learners, and students with disabilities, tends to be higher than for non-charter schools and often has smaller achievement gaps between groups at these schools.
4. Charter school performance on measures of post-secondary success is higher for students in traditional brick-and-mortar schools (75% of students) than for other alternative schools.
5. Charter schools have average salaries that are less than average salaries for teachers in non-charter schools.

In Colorado, when looking at six-year graduation rates, charter schools have closed the gap between white students and Hispanic students. Additionally, Black students at charter schools have higher six-year graduation rates than white students at non-charter schools.[21]

These data points aside, there are good and bad charter schools just as there are good and bad district-run schools. Put simply, charter schools represent an additional opportunity within Colorado's educational ecosystem to provide families with options for learning environments to meet their children's needs.

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[19] Digging Into the Data on Colorado Charter Schools, Commonsense Institute (Dickhoner, 2020) (https://commonsenseinstituteco.org/data-co-charter-schools/)

[20] 2019 State of Charter Schools Triennial Report, Colo Dept of Education (https://www.cde.state.co.us/cdechart/publications)

[21] Digging Into the Data on Colorado Charter Schools, Commonsense Institute (Dickhoner, 2020) (https://commonsenseinstituteco.org/data-co-charter-schools/)

Funding

Funding K-12 EDUCATION is a partnership effort between Local and State governments, whereas K-12 CAPITAL CONSTRUCTION (school buildings) has been almost entirely funded through the passage of local voter-approved bond measures (with very limited assistance through the state's Better Schools Now (BEST) program which offers about $40 million in annual matching competitive grants for school construction).

Since 1994, program funding for each of the state's 178 local school districts is determined through a formula which calculates "Total Program Funding" due to each district based on each district's unique characteristics, then determines the "Local Share" of funding generated from local property tax collections raised through local voter-approved mill levies (not including any additional limited funds which might be raised through local voter-approved Mill Levy Overrides), and finally subtracts the "Local Share" from "Total Program Funding" to determine the state's share of funding for each district, which may be reduced as necessary to balance the state budget.

Eight of Colorado's 178 school districts generate sufficient funds through their local mill levy to "fully fund" the amount of "total program" funds deemed necessary for them, and therefore the State doesn't contribute to their "total program" funding.[22]

In addition to "total program" funding, school districts may receive a limited amount of additional funding from the state and federal government for specific categories of unique student needs, local voter-approved Mill Levy Overrides, and miscellaneous other sources.

"Total Program" Funding

In FY 2020-21, total funding for school finance was $7.2 billion, with the state contribution at $4.2 billion, or 58 percent of the total, and the local contribution at $3.0 billion, or 42 percent of the total. The average per pupil funding was $8,123 for all districts. The lowest district received $7,676 per pupil, and the highest district received $19,013 per pupil.[23] "Total Program" funding is determined for each school district each year and includes three components:

1. **BASE FUNDING**
    a. Each district receives a base amount of funding for each student enrolled in the district ($7,084 per pupil in 2020), which was established as part of the 1994 School Finance Act and does not account for any additional funds required for students with special needs and school districts with special characteristics. The "base funding" represents costs for such things as salaries for teachers and administrators, staff development, technology, software, and class materials. Base funding accounts for about $6.3 billion of the money allocated by the state under the formula in FY 2020-21, or about 76% of "total program" funding before application of the "Budget Stabilization Factor".
    b. Because of the adoption of Amendment 23 to the state constitution in 2000, the state is required to annually grow "Base funding" for K-12 education at the rate of student enrollment plus inflation.

[22] As of 8/16/21, eight districts are fully funded: North Park (Jackson), Wiggins (Morgan), Cripple Creek (Teller), Platte Valley (Weld), Ft Lupton (Weld), Prairie (Weld) and Pawnee (Weld).

[23] School Finance in Colorado, Colo Legislative Council, https://leg.colorado.gov/sites/default/files/final_-_2021_booklet.pdf

2. **FACTOR FUNDING**

Recognizing that different school districts have different characteristics which require different funding needs, the School Finance Act provides that school districts can qualify for additional "total program" funding as they are impacted by the following five "factors"[24]:

a. Cost-of-Living for their community

Schools can receive additional funds if they operate in areas that have a higher cost of living. The highest cost-of-living adjustments come in districts associated with the resort communities of Aspen and Telluride. Districts along the Front Range and in other areas of the mountain region also receive relatively high cost-of-living adjustments, whereas rural districts in the central and southern portions of the Eastern Plains receive the lowest adjustments for this factor. Statewide, an estimated $1.2 billion in FY 2020-21 school finance funding from the state is attributed to the cost-of-living factor, or 14.6% of total funding, before application of the budget stabilization factor.

b. Personnel costs

The formula recognizes that differences in the cost of living primarily affect the salaries that must be paid to hire and retain qualified personnel, therefore, the cost-of-living factor is applied only to the portion of each school district's base that relates to personnel, as defined by the personnel costs factor. Larger districts spend a higher proportion of their budgets on personnel costs than smaller districts, and thus receive a larger increase to their base from the cost-of-living factor.

c. Size of the School District

Smaller school districts which cannot realize the same economies of scale as larger school districts are eligible for additional funding. In FY 2020-21, approximately $347.5 million is allocated through the size factor, or about 4.4% of total funding, before application of the budget stabilization factor.

d. Number of "At-Risk" students

Schools with a higher number of students who qualify for "free and reduced lunch" based on federal guidelines are eligible to receive additional funding to deal with these higher per-pupil costs. In FY 2020-21, approximately $363.9 million in additional state funding was allocated through the at-risk factor, or 4.4% of total funding, before application of the budget stabilization factor. (Eligibility for this factor was expanded in 2021 to include "reduced lunch" students.)

e. English Language Learners (ELL)

This 5th factor was created by the legislature in 2021 and provides formula funding in addition to the already-existing ELL "categorical" funding.

3. **BUDGET STABILIZATION FACTOR** (aka "Negative Factor")

a. With the drop in state revenue as a result of the Great Recession of 2008-2010, the legislature was faced with the prospect of having to drastically cut funding for other programs like Higher Education to comply with Amendment 23's funding mandate for K-12 education. In order to preserve funding for other programs, the state chose to apply Amendment 23's funding mandate so that

[24] School Finance in Colorado, Colo Legislative Council, https://leg.colorado.gov/sites/default/files/final_-_2021_booklet.pdf

ONLY “Base funding” was required to grow at the rate of “student enrollment plus inflation”, whereas the amount of “factor funding” was determined to be at the legislature’s discretion.

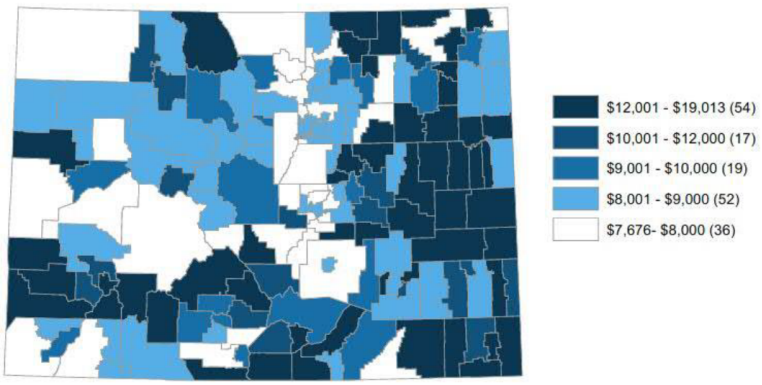
b. The legislature’s decision to apply Amendment 23’s funding mandate to only “base funding” has reduced annual state support of K-12 by about $700-$900 million since 2010. In effect, the Budget Stabilization factor allows the legislature to reduce K-12’s “Factor funding” as much as necessary to balance the state budget.

A Sample Calculation of Per Pupil Funding for a Colorado School District
(from the Colorado Department of Education, 2019)

	District X
Total Funded Pupil Count (Includes Online)	25,645.0
Online Pupil Count	803.0
Base Funding (BF)	$6,951.53
Cost of Living (CL)	1.216
Personnel Costs (PL)	90.11%
Size (SZ)	1.0297
Total Formula Per Pupil Funding [SZ*[(BF*CL*PL)+(BF*(1-PL))]	$8,551.20
Total Formula Funding (Formula Per Pupil Funding * (Total Funded Pupils – Online – ASCENT))	$212,239,186
Total At-Risk Funding	+$2,533,961
Total Online/ASCENT Funding	+$6,918,503
Total Program Funding *(Pre-Negative Factor)*	= $221,691,650
Per Pupil = Total Program Funding / Total Funded Pupil Count *(Pre-Negative Factor)*	$8,664.63
*Negative Factor at (7.05%) * Total Program Funding*	($15,639,727)
Total Program Funding *(Post-Negative Factor)*	$206,051,923
Total Program Per Pupil Funding *(Post-Negative Factor)*	$8,034.78

In FY 2020-21, "total program funding" per pupil (AFTER applying the Budget Stabilization Factor) averaged $8,123 for all 178 school districts, with a low of $7,676 in the Branson School District and a high of $19,013 in the Pawnee School District.[25]

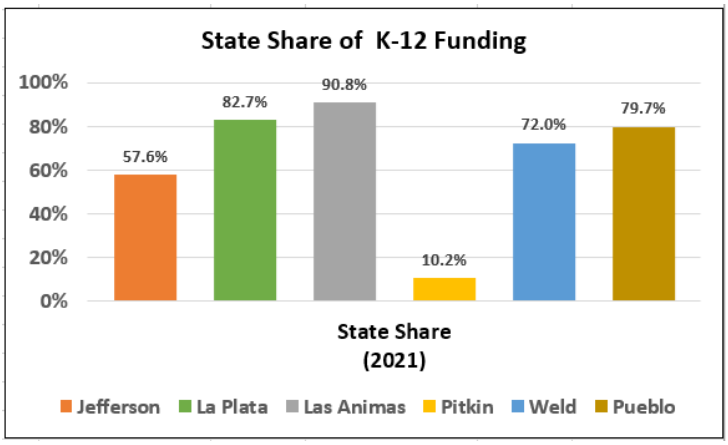
FY 2020-21 Total Per Pupil Funding



Source: Legislative Council Staff.
Note: Numbers in parentheses indicate the number of school districts in each tier.

[25] School Finance in Colorado, Colo Legislative Council, https://leg.colorado.gov/sites/default/files/final_-_2021_booklet.pdf

Because of the disparity between school district property values, mill levies, and characteristics, the State's share of funding for each school district varies greatly.



"Categorical" funding

While a relatively small amount in the scope of total K-12 funding, the State provides school districts with additional funding to support unique student needs in the categories of Special Education, English Language Learners, Gifted & Talented, Career and Technical education, Transportation needs, and Small Attendance Centers. In FY18-19, the State provided a total of about $300 million in categorical funding, with about $200 million of that dedicated to support the Special Education category.[26]

While Amendment 23 requires the state to increase the total amount of categorical funding by the rate of inflation, the legislature is allowed the discretion to determine how much each category receives from that total inflationary increase. Because Amendment 23 requires that Categorical funding grow at only the annual rate of inflation and NOT student enrollment, and since this funding was put in place in 1994 and has never been updated, it doesn't account for the cost of the additional 300,000 students which have been added to the K-12 population since then.

Federal Funding

Additional Federal Funds are allocated to school districts to partially fund certain federally-required programs or serve specific students (e.g. special education and English language learners). Because the average household income in Colorado is so much higher than the national average[27], Colorado has never been eligible to receive more than about 5% of total K-12 funding from federal funds.

Local Mill Levy Overrides

The state allows school districts to request their local voters to approve Mill Levy Overrides to provide additional funding for programs and people up to an additional 25% of "total program" funding (and up to 30% for small rural districts). (Colorado effectively allows unlimited local contribution through additional specific MLOs for transportation, etc.) Approximately 65% of Colorado's 178 school districts currently receive such additional local MLO funding totaling about $1.4 billion in 2020-21. While such additional funding certainly benefits some local school districts, it also contributes to the disparate

[26] Colorado Department of Education (https://www.cde.state.co.us/cdefinance)

[27] Colorado ranked 10th highest in median household income in 2018, US Census Bureau

quality of education across school districts as 62 school districts do NOT receive any such additional funding.

The vastly different property values across Colorado's 178 school districts also contributes to disparate educational opportunities. In fiscal year 2019-2020, the state's 35 school districts with the lowest assessed property value per student were only able to raise an additional $1,049 per student with an average of 16.51 override mills, whereas, the 35 school districts with the highest assessed value per student were able to raise an average of $2,109 per student on just 2.83 voter-approved override mills. Our state's low property wealth districts taxed themselves at almost 6x the rate of high property wealth districts in FY 19-20, but only generated half of the additional dollars for their students.[28]

Other Funding Sources

In addition to the aforementioned sources of funding from Local government (local property and use taxes) and State government (School Finance Act), local School Districts receive varying amounts of funding through these other revenue streams:

1. Grants: The state currently offers school districts about $600 million in competitive grants which are typically designated for a specific purpose and a limited length of time[29]. The state has offered more grant funding in recent years since the Budget Stabilization Factor (2010) to try to offset the reduction in "factor funding" as a result of the legislature's decision to apply Amendment 23's funding mandate to only "base funding". Because such grant funding is competitive, time-limited and requires additional reporting, many smaller districts are effectively excluded because of resource limitations.
2. Bond Dollars: Additional funding approved by local voters to pay for capital construction. Bond dollars cannot be used for general program operations (i.e. salaries or supplies) in a School District.

[28] Colorado Department of Education. Fiscal Year 2019-20 mill levy table.

[29] Colorado Senate Bill 21-205 (budget), pgs 36-41

How Colorado's K-12 education system is performing today

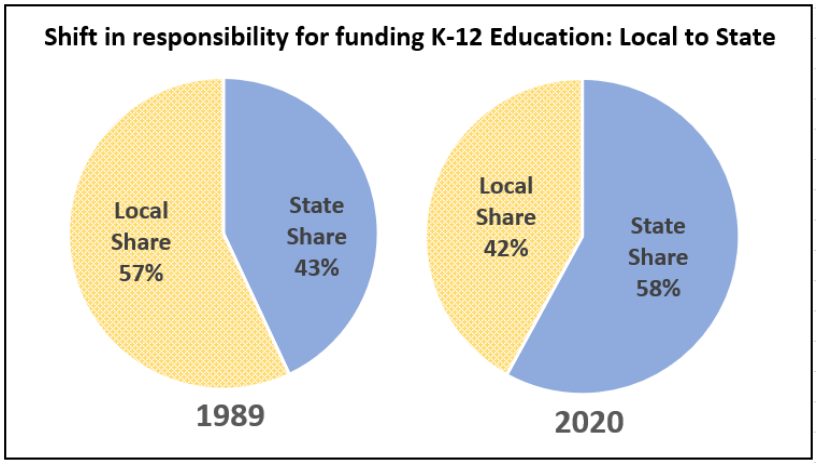
While funding of K-12 programming is likely an important factor in determining the ultimate performance of our education system, it is only one factor among many others, including governance of our education system, Colorado's emphasis on local control, accountability, curriculum relevance, and student and parental engagement. This paper does not propose to suggest what should be the appropriate goals of Colorado's education system, or what is the best policy pathway forward to achieve those education goals; this paper only attempts to portray an accurate assessment of how our education system has evolved and where it stands today. To that end, it's worthwhile to consider how our education system is performing relative to prior years, and relative to other states and nations.

K-12 Funding Performance

Per Pupil funding

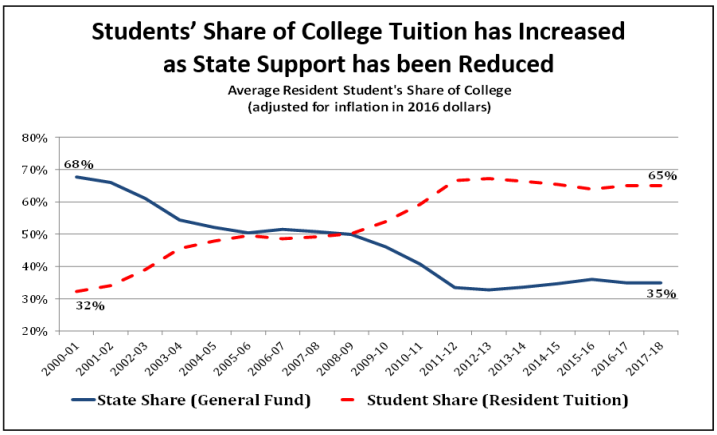
Over the last four decades, as Colorado voters have pursued competing goals of lower taxes (Gallagher Amendment, 1982), smaller government (TABOR, 1992), and sustained funding for K-12 (Amendment 23, 2000), two concerning trends in education funding have developed:

1. **The State has had to assume a larger share of the responsibility for funding K-12 education, from 43% in 1989 to a high point of 66% in 2015.** In FY 2020-21, total funding for school finance was $7.2 billion, with the state contribution at $4.2 billion, or 58% of the total, and the local contribution at $3.0 billion, or 42% of the total.[30]

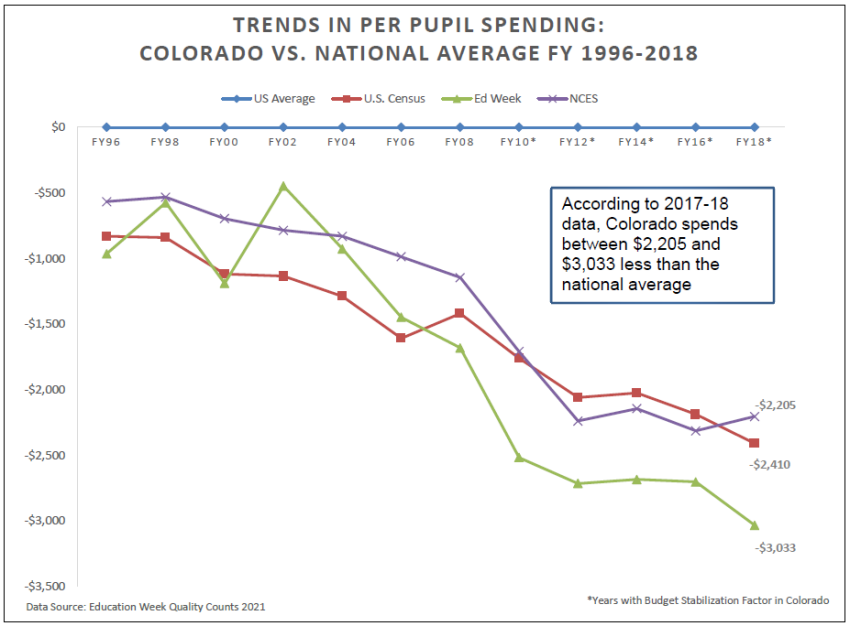


This increased responsibility on the state has contributed to forcing the state to reduce funding for other programs such as Higher Education, for which the state has reduced its support by 50% since 2000.

[30] School Finance in Colorado, Colo Legislative Council, https://leg.colorado.gov/sites/default/files/final_-_2021_booklet.pdf

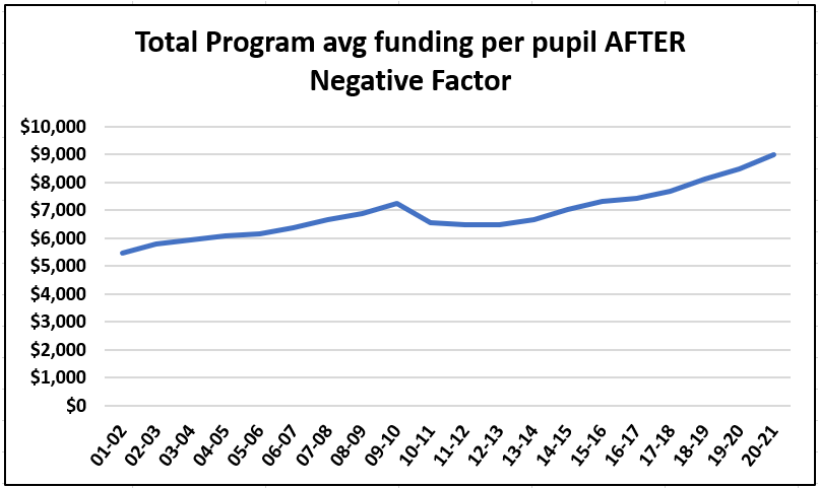


2. **Funding per pupil in Colorado has continued to drop relative to the national average, from $232 ABOVE the national average in 1985 to about $2,500 BELOW the national average in 2018.** For comparative purposes between states, "per pupil funding" only includes funding available for all students as calculated by each state's funding formula, and doesn't include any additional funding outside of each state's funding formula which is available to all students, nor does it include capital funding for school buildings. In Colorado, such additional funding includes local MLO funding and state/fed funding for specific student populations. In FY 2020-21, "total program funding" per pupil in Colorado averaged $8,123 for all 178 school districts.



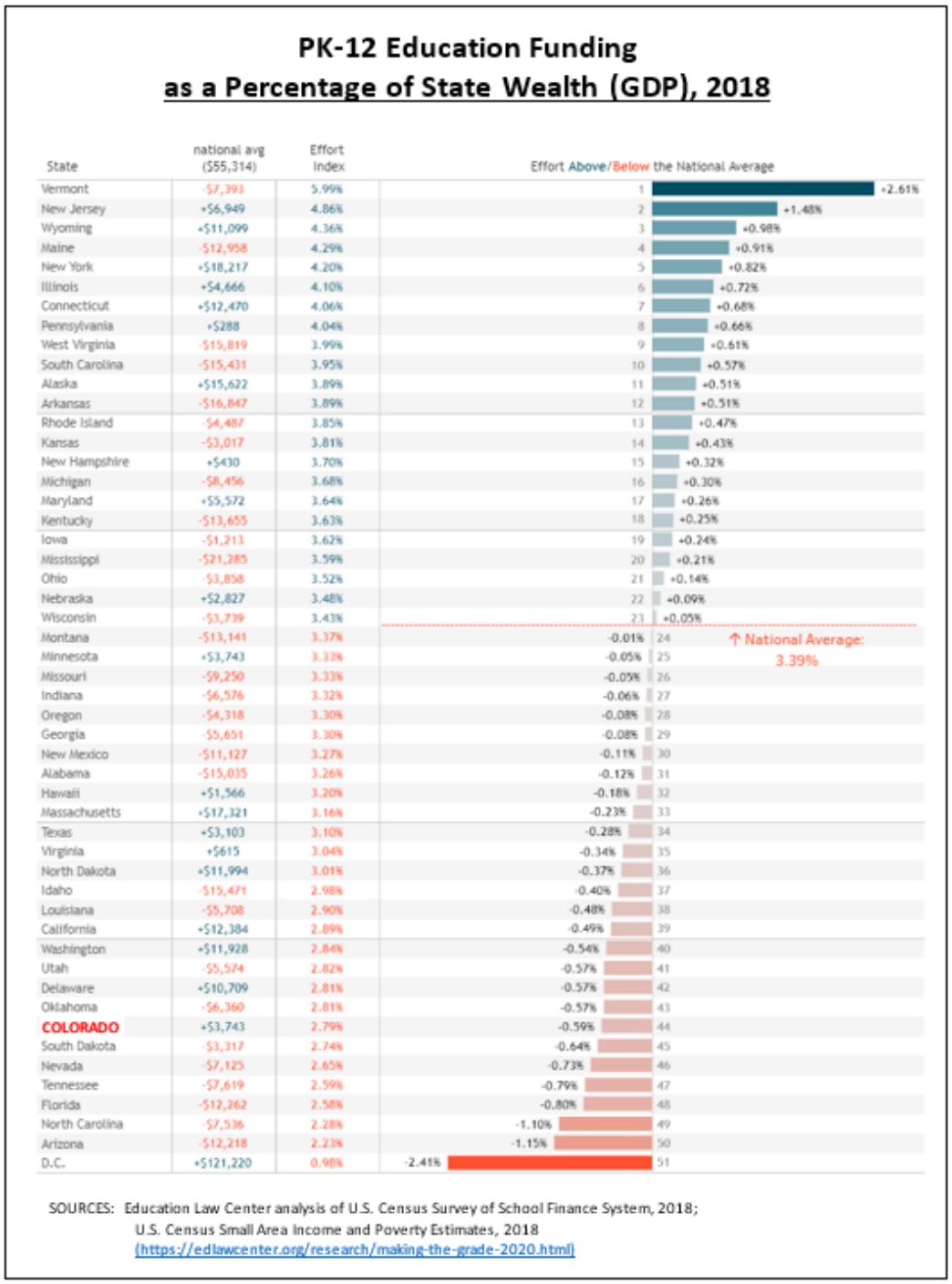
While Colorado's annual per pupil investment continues to decline relative to the national average, our annual per pupil investment -- with the notable exception of the three years immediately following implementation of the Budget Stabilization Factor (a.k.a. "Negative

Factor") in 2010 -- continues to grow in nominal dollars as a result of Amendment 23's mandate to grow base per pupil funding at the rate of student enrollment plus inflation.[31]



[31] Colorado Dept of Education (https://www.cde.state.co.us/cdefinance/sfdetails)

Because of Colorado's higher wealth compared to other states (measured by Gross State Product per capita), Colorado ranked 44th among all states in terms of relative "effort" in funding PK-12 education in 2018.[32]



PK-12 Education Funding
as a Percentage of State Wealth (GDP), 2018

State	national avg ($55,314)	Effort Index	Effort Above/Below the National Average	
Vermont	-$7,393	5.99%	1	+2.61%
New Jersey	+$6,949	4.86%	2	+1.48%
Wyoming	+$11,099	4.36%	3	+0.98%
Maine	-$12,958	4.29%	4	+0.91%
New York	+$18,217	4.20%	5	+0.82%
Illinois	+$4,666	4.10%	6	+0.72%
Connecticut	+$12,470	4.06%	7	+0.68%
Pennsylvania	+$288	4.04%	8	+0.66%
West Virginia	-$15,819	3.99%	9	+0.61%
South Carolina	-$15,431	3.95%	10	+0.57%
Alaska	+$15,622	3.89%	11	+0.51%
Arkansas	-$16,847	3.89%	12	+0.51%
Rhode Island	-$4,487	3.85%	13	+0.47%
Kansas	-$3,017	3.81%	14	+0.43%
New Hampshire	+$430	3.70%	15	+0.32%
Michigan	-$8,456	3.68%	16	+0.30%
Maryland	+$5,572	3.64%	17	+0.26%
Kentucky	-$13,655	3.63%	18	+0.25%
Iowa	-$1,213	3.62%	19	+0.24%
Mississippi	-$21,285	3.59%	20	+0.21%
Ohio	-$3,858	3.52%	21	+0.14%
Nebraska	+$2,827	3.48%	22	+0.09%
Wisconsin	-$3,739	3.43%	23	+0.05%
Montana	-$13,141	3.37%	-0.01%	24
Minnesota	+$3,743	3.33%	-0.05%	25
Missouri	-$9,250	3.33%	-0.05%	26
Indiana	-$6,576	3.32%	-0.06%	27
Oregon	-$4,318	3.30%	-0.08%	28
Georgia	-$5,651	3.30%	-0.08%	29
New Mexico	-$11,127	3.27%	-0.11%	30
Alabama	-$15,035	3.26%	-0.12%	31
Hawaii	+$1,566	3.20%	-0.18%	32
Massachusetts	+$17,321	3.16%	-0.23%	33
Texas	+$3,103	3.10%	-0.28%	34
Virginia	+$615	3.04%	-0.34%	35
North Dakota	+$11,994	3.01%	-0.37%	36
Idaho	-$15,471	2.98%	-0.40%	37
Louisiana	-$5,708	2.90%	-0.48%	38
California	+$12,384	2.89%	-0.49%	39
Washington	+$11,928	2.84%	-0.54%	40
Utah	-$5,574	2.82%	-0.57%	41
Delaware	+$10,709	2.81%	-0.57%	42
Oklahoma	-$6,360	2.81%	-0.57%	43
COLORADO	+$3,743	2.79%	-0.59%	44
South Dakota	-$3,317	2.74%	-0.64%	45
Nevada	-$7,125	2.65%	-0.73%	46
Tennessee	-$7,619	2.59%	-0.79%	47
Florida	-$12,262	2.58%	-0.80%	48
North Carolina	-$7,536	2.28%	-1.10%	49
Arizona	-$12,218	2.23%	-1.15%	50
D.C.	+$121,220	0.98%	-2.41%	51

↑ National Average: 3.39%

SOURCES: Education Law Center analysis of U.S. Census Survey of School Finance System, 2018; U.S. Census Small Area Income and Poverty Estimates, 2018
(https://edlawcenter.org/research/making-the-grade-2020.html)

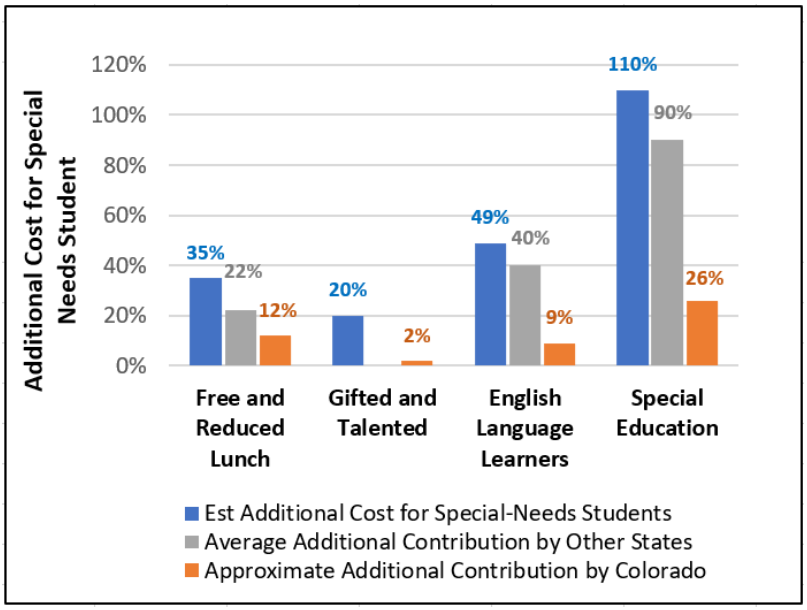
[32] Education Law Center analysis of U.S. Census Survey of School Finance System, 2018; U.S. Census Small Area Income and Poverty Estimates, 2018 (https://edlawcenter.org/research/making-the-grade-2020.html)

It is worth noting that, even though the adoption of Amendment 23 in 2000 helped to ensure increased funding for K-12 at the rate of student enrollment plus inflation, Colorado has still continued to fall behind the national average in per-pupil funding for two reasons:

1. The costs associated with K-12 education have grown at a rate faster than inflation because of additional costs related to such things as school security, mandated testing, and mandated programs for students with special needs, and because many of the typical costs related to K-12 education – such as health insurance for teachers, pensions and energy costs – grow at a rate faster than inflation.
2. Most other states have continued to invest more in their K-12 programs to pay for the additional costs of K-12 education, thus leaving Colorado further behind.

Funding for Special Needs Students

Although Colorado has never fully explored the actual Colorado-specific costs associated with educating special-needs students, our state underfunds the cost of those students, both relative to the amount that other states contribute and in relation to the estimated actual costs associated with those students based on similar "costing out" studies in over 35 other states.



1. **At-Risk students (Free and Reduced Lunch)**
   Colorado is one of 41 states that provide some form of funding for economically disadvantaged students. In Colorado, this funding is provided through the "at-risk" factor portion of the district's total program funding and directed toward the 43% of students in grades K–12 who are eligible for free and reduced lunch. Prior to 2021, Colorado's "at-risk" definition only included those students who were eligible for FREE lunch, but this definition was expanded in 2021 to include both FREE and REDUCED lunch students, similar to how most other states define low-income eligibility. Additionally, prior to 2021, a small percentage of English-language learners (ELL) were previously included in Colorado's at-risk category, but, in 2021, the legislature established ELL eligibility as a separate and additional fifth "factor" in calculating each district's

total program funding, thus ensuring that students who are BOTH income- and ELL-eligible are appropriately counted and making Colorado's approach to funding ELL-eligible students more consistent with other states.

The state provides additional at-risk funding to school districts in the form of a sliding-scale weight ranging from 12% to 36%, depending on the concentration of eligible students in and size of the district. By contrast, it's estimated that the actual cost to educate students below the poverty line is 35% greater than the cost for other students.[33]

Estimated Additional Cost per Student	= 35%
Approximate Additional Contribution by Colorado	= 12%
Average Additional Contribution by Other States	= 22%

2. **Gifted and Talented students**
   Approximately 8% of Colorado's K-12 students are considered "Gifted & Talented". It's estimated that the cost to educate Gifted & Talented students is 20% greater than the cost for other students. Colorado contributes an additional 2%

Estimated Additional Cost per Student	= 20%
Approximate Additional Contribution by Colorado	= 2%

3. **English Language Learners (ELL)**
   Approximately 15% of Colorado's K-12 students are considered "English Language Learners". It's estimated that it costs about 49% more to educate ELL students, although this amount can be much higher for student refugees who've relocated from war-torn countries and are immediately immersed in our foreign culture and classroom.

Estimated Additional Cost per Student	= 49%
Approximate Additional Contribution by Colorado	= 9%
Average Additional Contribution by Other States	= 40%

4. **Special Education students**
   Approximately 12% of Colorado's K-12 students are in "Special Education". Colorado is one of 47 states that provides designated supplemental funding for students with disabilities, and one of 17 that provide this funding in multiple tiers, for different categories of students with disabilities. Colorado sorts students into two categories based on their disabilities (the lowest number of any state using a tiered system for funding special education):
   a. Tier A: All students with disabilities receive funding at a base level of $1,250.
   b. Tier B: Students with more intensive special-education needs are funded with an additional allocation that varies from year to year on a per-pupil basis. (The 2018 Tier B allocation amounted to $1,876.[34]

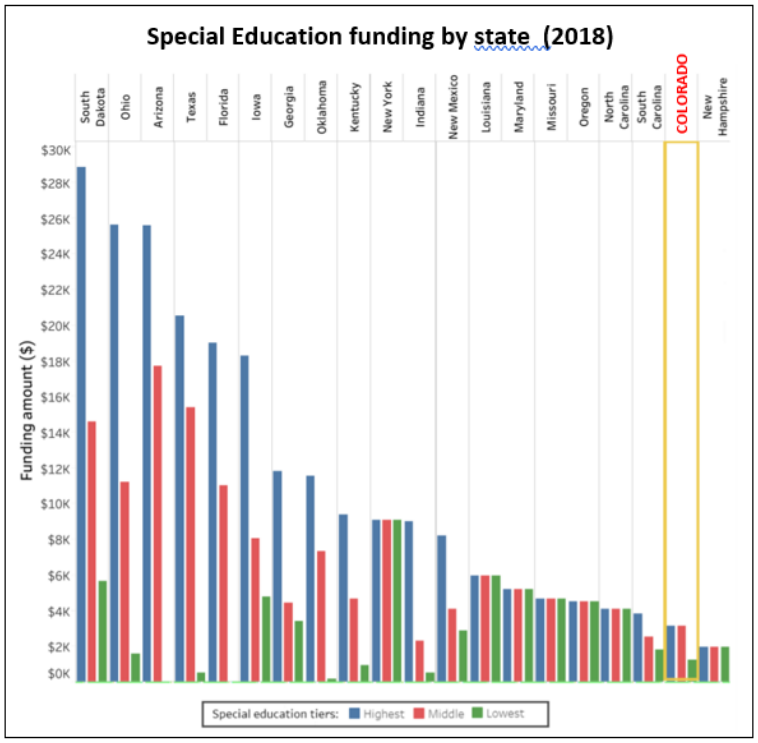
Because Colorado only distinguishes two tiers of funding instead of the more common 3–6 tiers, the State is unable to finely tailor its allocations to students' specific needs, especially at the more severe end of the disability spectrum. This creates particular challenges for small and rural districts which operate on narrow financial margins and are less able to absorb high costs for

[33] Funding for Economically Disadvantaged Students, EdBuild presentation to the Legislative Interim Cte, 2018 (https://leg.colorado.gov/sites/default/files/images/committees/2017/edbuild_-_at_risk_-_final.pdf)

[34] Funding for Students with Disabilities, EdBuild presentation to the Legislative Interim Cte, 2018 (https://leg.colorado.gov/sites/default/files/images/committees/2017/co_-_sped_-_final.pdf)

individual students. Because state and federal funding only accounts for about 30% of the estimated additional cost for disabled students, local school districts must pick up the other 70% of the cost -- a significant financial burden for smaller districts.

Estimated Additional Cost per Student	= 110%
Approximate Additional Contribution by Colorado	= 26%
Average Additional Contribution by Other States	= 90%

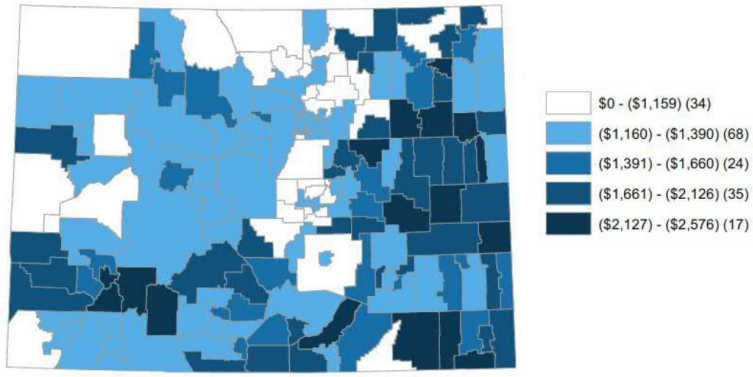


Funding for Rural Students

The poorest school districts in Colorado's rural areas are most adversely impacted by the state's K-12 funding history because:

1. Although the State's annual reduction in funding via the Budget Stabilization ("Negative") Factor is applied equally to all school districts, rural districts are more adversely impacted because they are more heavily reliant on state support due to their small size and lack of economies of scale.

Budget Stabilization Factor Per Pupil Funding Decrease, FY 2020-21

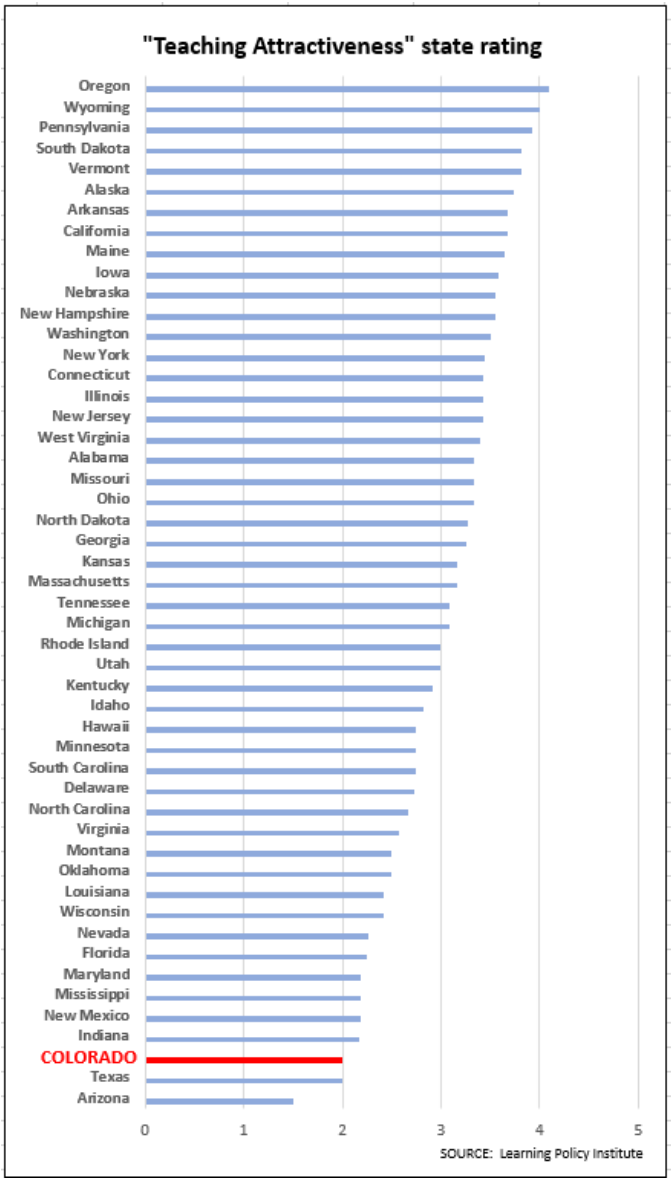


Source: Legislative Council Staff.
Note: Numbers in parentheses indicate the number of school districts in each tier.

2. The Gallagher Amendment's 37-year erosion of the local residential property tax base (which ended in 2020 with the repeal of the Gallagher Amendment) most adversely impacted those areas of the state with the slowest growth in residential property values, which is primarily in the rural areas.

Teaching Environment

In a 2016 national study of the factors contributing to K-12 teacher shortages, Colorado ranked 48th in overall "Teaching Attractiveness".[35] The study, conducted by the Learning Policy Institute, compared 12 job characteristics in the areas of "Compensation", "Teacher Turnover", "Working Conditions" and "Teacher Qualifications".



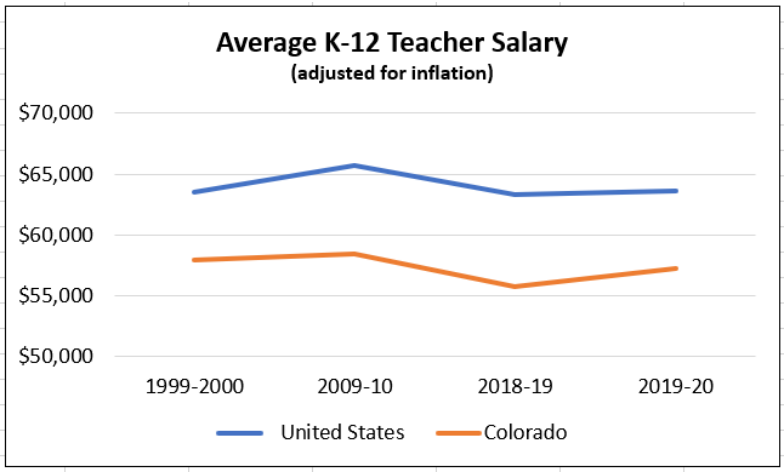
Teacher Compensation

Paying an average annual salary of just over $57k, **Colorado is about 10% below the national average salary of $63k, but ranks 50th in teacher wage competitiveness** based on a study by Rutgers Education Law Center which compares teachers to non-teachers with similar education, experience and hours worked.[36] Compared to all other professions in Colorado, Colorado's elementary and middle school teachers receive about an average wage, ranking 343rd among the 711 job classifications which the U.S. Bureau of Labor Statistics tracks in Colorado.[37]

[35] State Indicators Influencing Supply & Demand of Teachers, Learning Policy Institute, 2016 (https://learningpolicyinstitute.org/sites/default/files/product-files/A_Coming_Crisis_in_Teaching_REPORT.pdf)

[36] Is School Funding Fair?, Baker (2018) (https://edlawcenter.org/assets/files/pdfs/publications/Is_School_Funding_Fair_7th_Editi.pdf)

[37] Colorado Occupational Employment and Wage Estimates, U.S. Bureau of Labor Statistics (https://www.bls.gov/oes/current/oes_co.htm)



Due in part to Colorado's relative low wage competitiveness for teachers, 235 (3.40%) teaching vacancies remained unfilled for the entire school year in 2020-21[38] and almost 13% were filled with emergency "shortage mechanisms", including reliance on long-term substitutes, retired educators, alternative licensure program candidates and emergency authorization candidates. Rural school districts are particularly challenged to fill teacher vacancies due to their limited budgets (lack of economies of scale) and lack of cultural amenities:

- "Small rural" school districts (under 1,000 students) realized over twice as many teacher vacancies per 100 students as "Non-rural" school districts.
- Over half of the teaching positions to hire in "Small Rural" districts were filled through a shortage mechanism.
- "Rural" and "Small Rural" school districts relied on "long-term substitute teachers" 3x and 9x more than "Non-Rural" districts to fully-staff their teacher complement.

The unique challenge which small rural school districts face in attracting and retaining teachers highlights the larger challenge of trying to provide for a "thorough and uniform" system of public education with such disparate resources and needs among Colorado's 178 school districts. In the aforementioned 2016 Learning Policy Institute study, Colorado ranked 2nd in the % of its teacher workforce considered "inexperienced" (first- or second-year teachers).

Teacher Retention

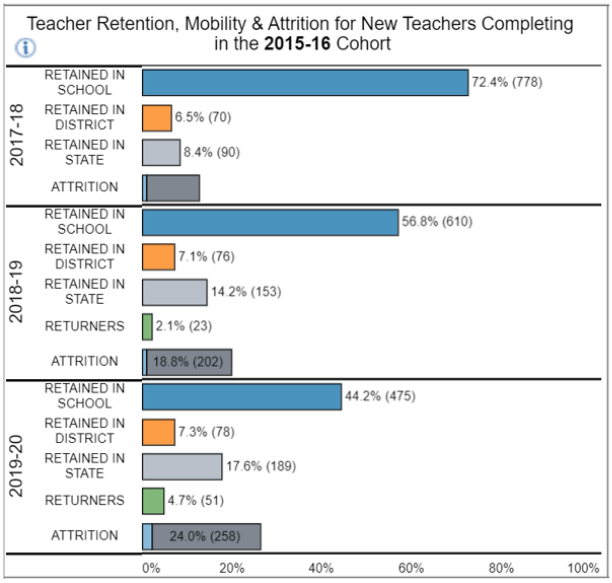
Almost 1 in 4 new teachers who enter Colorado's teaching workforce through the traditional college prep program leave within the first four years, creating a bit of a revolving door of ongoing teacher talent loss. In addition to losing the limited experience of such new teachers, school districts also incur a large cost associated with such turnover as research shows that urban districts can, on average, spend more than $20,000 on each new hire, including school and district expenses related to separation, recruitment, hiring, and training.[39]

[38] Colorado Educator Shortage Survey, Colo Dept of Education
(https://www.cde.state.co.us/educatortalent/2020-21educatorshortagesurveysummary)

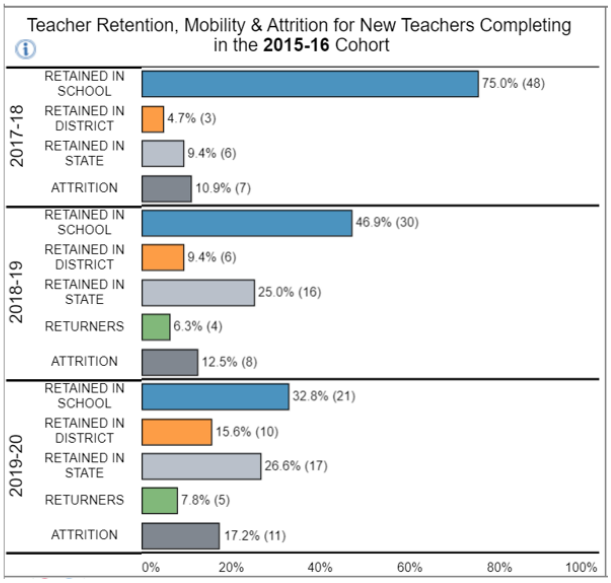
[39] What's the Cost of Teacher Turn-over?, Learning Policy Institute, 2017
(https://learningpolicyinstitute.org/product/the-cost-of-teacher-turnover)

Recent data indicates that the emergence of alternative non-traditional teacher prep programs, which immerse teacher candidates in the classroom with support of mentor teachers -- while still relatively new in their development and small in their sample size -- appear to be more effective at retaining new teachers. Only 17% of new teachers placed in 2016 through the Public Education & Business Coalition (PEBC) teacher residency program left Colorado's teaching workforce by 2020, compared to 24% attrition among their colleagues who prepared through traditional college prep courses.[40]

Traditional College Teacher Prep Degree
(24.0% attrition after four years)



Alternative Teacher Immersion Residency,
Public Education & Business Coalition Model
(17.2% attrition after four years)

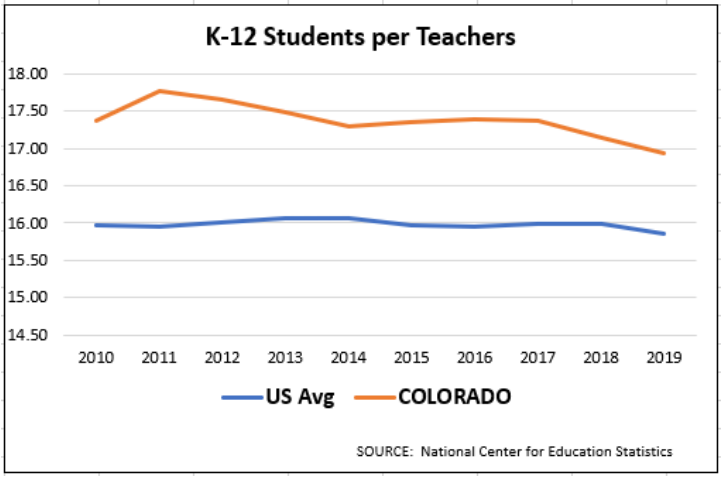


Student: Teacher: Administrator ratio

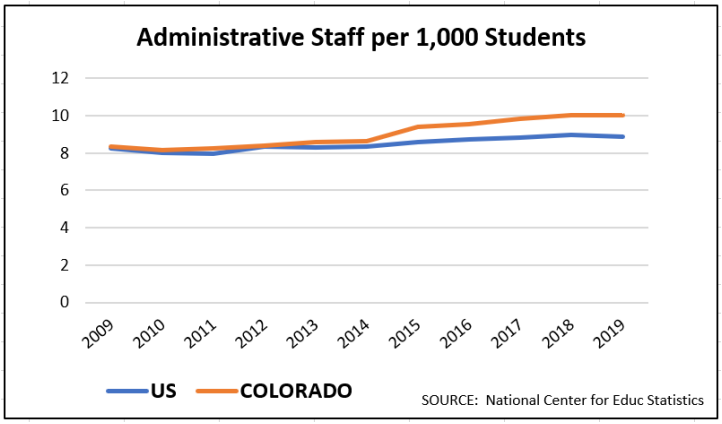
With about 17 students per teacher, Colorado ranks 14th highest nationally in Student:Teacher Ratio.[41] The number of students per teacher grew notably in 2011 after the legislature cut K-12 funding by about $1 billion through the implementation of the "Budget Stabilization Factor" and many schools were forced to leave vacant teaching positions unfilled.

[40] Educator Prep Dashboard, Colorado Dept of Education (https://www.cde.state.co.us/code/eppreport)

[41] National Center for Education Statistics (https://nces.ed.gov/ccd/elsi/tableGenerator.aspx)



With about 10 administrative staff per 1,000 students (staff and support staff responsible for managing the school, e.g. Offices of the Principal, Vice Principal), Colorado has the 14th highest concentration of administrative staff, among all states.[42] While Colorado's administrative staff concentration was similar to the national average until 2015, it has grown since then, likely due, in part, to the fact that many schools have expanded their administrative capacity to comply with the Claire Davis School Safety Act (2015) and with SB10-191, which required more thorough documentation of teacher performance.

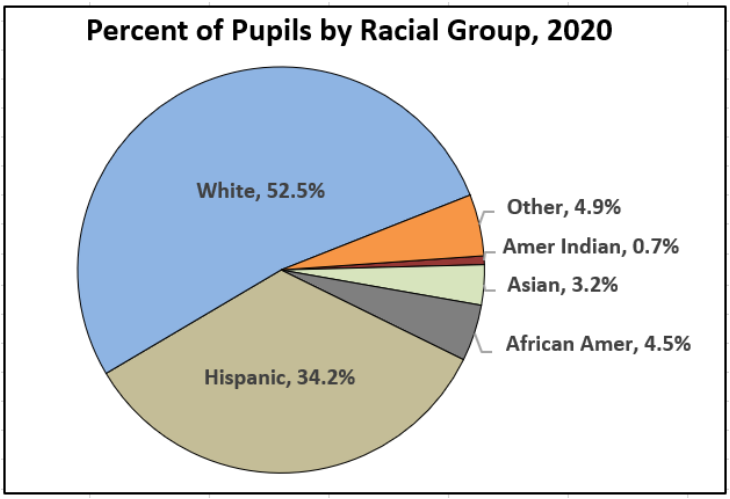


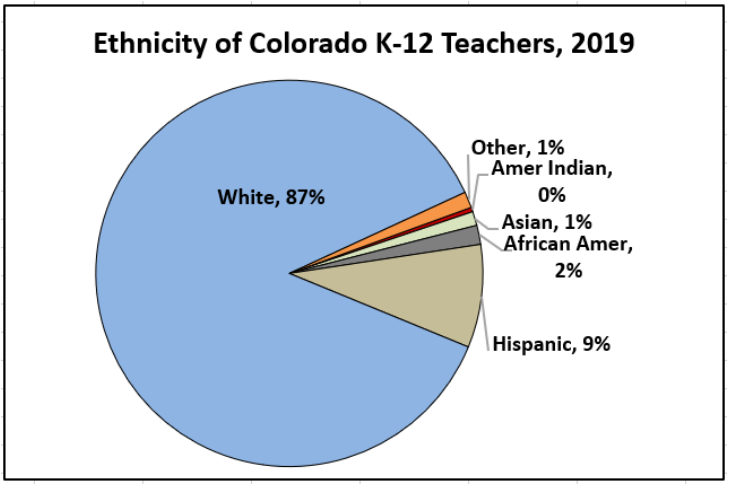
Teacher/ Student Demographic

Research has shown that students perform better when they can culturally relate to their teacher, and the ethnic profile of Colorado's teacher workforce is very different from the corresponding student population. While only 52% of Colorado's K-12 student population is white, almost 90% of the teacher workforce is white. Conversely, Hispanic teachers make up less than 10% of the teacher workforce, while over 1/3rd of Colorado's student population is Hispanic.[43]

[42] National Center for Education Statistics (https://nces.ed.gov/ccd/elsi/tableGenerator.aspx)

[43] Colorado Department of Education (https://www.cde.state.co.us/cdereval/2019-20countofteachersbydistrictethnicityandgenderpdf)

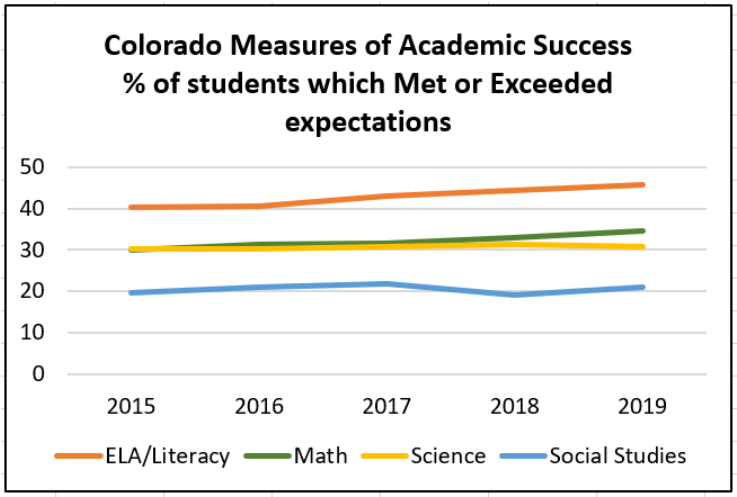

Percent of Pupils by Racial Group, 2020
White, 52.5%
Other, 4.9%
Amer Indian, 0.7%
Asian, 3.2%
African Amer, 4.5%
Hispanic, 34.2%


Ethnicity of Colorado K-12 Teachers, 2019
White, 87%
Other, 1%
Amer Indian, 0%
Asian, 1%
African Amer, 2%
Hispanic, 9%

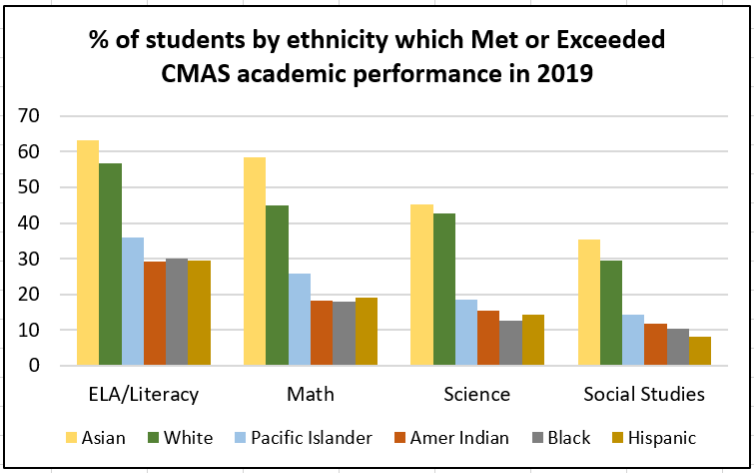
Student Performance

Test Scores

Although student scores on the Colorado Measures of Academic Success (CMAS) performance test for English Language Arts/Literacy, Math, Science and Social Studies have generally been trending slightly higher in recent years, only about 1/3rd of students meet or exceed academic expectations on average.[44]

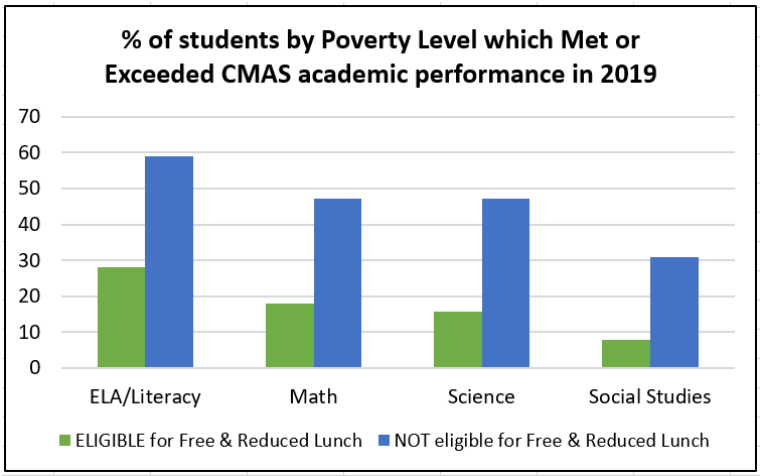


Student performance is widely disparate across ethnic populations, with Asian and White students consistently outperforming other ethnicities.

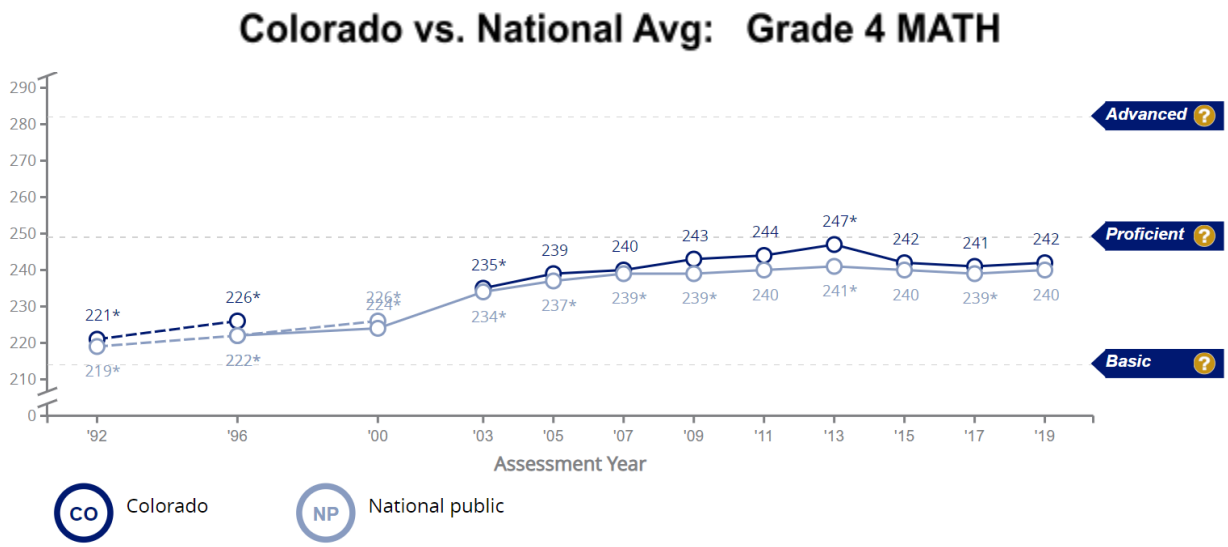


Student performance is even more disparate across income levels, with students from low-income households who are eligible for Free & Reduced Lunch scoring 2x to 4x lower across all four academic categories.

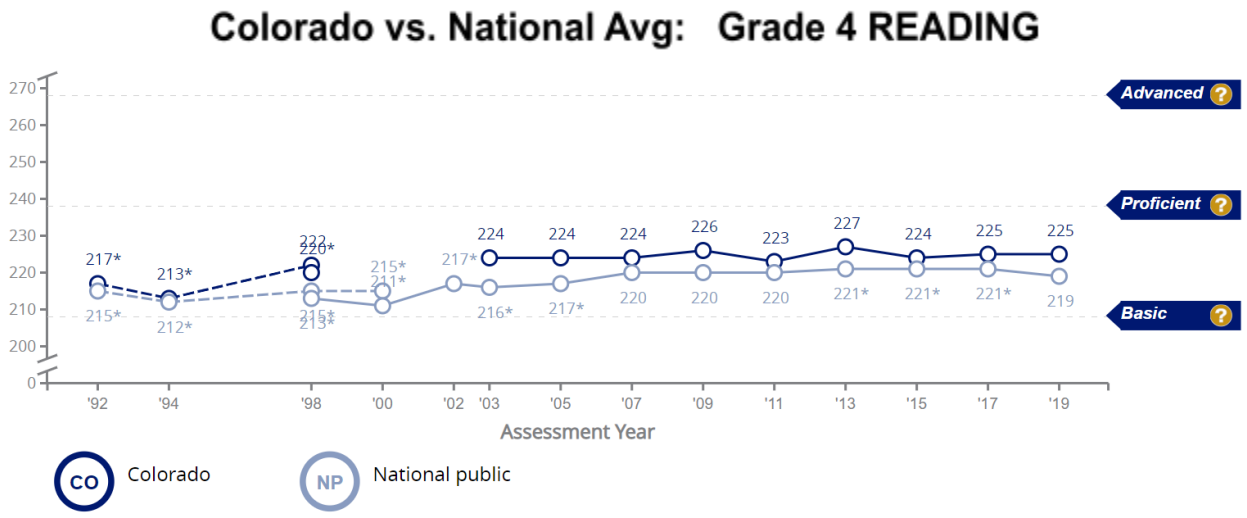
[44] Colo Dept of Education CMAS Data, https://www.cde.state.co.us/assessment/cmas-dataandresults



When compared to other states, Colorado students perform only slightly better academically, but haven't markedly improved over time and are still below proficiency standards.[45]

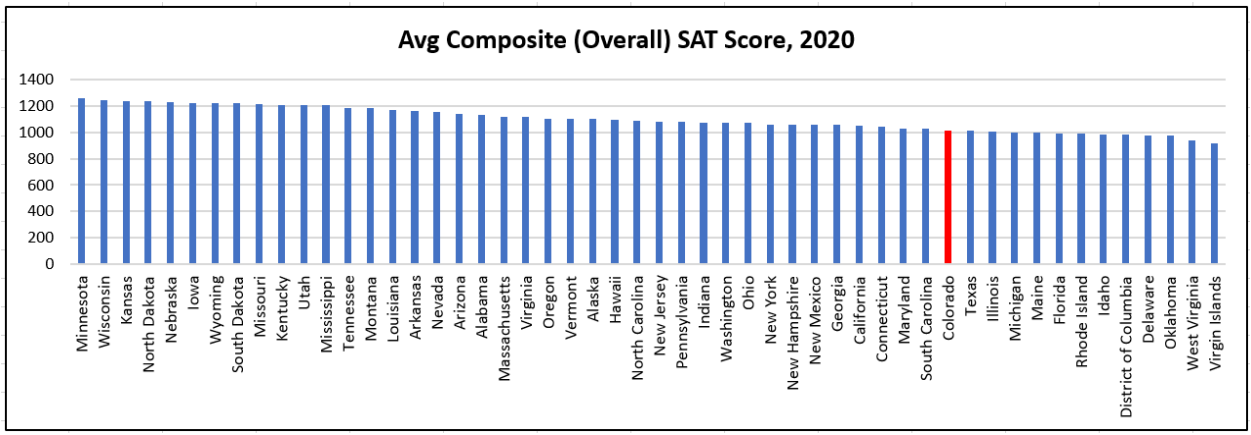


[45] The Nation's Report Card, National Assessment of Education Progress (https://www.nationsreportcard.gov/profiles/stateprofile?chort=1&sub=MAT&sj=&sfj=NP&st=MN&year=2019R3)

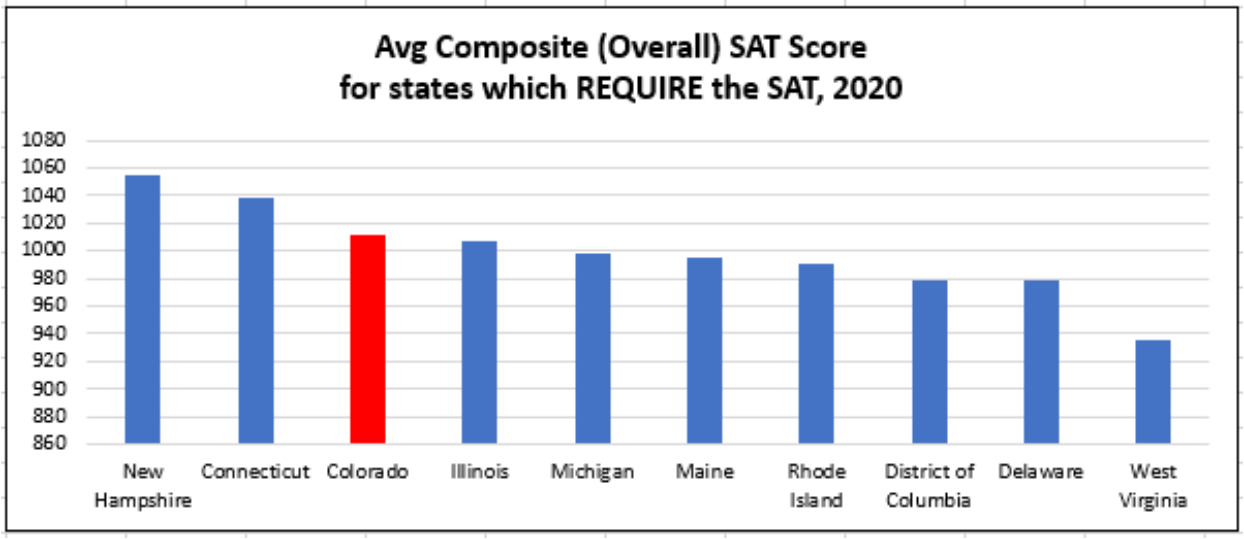


SAT Scores

Colorado high school graduates ranked 40th among all states in 2020 in Average Composite (Overall) SAT score, including Math and Reading/Writing sub-components.[46] However, when comparing Colorado (which is one of only nine states which REQUIRE the SAT test) to the other eight states which require the SAT test, Colorado ranks 3rd with SAT scores slightly above average; this stands to reason because limiting the performance data to only those students who CHOOSE to take the SAT largely omits students who have no intention of ever attending college and may therefore be less academically inclined, thus raising the average SAT score for states which make the SAT optional. This dramatic difference in how one can interpret Colorado's performance on SAT scores relative to other states highlights the inherent challenge of how to fairly interpret the data when making such comparisons when the inputs for that data can vary so greatly among states.

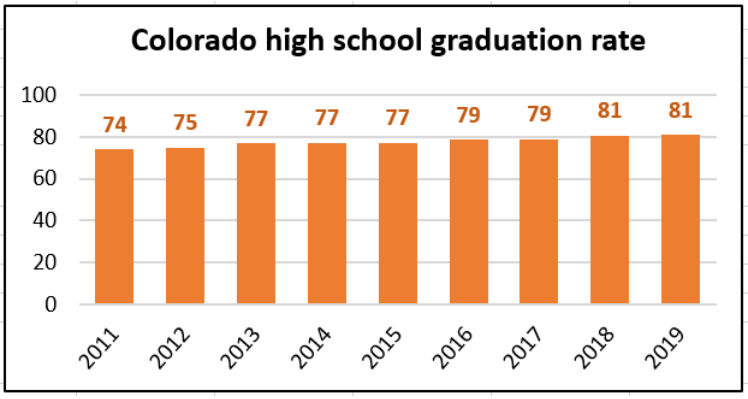


[46] SAT Suite Results, College Board; https://reports.collegeboard.org/sat-suite-program-results

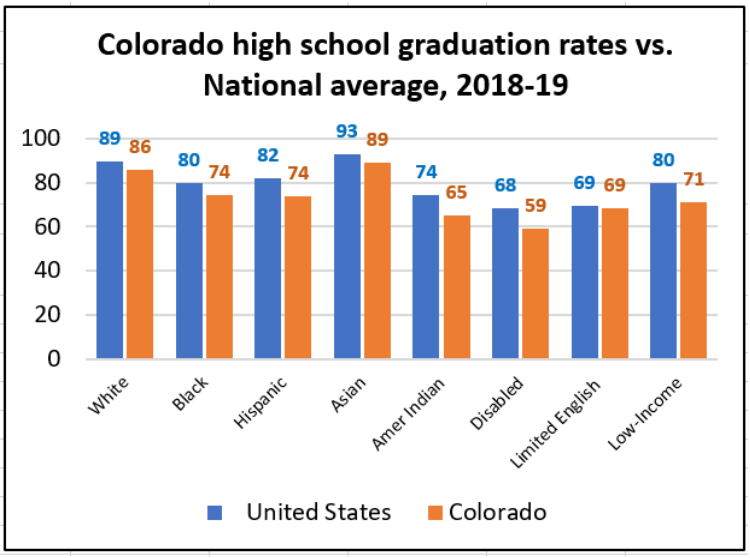


Graduation Rate

Although Colorado's high school graduation rate has improved in recent years, Colorado has the 9th lowest high school graduation rate in the nation and lags the national average graduation rate in every student sub-category.[47] That said, comparing the graduation rates of different states is subject to some degree of interpretation because different states maintain different graduation requirements.



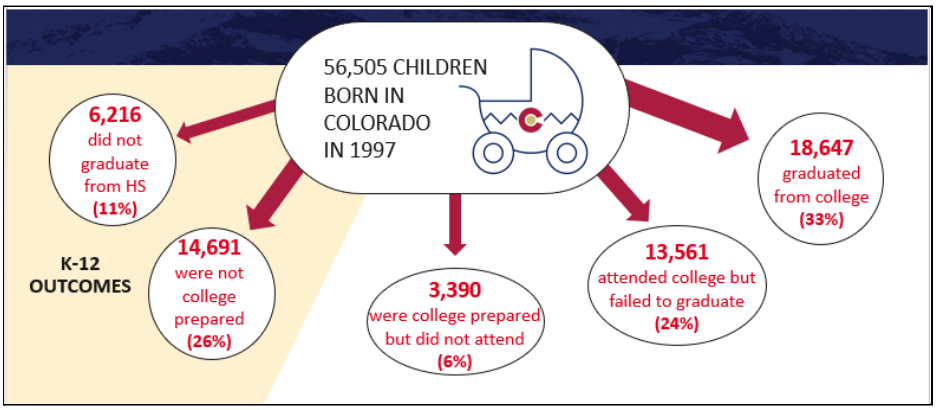
[47] National Center for Education Statistics, 2019 (https://nces.ed.gov/programs/digest/d20/tables/dt20_219.46.asp)



Despite Colorado's relatively lower high school graduation rate, Colorado has the second most-educated adult populace in the nation, largely because it imports college-educated labor from other states. Almost 56% of Coloradans have a high-quality certificate, associate's degree, bachelor's degree, or higher.

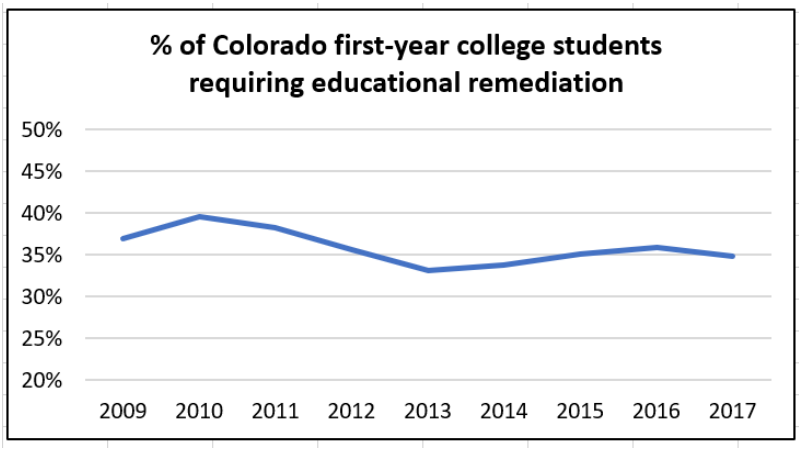
College Preparedness

Of the 56,000 children born in Colorado in 1997, only 33% graduated from college by the year 2020, while over half either didn't graduate from high school, were not prepared for college, or attended some college but failed to graduate.[48]



[48] Tony Frank, Chancellor of Colorado State University, 2020

Approximately 35% of graduates from Colorado public high schools who enrolled in Colorado public colleges or universities the following fall were assessed as needing developmental education or enrolled in a developmental education course.[49]



Comparison with Other Countries

> *"Most state education systems are falling dangerously behind the world, leaving the United States overwhelmingly underprepared to succeed in the 21st century economy. The U.S. workforce, widely acknowledged to be the best educated in the world half a century ago, is now among the least well-educated in the world.*
>
> *At this pace, we will struggle to compete economically against even developing nations, and our children will struggle to find jobs in the global economy."*
>
> - National Conference of State Legislatures, 2016

The long term results from the National Assessment of Educational Progress show no change at all in the scores of American high school students since the survey began more than 40 years ago. In the meantime, nearly 30 countries have overtaken the United States in achievement and equity, many by wide margins, even though the United States spends more per student than all but a handful of other industrialized countries.[50]

In 2000, the Organisation for Economic Co-operation and Development (OECD) conducted its first Programme for International Student Assessment (PISA), an international comparative study of what a

[49] Colo Dept of Higher Education, https://datacenter.kidscount.org/data/tables/10506-remediation-rates#detailed/2/any/false/871,870,573,869,36,868,867,133,38/any/20219

[50] 9 Building Blocks for a World-Class Education System, 2016 (https://ncee.org/9buildingblocks/)

sample of 15-year-olds can demonstrate about their knowledge in key areas including math, reading and science. In the first study, which compared students from 32 highly-industrialized countries, the U.S. ranked near the middle of those tested: 15th in reading, 19th in mathematics and 14th in science. In 2012, the OECD completed its fifth survey, involving 65 countries and including less-developed countries, and the U.S. performed even worse, placing 24th in reading, 36th in mathematics and 28th in science. After all of the national, state and district reform efforts during the decade following the "No Child Left Behind Act", the U.S. was outperformed not only by a majority of the advanced industrial nations, but by a growing number of less-developed nations as well.[51]

In 2013, the OECD published results of the Survey of Adult Skills which assessed adults ages 16 to 65 in 33 nations in the areas of numeracy, literacy and problem-solving. The Educational Testing Service (ETS) did a special analysis of the 2013 PIAAC data on millennials, who "will largely determine the shape of the American economic and social landscape of the future", and found that only the millennials in Spain and Italy scored lower on the PIAAC survey in reading than millennials in the U.S. In numeracy, U.S. millennials tied for last with Italy and Spain. In problem-solving, U.S. millennials again came in last among the 33 nations.[52]

> *"Top-performing countries understand that schools will struggle without high-quality early childhood education and that high-quality early childhood education will not be a wise investment unless followed by high-quality instruction in the schools. They also understand that increasing teacher pay without rethinking the pool of teaching applicants may be unwise unless preparation programs are more rigorous. Likewise, they realize that a more rigorous program is pointless without creating a more attractive teaching profession."*
>
> "No Time to Lose",
> National Conference of State Legislatures, 2017

"9 Building Blocks for a World Class Education System"[53]

In 2016, the Center on International Education Benchmarking published a distillation of more than 25 years of research conducted on the world's best education systems by the National Center on Education and the Economy, with the goal of providing research that individual states can use to match the education performance of the best countries in the world. The findings highlighted common themes in the educational systems of countries which consistently outperformed the United States in terms of student achievement, consistent performance across diverse student populations, and efficient return on the taxpayers' investment.

The study identified the following nine common characteristics of the best performing education systems in the world, and concluded that *"countries that redesign their education systems to adapt to this new reality (that the workers of all nations are in direct competition with the workers of all the other labor markets) will enjoy high standards of living and sustained political stability, while those that fail to do so, especially high-wage countries like the United States, will experience steadily widening income disparities, problems competing with other countries, and growing political instability."*

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[51] No Time to Lose, National Conference of State Legislatures, 2016 (https://www.ncsl.org/documents/educ/Edu_International_Final_V2.pdf)

[52] No Time to Lose, National Conference of State Legislatures, 2016 (https://www.ncsl.org/documents/educ/Edu_International_Final_V2.pdf)

[53] 9 Building Blocks for a World-Class Education System, 2016 (https://ncee.org/9buildingblocks/)

1. **Provide strong supports for children and their families before students arrive at school.**
   Countries in which young children who come to school healthy, eager to learn and ready to profit from the instruction tend to be countries in which those children do well in school.
2. **Provide more resources for at-risk students than for others.**
   Top-performing countries have made explicit decisions to create systems in which all students are educated to standards formerly reserved only for their elites.
3. **Develop world-class, highly coherent instructional systems.**
   Top-performing countries are constantly benchmarking their standards, curricula and assessments to other leading countries.
4. **Create clear gateways for students through the system, set to global standards, with no dead ends.**
   Instead of issuing a high school diploma -- essentially a certificate of attendance -- top performing countries issue qualifications showing what high school courses the holder has taken and the grades earned in those courses.
5. **Assure an abundant supply of highly qualified teachers.**
   Top-performing countries recruit their teachers from the top ranks of high school graduating classes, most in the top third to top quarter.
6. **Redesign schools to be places in which teachers will be treated as professionals, with incentives and support to continuously improve their professional practice and the performance of their students.**
   Career ladders are created that develop the skills of the current teacher workforce and establish a culture and organization that supports continuous improvement of the school as a whole.
7. **Create an effective system of career and technical education and training.**
   The key to a healthy economy, lower wealth inequity and unemployment, and strong business competitiveness is a healthy, productive, effective system of vocational education and training.
8. **Create a leadership development system that develops leaders at all levels to manage such systems effectively.**
   Successful systems identify and develop leaders who can get broad agreement on goals for both students and staff, build career ladders, recruit highly capable staff, and create a school culture committed to getting all students to high levels of performance.
9. **Institute a governance system that has the authority and legitimacy to develop coherent, powerful policies and is capable of implementing them at scale.**
   In top-performing systems, there is a place where the buck stops that has responsibility for all policymaking or management functions directly related to education and can be held accountable for the design and functioning of the system as a whole.

SUMMARY

While we all recognize the importance of education, Colorado's constitutional fiscal amendments have worked against each other since 1982 to challenge the state's ability to fund K-12 education.

- The Gallagher Amendment (which was adopted in 1982 and repealed in 2020) eroded local residential property tax bases, which challenged local investment in K-12 education.
- The TABOR Amendment (adopted in 1992) drove down local mill levies and shifted the K-12 funding burden from local governments to the state government, while simultaneously shrinking the state General Fund budget relative to the growth of the economy and thus challenging the state's ability to invest in K-12 education.
- And although the Amendment 23 funding mandate was intended to correct funding deficiencies for K-12 Education, it's inflationary adjustment hasn't kept up with the growing cost of Colorado's evolving student population, and its recession-proof nature has threatened the funding of other state programs.

These constitutional fiscal mandates have put much of Colorado's budget on auto-pilot and contributed to reducing Colorado's annual per-pupil investment to now be about $2,500 below the national average.

Our K-12 education system has been -- and likely always will be -- shaped by a continual tug-of-war between competing and legitimate values.

- <u>GOVERNANCE: Local vs. State Control</u>
  While local control of education programming ensures that local values are reflected in local school districts, history has shown that what constitutes a "local value" for one person might constitute "intolerant descrimination" to another. And, while a more uniform educational opportunity statewide might provide a better educational opportunity for students in some communities, experience has shown that a one-size-fits-all approach to education programming might not serve all students well and may trample on the legitimate and strongly-held values of other communities.

- <u>EQUITY: Equal Opportunity vs. Encouraging Local Investment</u>
  Although our constitution requires that Colorado "provide for a thorough and uniform system of free public education", and it's laudable to pursue a goal of ensuring that no child's educational opportunity is determined by their ZIP code, there is also value in encouraging local communities to invest in their local school district. Some communities can and WANT to invest more in their local school district than do others, and to the extent that we allow (and even encourage) such additional investment, we create disparate educational opportunities. The only way to truly ensure the same educational opportunity for all children is to dramatically increase funding to bring the least wealthy school districts in line with the wealthiest districts (which the state will likely never be able to afford) and prohibit additional local investment by districts who can and want to make such investments (which is likely neither politically feasible nor fair to the students in those districts).

- <u>PERFORMANCE: Administrative Efficiency vs. Choice and Data</u>
  Colorado's strong local control foundation, its well-intended efforts to allow choice in a parent's K-12 education options, and the state's equally well-intended performance reporting requirements, have all contributed to the need to grow schools' administrative capacity. While the most administratively efficient model would be a centralized authority with minimal choices

and reduced reporting requirements, such a model likely wouldn't satisfy the expectations of either parents or policymakers.

While different people with different opinions about how best to manage Colorado's education system can use different data points to support their perspective, the data seems reasonably convincing that Colorado funds K-12 education at a lower level than most states, and realizes reduced performance outcomes relative to other states. For years, K-12 advocates have argued that Colorado needs to increase its investment in K-12 funding to levels equivalent with other states if we hope to improve our outcomes, while critics of K-12 education performance have reasoned that it doesn't make sense to increase their investment in a system that's already underperforming.

Although there will never be a guarantee that additional investment in our K-12 education system will result in meeting one's performance objectives, we can probably be reasonably assured that we're not going to meet those objectives within the confines of our current investment. Perhaps, one day we can put down our worn-out arguments on both sides long enough to agree on what are our shared goals for Colorado's education system, and then explore the merits of specifically increasing our investment in strategies directly related to achieving those goals.

APPENDIX A: Potential Alternative Policy Pathways

In January 2021, Building a Better Colorado convened a group of civic leaders with experience in the areas of preschool education, K-12 education, higher education, and the business and non-profit communities and asked them to recommend how Colorado's education system could be improved, and how BBCO might frame a statewide conversation among civic leaders to explore such opportunities. The group adopted the following goal statement to guide their work:

Create a 21st Century Educational System that gives every child
a real chance at success and happiness in a rapidly changing world.

After meeting over the course of three months, the group concluded that -- while pre-school education, K-12 education, and higher education were each important and essential components of Colorado's education system -- any effort by BBCO to explore opportunities for improving the system should focus initially on K-12. To that end, and with the input of this diverse and experienced group, BBCO offers the following considerations to improve Colorado's K-12 education system.

Start with "WHY?"

Every public policy should be motivated by an underlying set of values and represent specific strategies aimed at achieving goals towards the realization of those values. Before we can meaningfully explore such opportunities to improve our education system, we each need to establish why it's important to us, and what we want from that system.

1. Why do we think our education system is important?
    - Sustaining our civil democracy?
    - Improving our INDIVIDUAL quality of life?
    - Contributing to our COLLECTIVE quality of life?
    - Defining our society's economic productivity?

2. What are our GOALS for what we hope to achieve through our K-12 education system; NOT the MEANS by how we think our education system should function, but our end GOALS?
   All of our goals for education are well-intended, but we don't have unlimited resources, so we should be thoughtful about evaluating the costs and benefits of each of our competing goals to ensure that we're investing in the right strategies to achieve our desired outcomes.

   Do we want...
    - Better academic performance?
    - A high-performing and stable teacher workforce?
    - Better alignment between academic curriculum and workforce needs?
    - Lower cost?
    - An education that allows every student to succeed?
    - More emphasis on Science, Technology, Engineering, Math (STEM)?
    - More emphasis on Arts?
    - More emphasis on leadership skills (e.g. critical thinking, communication skills, civic responsibility).
    - Something else?
    - Nothing more than what we currently have?

IMPROVING TEACHER EFFECTIVENESS

The Challenge

1. Teacher QUANTITY
    a. We have an inadequate quantity in the CURRENT teacher workforce.
    b. We have an inadequate quantity in the pipeline of our FUTURE teacher workforce.
    c. Teaching in Colorado is not an attractive career choice.
        i. Among all states, Colorado pays the least competitive wage for teachers.
        ii. Colorado ranks 48th in overall "Teacher Attractiveness" when considering a broad range of job characteristics, including "Compensation", "Teacher Turnover", "Working Conditions" and "Teacher Qualifications".
        iii. 1 out of 4 new Colorado teachers leave within their first four years.
2. Teacher QUALITY
    a. Colorado's traditional college residency program limits new teachers to 6-8 weeks of student teaching in the classroom.
    b. Without a formal opportunity for experienced teachers to mentor new teachers, Colorado loses that experience as teachers retire.
    c. The collective demographic of teachers doesn't currently reflect the demographic of students, thus limiting their ability to relate to and influence those students.

Potential Strategies

1. **Do nothing.**

    a. Context:
    Doing nothing is always the default option in all public policy and may, in fact, be the preferred option given resource constraints and the viability of other options.

    b. PROs:
        i. Requires the least amount of effort.
        ii. Doesn't require any additional investment.

    c. CONs:
        i. Fails to create an opportunity to retain existing teaching experience within a school and transfer that experience to new teachers.
        ii. Does nothing to improve Colorado's current standing as an unattractive career opportunity for teachers (relative to similar opportunities in other states).
        iii. Does nothing to improve student outcomes.

2. **Develop a "Master Teacher" designation (national board certification) to establish a top band of exemplar teachers who can provide mentoring for teachers in residency.**

    a. Context:
    There is currently limited opportunity for new teachers in the classroom to receive additional on-the-job training from more experienced teachers. As a result, each new teacher has to learn how to handle similar in-classroom challenges on their own and schools lose the benefit of reinvesting years of experience when teachers retire.

Additionally, there is currently no meaningful opportunity for teachers to advance their careers by expanding their professional marketable leadership skills outside of their classroom unless they want to become a Principal. And, because becoming a Principal is currently the only such opportunity, too many Principals ascend to that position of leadership NOT based on one's natural leadership skills and their motivation to lead, but simply a motivation to make more money than what they can make in the classroom.

While the current "national board certification" available in Colorado distinguishes those teachers who receive additional formal training regarding their knowledge of content and their knowledge of learning theory (pedagogy), it doesn't encourage innovative teaching approaches or demonstrably improve a teacher's effectiveness in the classroom.

b. PROs:
   i. Provides an in-classroom mentorship opportunity for new teachers to learn from the most experienced teachers, thus retaining and transferring that experience within the school.
   ii. Provides an additional career opportunity for teachers beyond their own classroom experience -- both additional pay and additional leadership experience.
   iii. Develops an additional pool of leadership talent within the school to work more deliberately with school administrators to fulfill the education mission of the school. The leadership experience which Master Teachers would gain would likely create a more qualified pool of candidates for future administrators, and more effective administrators within the system to the extent those teachers seek that additional challenge.

c. CONs:
   i. We would need to add more teachers to the workforce in order to free-up time for the most experienced teachers to commit some of their time to mentoring and monitoring novice teachers.
   ii. This additional certification would require an increase in pay for those who attained it and were assigned this additional leadership role.

3. Develop a more robust and effective residency model to prepare teachers for the classroom, both through traditional higher education degrees and alternative teacher licensure programs.

- For college Education degrees, expand the current 8-week in-classroom "student teaching" requirement to the entire final year of the required 4-year college degree, and prioritize the existing college classroom training to condense to 3 years.
- For alternative teacher licensure programs, provide the Dept of Education with the necessary authority and funding to expand pay-for-success alternative teacher residency immersion programs with half of the financial support up-front and the other half as "success payments" for the successful retention of newly-placed teachers.
- Provide residency support from experienced Mentor Teachers for the first two years of in-classroom residency for all new teachers.

a. Context:

Most Colorado undergraduate student teachers are currently limited to 6-8 weeks of in-classroom experience before being certified to teach.

For new teachers, there is limited opportunity to receive additional on-the-job training from more experienced teachers, and there is often an expectation that new teachers also assume additional extracurricular volunteer activities which dilutes their focus in the classroom.

Some alternative teacher residency programs which recruit teacher candidates from other professions within the school district have realized higher returns on investment and higher retention rates than traditional models.

b. PROs:
    i. Helps to better prepare new teachers to perform effectively in real-world classroom situations which can't be adequately replicated in a traditional training environment.
    ii. A meaningful residency program can not only improve teacher quality, but also improve teacher retention and recruitment, as well.
    iii. Would grow confidence in beginning teachers.
    iv. Would encourage "grow-your-own" teacher programs whereby districts strategically recruit from existing sources (e.g. district paraprofessionals, parent volunteers) to upskill existing talent to earn a teachers license.
    v. Could allow for more deliberate efforts to attract new teachers who are demographically similar (and therefore more relatable) to the student body.

c. CONs:
    i. Additional costs could include:
        1. We would need to incur the cost of adding more teachers to the workforce in order to enable experienced mentor teachers to spend time co-working with 1st- and 2nd-year teachers instead of being immersed alone in their own classroom. (However, if we ALSO implemented a "Master Teacher" program, that cost could instead be borne through the additional teacher capacity needed to free-up time for those mentor teachers to assist new teachers in their classrooms.)
        2. Ongoing professional development for mentor teachers.
        3. Administrative cost for the Department of Education to oversee and support such a network of residency programs statewide.
        4. 2-5 years of extensive support for resident teachers by mentor teachers beyond the initial 1-2 year residency.

    ii. The costs associated with dedicating the entire Senior year of college to such an in-classroom residency program would be realized in the host school district rather than on the college campus, therefore funding to cover those costs may have to be transferred from higher ed to the participating residency partner school districts, thus reducing funding for higher ed.

4. **Provide districts with additional funds to improve teachers' work conditions specific to achieving more competitive compensation, manageable class sizes, adequate out-of-classroom support for students' needs, and professional development.**

    a. Context:
    Each school district is unique in its needs, both in terms of the individual students' needs and the unique characteristics of the district-as-a-whole. For example, some rural school districts struggle to attract and retain teachers, whereas some metro school districts are challenged to build a teacher workforce that reflects their students' diverse ethnic demographic. In recognition of these different needs, and in support of each local district's ability to largely govern itself, a block grant of additional funds to enable each district to invest as they deem appropriate to serve their specific needs might be more strategic than simply increasing funding statewide for more general needs.

    b. PROs:
        i. Empowers and equips local school districts to address their schools' unique needs to attract and retain teachers through strategies such as more in-class time, smaller class sizes, ongoing training, increased pay, and professional resource support for mental health and behavioral needs.
        ii. Acknowledges and builds on local control.

    c. CONs:
        i. Some might view the benefit of "flexibility" as a lack of accountability for how the funds are spent. More money does not ensure better outcomes.

5. **Reduce the cost to become a teacher through such strategies as educational loan forgiveness, subsidized housing, and local collaborative partnerships with efforts such as Habitat for Humanity.**

    a. Context:
    If Colorado wants to have a more competitive wage to attract teachers, then an alternative to INCREASING their compensation is to DECREASE their costs and thus increase their discretionary income.

    b. PROs:
        i. Could allow for a targeted approach to attracting specific types of teachers to specific locations in order to address the unique needs of certain school districts.

    c. CONs:
        i. Doesn't address other challenges which make Colorado's teaching environment unattractive relative to other states, such as class size, lack of additional support for special-needs students, and school culture.

IMPROVING STUDENT OUTCOMES

The Challenge

1. Too many students leave Colorado's education system (either graduate or drop-out) unprepared to succeed. Although Colorado's high school graduation rate has improved in recent years, we still rank 9th lowest in the nation[54] and are below the national average in the graduation rates for every student subgroup. Colorado has the 13th lowest SAT scores among all states[55] and 35% of Colorado first-year college students require remedial classes to equip them for college[56].
2. When compared to other states, Colorado students perform only slightly better academically, but haven't markedly improved over time and are still below proficiency standards.
3. Colorado's Hispanic and black students consistently score lower academically and have a graduation rate 12% less than their white student classmates.[57]
4. There exists a lack of flexibility to structure an individualized pathway for learning specific to each student's needs, ability, and future aspirations.
5. Our current emphasis in standardized testing doesn't incentivize schools to develop within students an appreciation for subjects such as art, civics and history, and soft skills such as leadership and communication, which are important for individuals to succeed.
6. Current expenditures don't accurately reflect the unique needs of each STUDENT.
7. Current expenditures don't accurately reflect the unique costs of each SCHOOL DISTRICT.

Potential Strategies

1. **Do nothing.**

    a. Context:
    Doing nothing is always the default option in all public policy and may, in fact, be the preferred option given resource constraints and the viability of other options.

    b. PROs:
        i. Requires the least amount of effort.
        ii. Doesn't require any additional investment.

    c. CONs:
        i. Does nothing to improve the ability of students to succeed.
        ii. Does nothing to improve the outcomes of Colorado's education system relative to other states and countries.

2. **CAREER & TECHNICAL EDUCATION:**
    Provide more high school education options that allow for the development of employable skills without a 4-year college degree, including Career & Technical Education (CTE) and apprenticeships, and contribute towards a pathway for a post-secondary degree if ever desired.

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[54] National Center for Education Statistics, 2019 (https://nces.ed.gov/programs/digest/d20/tables/dt20_219.46.asp)

[55] SAT Suite Results, College Board; https://reports.collegeboard.org/sat-suite-program-results

[56] Colo Dept of Higher Education, https://datacenter.kidscount.org/data/tables/10506-remediation-rates#detailed/2/any/false/871,870,573,869,36,868,867,133,38/any/20219

[57] National Center for Education Statistics, 2019 (https://nces.ed.gov/programs/digest/d20/tables/dt20_219.46.asp)

a. Context:
In Colorado, 77% of high school students don't ultimately go on to earn a college degree or relevant credential that will qualify them for a living wage career. Low-income students and students of color realize more barriers in this regard than their peers, with national completion rates around 18% and dropout rates twice as high as peers. At the same time, there is currently an unmet need for skilled labor which does not require a college degree.

Because the development of these career skills in high school isn't transferable to a traditional high school diploma and therefore doesn't count towards college entry requirements, high schools are limited to requiring all students to contribute "seat time" towards a traditional diploma (which has limited value in equipping a high school graduate to secure a living wage), or -- if they offer career and technical education at all -- providing CTE training as a "terminal program" with no pathway towards higher education.

Additionally, the emphasis of our current standardized testing inherently discourages (at least to some degree) the development of such innovative alternative education/career pathways because those pathways may not contribute to the academic measures to which high schools are held accountable. Our current K-12 funding model similarly discourages such alternative education/career pathways because funding is based on "seat time" in the classroom, which precludes on-the-job career apprenticeship opportunities. While the Department of Education allows an "audit" process for high schools to equate such CTE opportunities in lieu of "seat time", that process is cumbersome and discourages such innovative solutions.

b. PROs:
   i. Provides an opportunity for high school students to graduate with the skills to immediately be successful in contributing to the workforce without additional post-secondary learning, while also better equipping them to potentially pursue additional formal learning in the future if they so desire.
   ii. Could serve our society better by contributing to meet the need for skilled labor.
   iii. If constructed with clear bridges to post-secondary education, could allow for increased economic mobility for young Coloradans - especially for low-income and first-generation students.
   iv. If created with ways for students to earn money while studying (such as with youth apprenticeship), could contribute to higher post-secondary completion rates.

c. CONs:
   i. Creating such alternative career pathways needs to have a deliberate emphasis on student equity, otherwise we risk creating a "lesser pathway" for kids which our education system doesn't serve well now.
   ii. Unless we change our system's current emphasis on standardized testing, such alternative career pathway opportunities could result in lower individual performance on those tests and, subsequently, lower ratings for the school which is held accountable for preparing its students to perform well on those

tests.

3. **CREATING MORE PRODUCTIVE CITIZENS:**
   Change the focus of our curriculum to place more emphasis on developing essential soft skills (e.g. creativity, innovation, critical-thinking, problem-solving, communication, collaboration, social and cultural awareness, civic engagement, character, leadership).
   a. Context:
      The creation of our nation's public education system was motivated primarily by what our Founding Fathers saw as an essential need to preserve our civil democracy, however, due to a lack of emphasis on the importance of civics and history education, students (a.k.a. our future electorate) increasingly doesn't understand what our government is, how it functions, and what their role is in it. As a result, our collective responsibility for civic leadership has deteriorated and the citizenry increasingly doesn't trust their own government.

      Business leaders are frustrated that an increasing percentage of the new entrants to the workforce -- both those who perform academically well and those who have struggled academically -- are not equipped with the social and critical thinking skills necessary to effectively work with others to solve problems.

   b. PROs:
      i. Provides the "soft skills" which employers are requesting and which contribute to more productive and engaged citizens.
      ii. Focusing on "soft-skill" development can also contribute to higher academic outcomes that are subject to more traditional measures of academic success (like standardized tests and graduation rates, for example).

   c. CONs:
      i. In the context of current standardized testing metrics, placing emphasis on subjects like civics, history, and leadership development don't contribute towards higher test scores on which schools are currently evaluated.
      ii. While trying to produce students who are more civil and more culturally aware may contribute to sustaining our civil democracy, such teaching has the potential to be labeled as indoctrination in a politically polarized society.
      iii. Our understanding of how to teach and measure higher learning in many of these areas is still evolving, making accountability more challenging.

4. **COST-DRIVEN EDUCATION:**
   Modernize the School Finance Act to be student-centered and cost-driven so that it provides an education to allow all students to succeed, including additional funding to adequately address students with special needs (special education, low-income, English language learners, and gifted & talented students) and districts which have additional costs associated with larger distances, lack of economies of scale, and higher costs of doing business.

   a. Context:
      Based on a 2013 study in Colorado, and relative to studies performed in 35 other states,

it's estimated that Colorado currently underfunds K-12 education by about $2,300-$2,500 per student for students with no special needs in school districts with no special characteristics, and underfunds the additional costs related to students with special needs and school districts with special characteristics by more than that amount.

Although Colorado currently provides additional "factor funding" to address differences in school districts associated with economies of scale (size), that funding is subsequently reduced by the Budget Stabilization Factor to balance the state budget. And although the state also provides "categorical funding" to support districts with larger distances, that funding only covers about 25% of the actual cost. The current level of state funding is currently about $600 million below keeping up with inflation and student growth since before the Great Recession (2008-09) and disproportionately adversely impacts rural and high-poverty districts which should receive proportionately more funding to address these special needs.

b. PROs:
   i. Equipping the most vulnerable students to succeed is a shared characteristic of the most successful educational systems in other countries and will contribute to reducing the future costs which our society might incur as a result of these individuals not being self-sufficient.
   ii. Providing districts with the resources they need to meet the needs of special learners will prevent them from having to cut other programs within the districts' general fund to meet these needs.
   iii. Providing the necessary services and support to improve outcomes for students with special needs will allow teachers to focus more individual attention on non-special needs students and better enable them to provide a quality education for all.

c. CONs:
   i. Adjusting the school funding formula without additional funding could result in reduced opportunities and resources in "donor" districts, where voters might balk at increasing their property taxes just to maintain current levels of services.
   ii. The additional cost for Colorado to provide all students a basic quality education is estimated to be about $2.5-$3.0 billion, depending on how much disparity we want to address for smaller school districts which don't have economies of scale and have higher costs of doing business. The approximately $500 million in "grant funds" which the state currently makes available could be repurposed to account for some of this additional cost.

5. **PARENTAL ENGAGEMENT:**
Pay for home visits by teachers and/or support staff to better engage parents in their student's education and encourage a partnership between parents and teachers to achieve better academic performance by students.

a. Context:
It is well documented that parental engagement is directly related to student success. Low-income parents and parents for whom English is not their first language particularly

struggle to be involved in their child's education because of time and cultural barriers.

Pilot programs have demonstrated that home visits by teachers can open lines of communications with parents and cultivate relationships between teachers and parents that increase student success.

b. PROs:
   i. Increases student success.
   ii. Provides teachers with more support to deal with classroom challenges.

c. CONs:
   i. There is an additional cost for such increased investment in students.

6. **MEASURING PERFORMANCE:**
Change the framework by which we measure the performance of our education system -- both in terms of "individual student performance" as well as "school accountability" -- to better measure the potential of individual students and incentivize schools to be innovative in developing within students those traits which employers are seeking and which will better ensure individual success. (NOTE: This would NOT eliminate performance testing, but rather change the metrics and methodology by which we measure performance.)

a. Context:
Although Colorado and the nation as a whole have been diligent in monitoring academic performance over the last 20+ years through standardized testing, we've not significantly improved our state's or nation's test scores, neither relative to past performance nor relative to the performance of other countries. Recognizing that different students learn in different ways, and that test scores don't fully account for a student's full potential, K-12 school systems have explored alternatives to traditional standardized test scores and universities are increasingly de-emphasizing the value of those test scores as a metric for admission.

Because of our current emphasis on test scores, schools "teach to the test" and thus fail to develop within students other desirable knowledge and traits at which they may otherwise individually excel, and which might better equip them to succeed, and which employers are currently demanding.

b. PROs:
   i. Provides an opportunity to evaluate the development of a broader scope of a child's full potential, including academic, social emotional, problem-solving, and leadership skills.
   ii. Could incentivize schools to be more innovative in measuring these broader student characteristics and adapt teaching models to produce these desired characteristics.
   iii. Could produce students who are better equipped to succeed individually and who have the skill sets which employers are seeking, regardless of how they might have otherwise performed on a standardized test.

c. CONs:
    i. To the extent that different schools are innovative in emphasizing different performance metrics, it could be difficult (if not impossible) to compare relative performance across schools, states and countries.
    ii. While such flexibility in measuring performance could allow schools to better reflect local values, it could unintentionally place students at a relative disadvantage to students in other peer schools when competing on a more global scale.

7. **Invest in providing additional tutoring opportunities for students, after-school programs and academic summer camps, with a priority emphasis on students from low-income households.**

    a. Context:
    A common characteristic of the highest-performing education systems in the world is an investment in raising the academic opportunity for the most disadvantaged students. The impact of COVID on our education system has exacerbated the disparity in academic performance which already existed for low-income and ethnic minority students. Recent studies indicate that 12 hours of tutoring could advance a child's math skills as much as would three months of conventional schooling.

    b. PROs:
        i. Provides an opportunity to narrow the education gap for the most disadvantaged students.

    c. CONs:
        i. We should expend any additional funds in improving K-12 across-the-board, FIRST, before we invest in more narrow strategies like tutoring which only serve a subset of the student population.

IMPROVING FUNDING EQUITY

The Challenge:

1. Current expenditures don't accurately reflect the unique needs of each STUDENT.
2. Current expenditures don't accurately reflect the unique costs of each SCHOOL DISTRICT.
3. It is very difficult for districts with less taxable property value to create local funding for schools. While some districts are able to mitigate this deficiency with voter-approved local Mill Levy Overrides, others cannot, thus exacerbating the inequitable educational opportunities which already exist.
4. Different taxpayers in different school districts contribute different levels of effort to fund Colorado's K-12 education system. TABOR's forced reduction of local mill levies has resulted in some districts with the greatest property wealth contributing less and requiring more state assistance.
5. The total K-12 funding burden has gradually shifted from LOCAL governments to the STATE government as the Gallagher, TABOR, and Amendment 23 amendments to our state constitution have formulaically interacted.

Value Considerations:

1. **Should all kids in Colorado -- regardless of demographic differences such as ZIP code, family income, and ethnicity -- have equal access to an education that allows them to succeed?**

   Context:
   Student academic performance in Colorado is widely disparate across ethnic populations, with Asian and White students consistently scoring more than twice as high on CMAS test scores as other ethnicities. Student performance is even more disparate across income levels, with students from low-income households who are eligible for Free & Reduced Lunch scoring 2x to 4x lower across all four academic categories of literacy, math, science and social studies.

   One of the common characteristics of the best performing education systems in the world is that they provide more resources for at-risk students than for others in order to educate all students to accepted academic standards. Colorado currently invests approximately 1/10th to 1/3rd the extra amount deemed necessary to educate special needs students.

2. **What share of the Local/State K-12 funding partnership should the STATE contribute?**

   Context:
   While the cost of funding K-12 was almost entirely borne by local school districts until the 1930s, the State's share had grown to about 43% in the late 1980's. Although the State briefly achieved its goal in 1992 of equalizing the K-12 funding burden between State and local governments, the passage of TABOR in 1992 and its interaction with the Gallagher Amendment shifted the funding burden to the State, to a high of 66% in 2015 and about 60% today.

3. **Should the taxpayers within each school district contribute an equal amount of effort (relative to their own property wealth) to fund Colorado's K-12 education system?**

Context:
Since statehood, Colorado's various counties and school districts have had very disparate property values -- influenced by such factors as population, natural resource production, irrigated farmland, and overall quality of life -- and therefore very different abilities to fund public education which relies almost entirely on property tax mill levies. 1 property tax mill generates $1 of tax revenue per $1,000 of assessed property value, therefore, an equal mill levy across School Districts would represent an equal funding EFFORT by taxpayers, although the underlying property values and corresponding tax amount paid would be different.

In 1988, with most local school district mill levies between 38-40 mills, the State set the goal of equalizing all local mill levies in order to ensure that taxpayers in all school districts were contributing an equal effort to fund K-12 education. The State largely achieved this goal of equalized mill levies in 1992 when the passage of TABOR, coupled with its interaction with the Gallagher Amendment, forced all local mill levies lower and created tremendous disparity ranging from 2-38 mills by 2007.

4. **Should local taxpayers be allowed (or even encouraged) to invest additional local funds into their school district – beyond what's required for all students to succeed – to create for their students a better, and therefore unequal, education opportunity?**

   Context:
   The State has historically sought to balance its goal of providing a relatively equal education opportunity for all students, regardless of where they live, with the goal of honoring the wishes of some local school districts to invest more in their K-12 education experience. Because of these competing goals, the state has never truly achieved equal funding of all school districts. Even when establishing the goal of equalizing mill levies for all school districts in 1988, the state simultaneously created the opportunity for local school districts to adopt "Mill Levy Overrides" to provide additional limited funding.

5. **Should school districts invest in providing more information to taxpayers about how their current investment in K-12 is being spent?**

   Context:
   Raising awareness among taxpayers about how their current investment in K-12 education is being spent might grow confidence in that investment. While there would be some cost to growing such confidence among taxpayers, and that additional expenditure likely wouldn't result in improving education outcomes in and of itself, that expenditure may be necessary to garner support for increasing taxpayers' investment in the future to achieve such improved outcomes.

APPENDIX B: Colorado's Relative Tax Burden

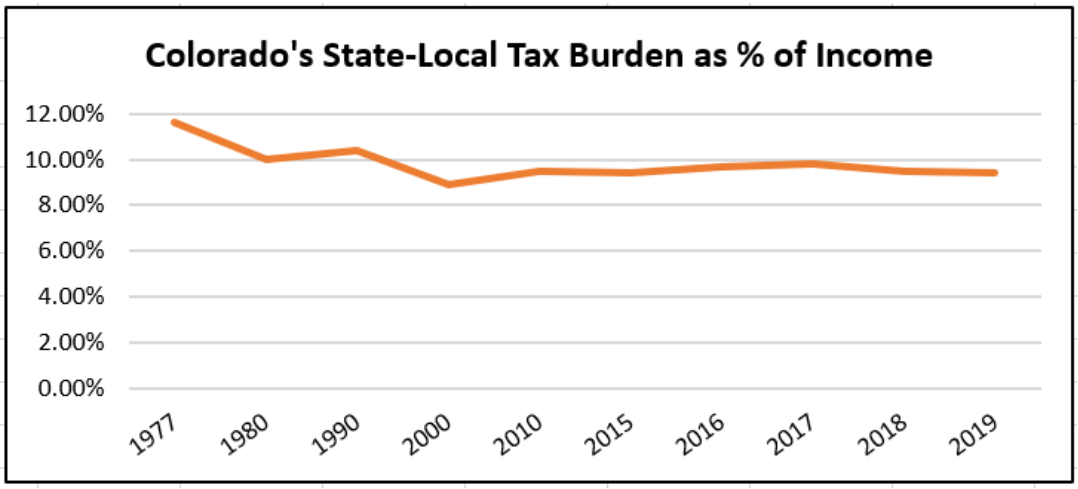
While BBCO does NOT advocate for any particular policy outcomes, we recognize that education funding and education outcomes are likely related to some degree, and, therefore, it's impossible to fairly discuss alternative education policy strategies without considering the potential costs of those strategies. Additionally, we recognize that most people, when asked, truly believe that the tax burden in their state is "higher than average", in the same way that most people also believe they are "better than average" drivers.

In order to provide some context for this discussion, we provide the following data which compares Colorado's tax burden to that of other states and prior years.

Total Tax Burden

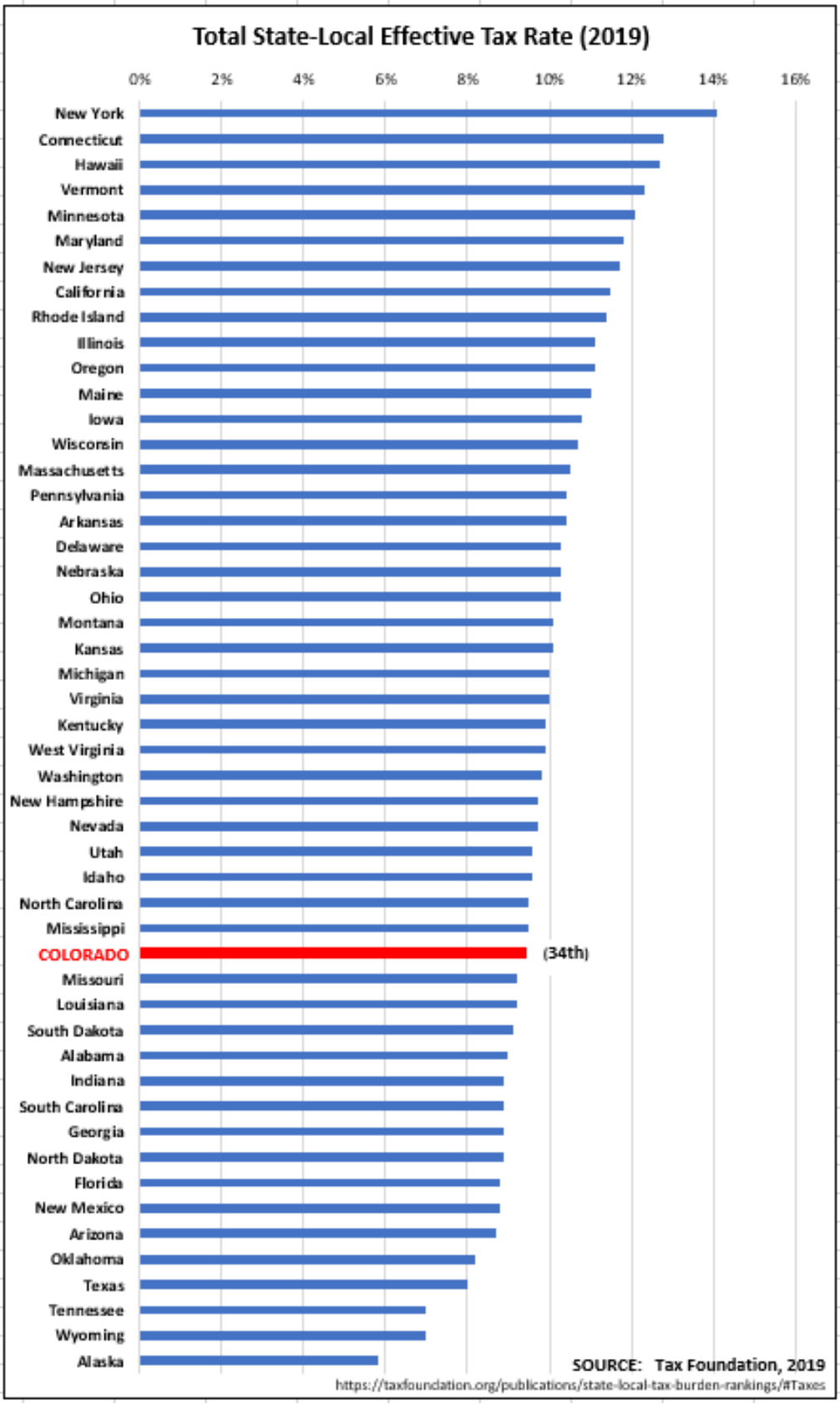
The total State-Local tax burden for Colorado taxpayers ranks 34th among the 50 states when considering relative state incomes.[58] However, when not adjusting for our state's relative wealth, Colorado ranks 19th highest in total state expenditures per capita, including both taxes and fees.[59] Relative to prior years, Colorado's total tax burden has decreased over time, in part due to the state legislature's actions to reduce the state's income tax twide and the state's sales tax once since 1999.

- 1999: The legislature reduced the state income tax from 5.0% to 4.75%.
- 2000: The legislature reduced the state income tax from 4.75% to 4.63%.
- 2000. The legislature reduced the state sales tax from 3.0% to 2.9%.



[58] State and Local Tax Burdens, 2019 (https://taxfoundation.org/publications/state-local-tax-burden-rankings/#Results)

[59] Kaiser Family Foundation, 2019 (https://www.kff.org/other/state-indicator/per-capita-state-spending/?currentTimeframe=0&sortModel=%7B%22colId%22:%22Location%22,%22sort%22:%22asc%22%7D)


Total State-Local Effective Tax Rate (2019)
0%
2%
4%
6%
8%
10%
12%
14%
16%
New York
Connecticut
Hawaii
Vermont
Minnesota
Maryland
New Jersey
California
Rhode Island
Illinois
Oregon
Maine
Iowa
Wisconsin
Massachusetts
Pennsylvania
Arkansas
Delaware
Nebraska
Ohio
Montana
Kansas
Michigan
Virginia
Kentucky
West Virginia
Washington
New Hampshire
Nevada
Utah
Idaho
North Carolina
Mississippi
COLORADO
(34th)
Missouri
Louisiana
South Dakota
Alabama
Indiana
South Carolina
Georgia
North Dakota
Florida
New Mexico
Arizona
Oklahoma
Texas
Tennessee
Wyoming
Alaska
SOURCE: Tax Foundation, 2019
https://taxfoundation.org/publications/state-local-tax-burden-rankings/#Taxes

Property Tax Burden

In Colorado, property taxes are used exclusively to pay for local government services. In 2017, just over 50% of property tax revenues were used to fund local K-12 school districts; the remainder supports local services provided by counties, special districts, and, to a lesser degree, cities and towns (which are primarily funded by sales taxes), including fire protection, recreation, water and sewer infrastructure, libraries and county road maintenance. Property taxes in Colorado are assessed, collected and spent locally.

Colorado has not imposed a state level property tax since 1964, and therefore property tax revenues do not pay for any state services like highways, prisons, or higher education; state services are paid for through a combination of the state income tax, the state sales tax, motor fuel taxes fees and other tax revenues. Although 36 states levy a property tax, this funding source represents only 1% of their own-source general revenue.[60]

Real property tax rates differ widely both across and within states, making it difficult to compare states against each other. Further, local governments use different methods to calculate their real property tax bases and assessment levels. The Lincoln Institute of Land Policy calculates effective tax rates by analyzing several key features of each city's property tax system, including:

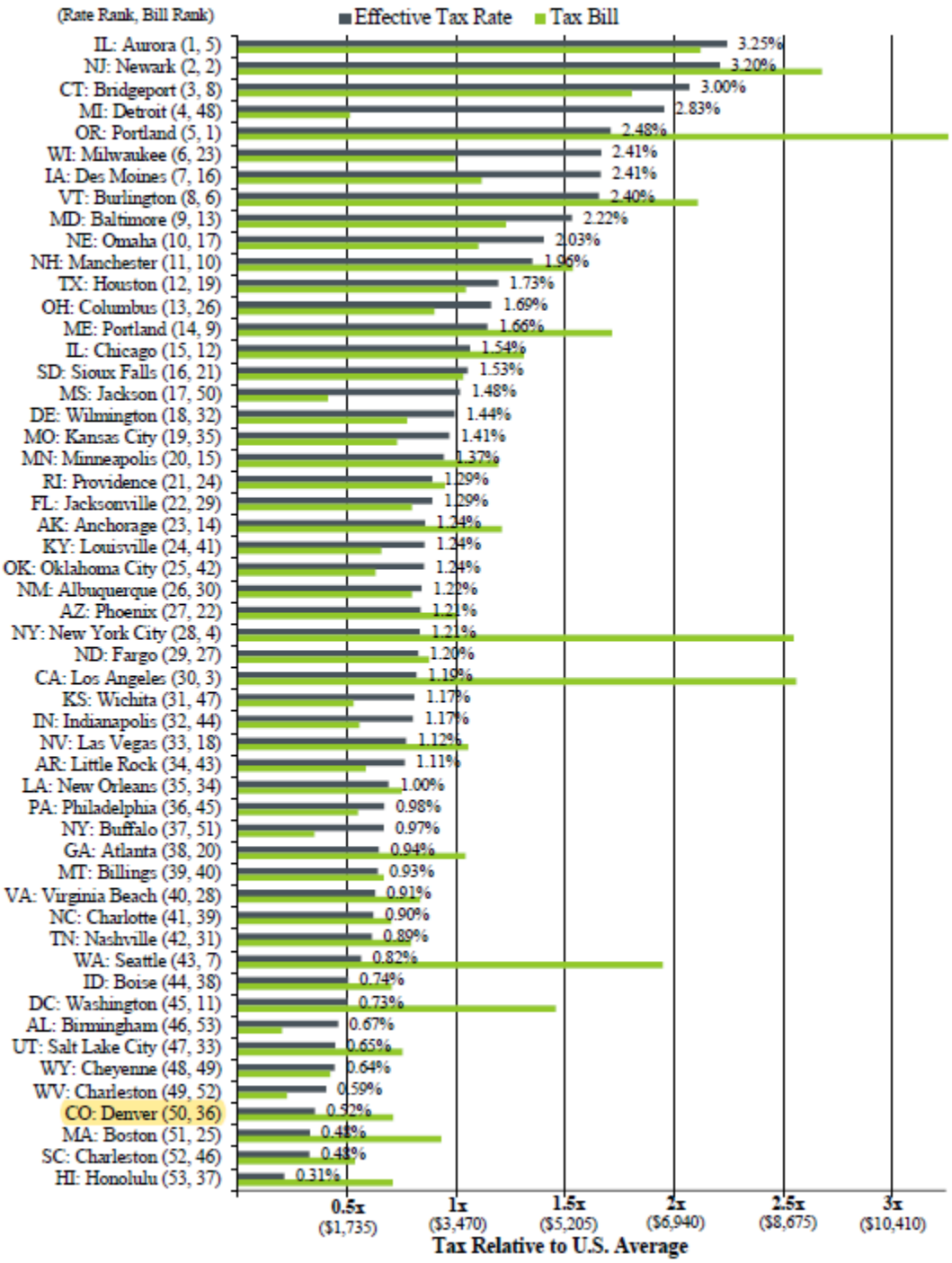
- Total local property tax rate
- Assessment ratio (a.k.a. classification rate): The percentage of market value used to establish a property's assessed value.
- Sales ratio: The sales ratio measures the accuracy of assessments by comparing assessed values to actual sales prices.
- Exemptions
- Credits

Although both Residential and Commercial property were once assessed at the same 30% rate, the Gallagher Amendment which Colorado voters adopted in 1982 froze the Commercial rate at 29% and set the Residential rate on a formula which ultimately drove down the Residential property assessment rate to 7.15% until voters repealed the Gallagher Amendment in 2020. Although the Residential assessment rate is now frozen at 7.15%, the Commercial property tax rate is still about 4x higher than the Residential rate.

[60] The State of State (and Local) Tax Policy, Tax Policy Center (https://www.taxpolicycenter.org/briefing-book/how-do-state-and-local-property-taxes-work)

The following table compares the effective property tax rate and tax bill for 53 of the largest cities, including the largest city in each state. **Denver's effective RESIDENTIAL property tax rate ranks 50th out of the 53 cities compared.**

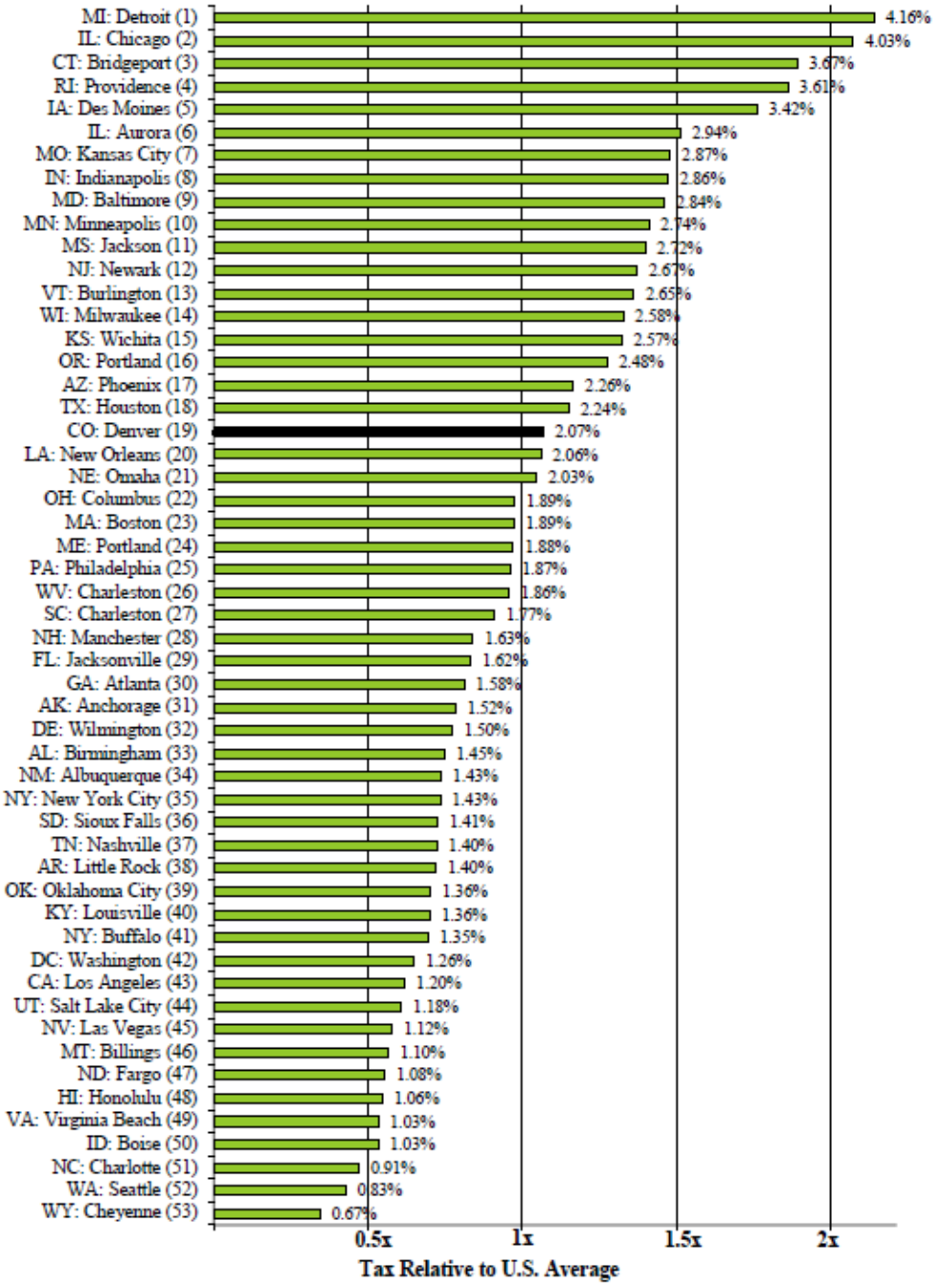
Property Taxes on Median Valued Home in the Largest City in Each State (2020)[61]



[61] 50-State Property Tax Comparison, Lincoln Institute, 2020
(https://www.lincolninst.edu/sites/default/files/pubfiles/50-state-property-tax-comparison-for-2020-full_0.pdf)

The following table compares the effective property tax rate and tax bill for 53 of the largest cities, including the largest city in each state. **Denver's effective COMMERCIAL property tax rate ranks 19th out of the 53 cities compared.**

Commercial Property Taxes for the Largest City in Each State (2020)[62]
Effective Tax Rate for $1-Million Valued Property (plus $200k in Fixtures)



[62] 50-State Property Tax Comparison, Lincoln Institute, 2020
(https://www.lincolninst.edu/sites/default/files/pubfiles/50-state-property-tax-comparison-for-2020-full_0.pdf)