

**Task Force Meeting #4 Pre-Read Survey
10.6.23**

Just the Facts: a brief overview on the impact of the COL factor on Colorado school districts

The following section provides a brief overview of the overall impact of the Cost of Living (COL) Factor, as projected for FY 2024-2025. This section also discusses the impact of the Cost Living Factor by different district groups (high versus low at-risk percentages, rural vs. urban, and high vs. low wealth, etc.).

- The inclusion of the COL Factor provides **\$1.5 billion** in total program funding, or **16.1 percent of total program funding**, to Colorado districts.
- The elimination of the COL Factor impacts the Personnel Costs factors, since the COL Factor is only applied to the portion of the base that relates to personnel. Personnel Costs factors are set in state law and are based on a district's pupil count, as shown in Figure 1 below.

Figure 1: Determining the Personnel Costs Factor

For a pupil count of:	The district's personnel cost factor is:
Less than 453.5	$0.8250 - (0.0000639 \times \text{the difference between the pupil count and } 453.5)$
453.5 or more but less than 1,568	$0.8595 - (0.0000310 \times \text{the difference between the pupil count and } 1,567.5)$
1,567.5 or more but less than 6,682	$0.8850 - (0.0000050 \times \text{the difference between the pupil count and } 6,682)$
6,682 or more but less than 30,000	$0.905 - (0.0000009 \times \text{the difference between the pupil count and } 30,000)$
30,000 or more	0.905

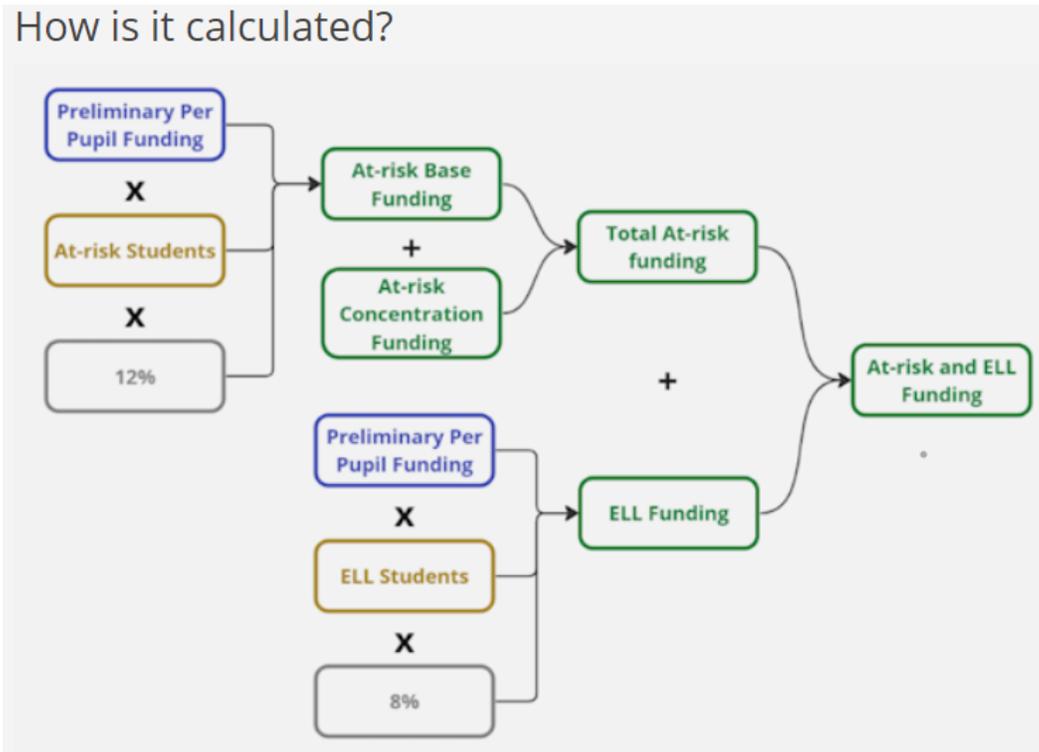
- If the COL Factor was removed, only the Size Factor would increase the base amounts for districts. Removing the COL Factor would also decrease the minimum funding per pupil.
- The COL Factor ranges from **1.015** (KIM REORGANIZED 88) to **1.650** (ASPEN 1).
- Districts with low percentages of at-risk students (less than 34 percent) appear to benefit the most from the inclusion of the COL Factor.
 - As shown in Table 1 below, their total program funding **increases by \$712 million, or 21 percent** due to the inclusion of the COL Factor.
- Districts with very high percentages (greater than 59 percent) had the second largest increase in total program funding, an **increase of \$395 million, or 19 percent**, from the inclusion of the COL Factor.

- The inclusion of the COL factor causes increased preliminary per pupil funding, which results in increased at-risk funding since it is reliant upon the preliminary per pupil funding and at-risk counts, as shown in Figure 2.

Table 1: Total Program Funding (in Millions) with and without COL Factor by At-Risk District Groups

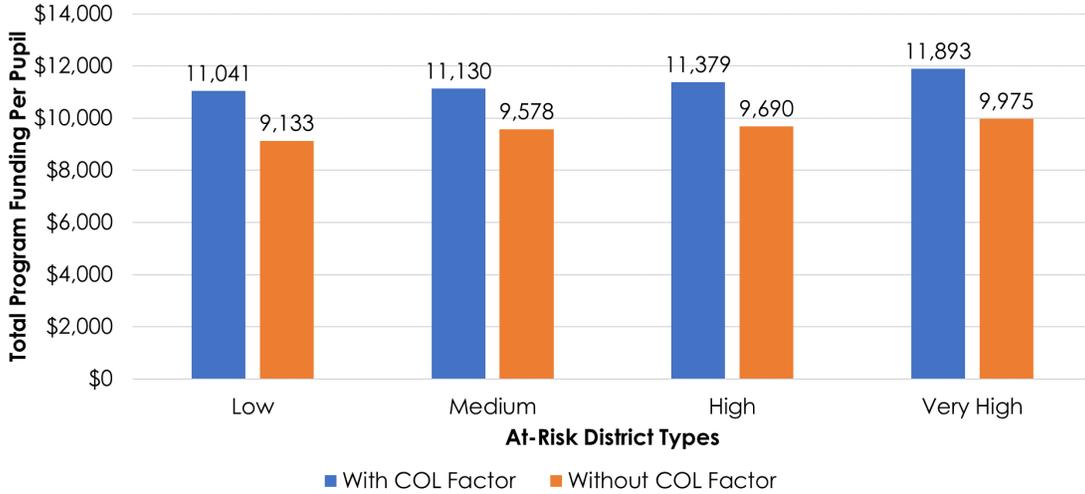
At-Risk District Groups	District Count	Pupil Count	Total Program Funding <u>with</u> COL Factor	Total Program Funding <u>without</u> COL Factor	Impact of COL Factor (\$)	Impact of COL Factor (%)
Low (less than 34% At-Risk)	45	367,306	\$4,121 M	\$3,409 M	\$712 M	21%
Medium (between 34-46% At-Risk)	44	131,000	\$1,652 M	\$1,422 M	\$230 M	16%
High (between 46-59% At-Risk)	44	120,452	\$1,393 M	\$1,186 M	\$207 M	17%
Very High (greater than 59% At-Risk)	45	203,849	\$2,451 M	\$2,055 M	\$395 M	19%

Figure 2: CO School Finance Formula - At-risk and ELL Funding



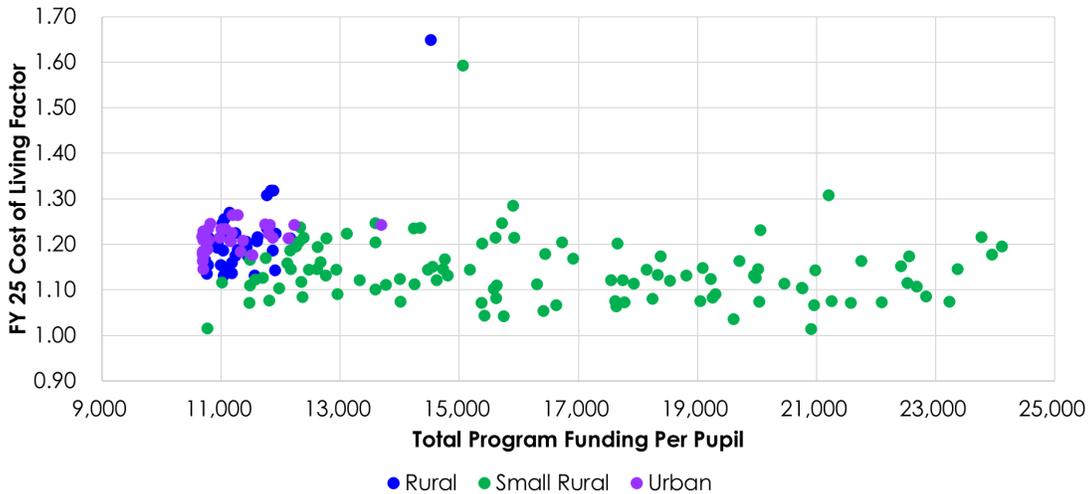
- As shown in Figure 3, the inclusion of the COL factor also increases the total program funding per pupil for all district groups based on at-risk percentages. All district groups have per pupil increases between \$1,500 to \$2,000 as a result of the COL factor.

Figure 3: Total Program Funding Per Pupil by District Type (At-Risk Percentages)



- Additionally, urban districts benefit the most from the inclusion of the COL Factor.
 - These districts' total program funding increases by **20 percent, or \$1.3 billion** - due to serving 84 percent of all Colorado students.
- Rural districts and small rural districts' total program funding only increased by **18 and 12 percent**, respectively, from the inclusion of the COL Factor.
 - As shown in Figure 4, rural and small rural districts receive greater per pupil funding than urban districts, and it appears to be partly related to varying levels of the COL Factor.

Figure 4: Relationship between COL Factor and Total Program Funding Per Pupil by District Type (Urban/Rural/Small Rural)



- Districts with higher per pupil wealth¹ experience larger percent increases in their total program funding share when the COL factor is included, as shown in Table 3.
 - These districts saw increases of **about 20 percent**, while districts with the lowest per pupil wealth only saw increases of **16 percent** when the COL Factor is included.

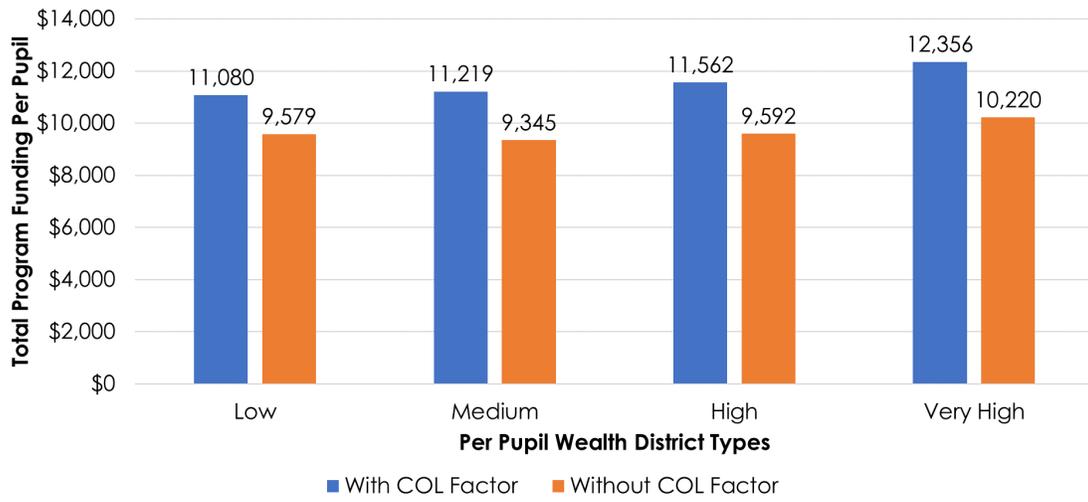
Table 3: Total Program Funding with and without COL Factor by Per Pupil Wealth District Groups

Per Pupil Wealth District Groups	District Count	Pupil Count	Total Program Funding <u>with</u> COL Factor	Total Program Funding <u>without</u> COL Factor	Impact of COL Factor (\$)	Impact of COL Factor (%)
Low (less than \$127,250 PP)	45	204,531	\$2,266 M	\$1,959 M	\$307 M	16%
Medium (between \$127,250 and \$204,926 PP)	44	425,773	\$4,777 M	\$3,979 M	\$798 M	<u>20%</u>
High (between \$204,926 and \$445,582 PP)	44	179,613	\$2,077 M	\$1,723 M	\$354 M	<u>21%</u>
Very High (greater than \$445,582 PP)	45	40,220	\$497 M	\$411 M	\$86 M	<u>21%</u>

- All district types, as measured by per pupil wealth, have increased per pupils when the COL Factor is included. However, districts with a greater degree of wealth receive larger per pupil increases due to the COL factor, as shown in Figure 5 on the next page.
 - For example, districts with very high per pupil wealth (greater than \$445,582 PP) received an **increase of \$2,136 per pupil, or 21 percent**, with the inclusion of the COL Factor.

¹ Per pupil wealth is measured as the total assessed valuation divided by the total funded pupil count.

Figure 5: Total Program Funding Per Pupil by District Type (Per Pupil Wealth)



Reading Materials:

- [2021 Colorado School District Cost of Living Analysis](#)
Every 2 years a report is prepared for the Colorado Legislative Council that includes a cost of living index for all 178 school districts in Colorado to be utilized in the per pupil funding formula for K-12 education. In this report, an overview of the study is given, along with the 2021 results, and methodology.
- [Funding for District Cost of Living](#)
This document, prepared by EdBuild, details the funding for district cost of living in Colorado. This report reviews Colorado's current system of funding for district cost of living, assesses current policy, and provides recommendations for improvements.
- [School Finance in Colorado](#) pg. 14-15
Each year the Legislative Council Staff of the Colorado General Assembly produces a school finance handbook to help readers understand how Colorado finances public elementary and secondary schools. This document is intended to provide a summary overview of programs that impact funding for schools.
- [State Funding formulas \(AIR\)](#): pg 11-12, Resource Prices section.
This document provides an overview of state funding formulas, including the cost factors considered in state funding formulas and the mechanisms by which additional funding is allocated. Resource prices are discussed in this policy brief.
- [Education Commission of the States \(ECS\): Information Request](#)
This document, prepared by the Education Commission of the States, discusses state school finance formulas, specifically cost of living and inflation adjustments. It also provides examples of how other states account for cost of living adjustments.
- [Current Cost of Living Factor Statute:\(Colo. Rev. Stat. § 22-54-104\)](#)
This includes the current and final statutes through all legislation from the 2023 Regular Session. The specific section mentioned details the calculation for the Cost of Living Factor to be used in the per pupil funding formula for K-12 education. This calculation incorporates the cost of living index for all Colorado school districts, calculated by a biennial study. Specific language can be found on the following pages.

(c)

(I) The cost of living factor allowed for each district pursuant to this paragraph (c) reflects the differences in the costs of housing, goods, and services among regions in which districts are located. Such factor does not reflect any annual increase in the costs of housing, goods, and services caused by inflation.

(II) (A) and (B) Repealed.

(B.1) Except as provided in subparagraph (IV) of this paragraph (c), for the 2000-01 budget year and budget years thereafter through the 2013-14 budget year, a district's cost of living factor is the district's cost of living factor for the prior budget year, but, if the percentage change in the district's cost of living amount from the previous cost of living study to the current cost of living study is greater than the percent increase in the income level used in the cost of living study, a district's cost of living factor is determined by dividing the percentage change in the district's cost of living amount from the previous cost of living study to the current cost of living study by the percent increase in the income level used in the cost of living study, dividing said amount by one thousand and rounding to the nearest one-thousandth of one percent, and adding the result obtained to the district's cost of living factor for the prior budget year.

(C) For purposes of this subparagraph (II) and subparagraph (II.5) of this paragraph (c), a district's cost of living amount refers to the values as adjusted for district labor pool areas.

(II.5) Except as provided in subparagraph (IV) of this paragraph (c), for the 2014-15 budget year and budget years thereafter, a district's cost of living factor is the district's cost of living factor for the prior budget year; except that:

(A) If the percent increase in the income level used in the cost of living study is **one percent or less** and if the percentage change in the district's cost of living amount from the previous cost of living study to the current cost of living study is greater than one percent, a district's cost of living factor is determined by dividing the percentage change in the district's cost of living amount from the previous cost of living study to the current cost of living study by one percent, dividing said amount by one thousand and rounding to the nearest thousandth of one percent and adding the result obtained to the district's cost of living factor for the prior budget year; or

(B) If the percent increase in the income level used in the cost of living study is **more than one percent** and if the percentage change in the district's cost of living amount from the previous cost of living study to the current cost of living study is greater than the percent increase in the income level used in the cost of living study, a district's cost of living factor is determined by dividing the percentage change in the district from the previous cost of living study to the current cost of living study by the percent increase in the income level used in the cost of living study, dividing said amount by one thousand and rounding to the nearest thousandth of one percent and adding the result obtained to the district's cost of living factor for the prior budget year.

(III)

(A) Based upon the cost of living analysis conducted pursuant to the SB 93-87 setting category study, the staff of the legislative council shall certify the cost of living factor for each district to the department of education no later than ten days following April 27, 1994. Such cost of living factors shall be effective for the 1994-95 budget year and the budget year thereafter. The cost of living factor for each district shall be certified to the department by the staff of the legislative council for each two-year period thereafter based upon a new cost of living analysis. The certification shall be made no later than April 15 of the applicable year and shall be effective for the budget year beginning on July 1 of such year and the budget year thereafter. If the income level used in a cost of living analysis does not increase above the income level used in the previous cost of living analysis, the cost of living factor for each district remains the same as the cost of living factor derived from the previous cost of living analysis.

(B) For the 2003-04 budget year and each budget year thereafter in which a new cost of living analysis is required pursuant to sub-subparagraph (A) of this subparagraph (III), the department of education shall transfer a portion of the total amount appropriated by the general assembly in the annual general appropriation bill for that budget year for assistance to public schools, public school finance, state share of districts' total program funding to the legislative council to fund the cost of living analysis required by sub-subparagraph (A) of this subparagraph (III). The amount transferred by the department shall not exceed the maximum amount specified in a footnote related to this appropriation in the annual general appropriation bill for that budget year. The remainder of the amount appropriated for assistance to public schools, public school finance, state share of districts' total program funding shall be distributed to school districts in the manner provided in section 22-54-106 (4)(c).

(IV)

(A) The department of education shall promulgate rules and regulations for the assignment of a cost of living factor to any new district organized pursuant to article 30 of this title, except for new districts that are created as the result of a deconsolidation as described in section 22-30-102 (2)(a), until the cost of living factor for such district is certified by the staff of the legislative council pursuant to subparagraph (III) of this paragraph (c).

(B) The rules and regulations promulgated pursuant to this subparagraph (IV) shall be designed to provide neither an incentive nor a disincentive to the organization of new districts pursuant to article 30 of this title and shall include provisions to ensure that the cost of living factor within a new district is not reduced solely because the new district is the result of a consolidation of existing districts. Such rules and regulations shall consider the cost of living factors assigned to the districts that are affected by the organization of the new district and the circumstances of the new district based on the most recent cost of living analysis performed by the legislative council.

(C) New districts that are created as the result of a deconsolidation as described in section 22-30-102 (2)(a) shall retain the cost of living factor of the district from

which they were separated until the cost of living factor for the new district is certified by the staff of the legislative council pursuant to subparagraph (III) of this paragraph (c).