

A “Fair and Balanced” look at Colorado School Finance

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Executive Summary

- 1. Complicated formulae – state essentially backfills in after specified local contribution, originally about 40 mills for local property taxes (for 150 districts), now much less, around 21 mills on average
- 2. Amendment 23 in 2000 accelerated the shift from local to state shares
- 3. Somewhat equitable, in that lower property tax wealth districts and smaller districts get more from state, but “rich” districts still tax themselves less per assessed value of property
- 4. Overall state spending is low-average, but when compared to state wealth it is quite low
 - K-12 spending is more average-low compared to other states, but higher ed is very low



Executive Summary (continued)

- 5. Combined P20 spending per student is very low, mainly because of the very low higher ed dollars
- 6. Recent mill levy freeze more minor than either side argues – originally \$55 million, just 1% of total \$5 billion K-12
 - If up to \$150 million, just 3% – slows shift from local to state.
 - Capped mills at 27 or froze them at current levels (21)
- 7. Looming questions: Amendment 23 runs out in 2011, so does Referendum C



Presentation Outline

- Brief historical overview
- Key elements of finance system
- Comparisons to other states
- P20 Finance thinking
- Implications/conclusions



Overall Picture: State Budget Allocations

- Of total (\$17 billion budget, includes Fed \$)
 - K12 is 24%
 - Higher Ed is 15%
- Of State General Fund (\$7 billion)
 - K12 is 42.3%
 - Higher Ed is 10%
- So, P20 education is more than half GF budget
- Means general state budget conversations are largely about education, and vice versa



Historical Overview

- Colorado school finance is complex, in a hyper complex state finance environment (A-B, TABOR, Gallagher, Amendment 23, Ref C, etc.)
- SFA 1994 – Charlie Brown cites “myth of simplicity”, but always complex, political
- Constitution: “thorough and uniform system of free public schools” (thru age 21)



Modern Historical Highlights

- 1973 SFA – stimulated by legal action, to increase equity across districts
- 1982 Lujan court decision, did not require absolute equity
- 1988 SFA – Foundation spending concept
 - Aimed for 50/50 state/local split of revenues
 - Aimed for 40 mill local effort; state backfilling
- 1994 SFA – current law (post TABOR)
 - 150 districts set at 40 mills
 - “foundation system supplemented by equalizers”
 - Largely what we have today



Current Finance Sources

- PPOR statewide \$6,700 in 2007/8
- Total spending per pupil about \$11,400
- \$ 5.1 billion in state/local K12 spending for 2007
 - \$ 3.25 billion from state revenue
 - \$ 1.69 billion local property tax
 - \$ 156 million from local car tax
- So, 64% percent state share / 36% local
- Also, total spending includes fed (5%) and private (6%) monies



Current Finance System

- Starts with “Statewide base” – minimum per pupil amount for each district (\$5,088 for 2007-8) – based upon October 1 count of students (including preK)
- Base is adjusted by “factors” – vary by district – include size (small districts get more \$), cost of living, and personnel costs (expensive districts get more \$)
- Additional adjustments for free lunch eligible students and online students
- Yields district’s “total program funding” – local share figured in and supplemented by state up to this amount
 - \$6,275 minimum in 2007/8 per traditional student
 - By district, ranges up to \$14,351, with state average of \$6,658



Current Formulae

- Total program accounts for 94% of state school spending
- Categorical programs are then added to that – funded separately and identified in state constitution
 - Special Ed (4%), transportation (2%), and ELL, G&T, Voc Ed, small attendance centers, expelled students, comp health ed
- Districts can also add voter-approved “overrides” up to greater of \$200,000 or 20% of prior year revenue (about half CO districts have done so)



State/Local Shares over time

- Results in 64% state / 36% local shares today
- Hit about 50/50 in early 1990s
- Opposite of 1988 when split was more like 60% local / 40% state
- CO not unique; most states trending in this direction, but most states are not “local control” in education
- Huge variation by districts – state percentage varies from 1% to 93%



Equity across districts?

- Formulae lead to more spending in poor, rural districts
 - Some districts spend 2X others in state (but not rich suburbs)
- Wealthy districts have to engage in far less “tax effort” – Vilas district has \$10K property valuation per pupil; Gilpin county has \$583K per pupil – 58:1 ratio at extreme
- State ranked in top 10 most equitable in some studies in 1980s, #23 in 1994 study, and 34th by Ed Week in 2003
- More narrow band of spending across top 10 districts, that educate over half Colorado students – in the \$6,500-8,000 range per pupil



Spending Across Grades, Schools

- Rules of Thumb
 - Elementary schools at about 85% of PPOR
 - HS at about 115% of PPOR
 - CRPE study of DPS found higher numbers for HS spending
 - Within districts, generally, more real spending in higher income schools, because they have more experienced, higher paid teachers



Overrides

- Districts can exceed their spending by having voters approve a local override
- Greater of \$200,000 or 20% of prior year spending
 - In 1998, 32% of CO districts had overrides
 - By 2003, 46% had overrides
 - Some districts have reached maximum, some have not
 - Highest approved override amounts to about \$2,500 per pupil
 - Voters have supported about 2/3s of override proposals



Comparisons to Other States

- Without any adjustments, CO spending is average-low to low-average
- With adjustments for cost-of-living, relative salaries, per capita wealth/income, CO is quite low
- Higher ed is much lower than K12
- Unresolved research question about how much spending matters



Comparisons, Unadjusted – K12

- Ed Week: CO 34th in unadjusted K12 PPOR spending 2003
- NEA: CO 24th in unadjusted spending per K12 pupil in 2004
- Indep Inst: CO ranks #26-31 in 2003, with about 92% of national average spending (NCES data)
- Change over time: ALEC data – CO 15th in spending in 1981; 27th in 1991; 38th in 2001
 - In real dollars, lower spending in 2001 than in 1991



Comparisons, unadjusted - Other

- PreK spending per pupil 22nd in US, in 2003 (but pupils served not accounted for)
- Capital: Giardino suit - \$190 million settlement, though need estimated at \$5 billion
 - 1996 GAO report found CO 39th in school conditions quality
- Special Ed: 11% of CO kids; 20% of dollars
 - State reimbursements for special ed are 38th in US (US average is 32%; CO at 17%)
- NEA data – CO teachers salaries 23rd in US
- Higher ed – CO at 48th per FTE (NIMHS)



Comparisons, Adjusted

- Ed Week 2004 – K12 PPOR 40th, for cost-of-living (90% of national average)
- K12 teacher salaries, relative to all employees, based upon 2005 US labor data; Colorado 47th
- Tax “effort” – 1989 3.9% of CO personal income went to K12; in 2001 only 2.6%; ranked 47th
- Indep Institute: CO 45th in 2003 in K12 per pupil spending per income
- Higher ed funding as share of income, 49-50th



New P20 Figures

- Higher Ed: State HE 2006 Appropriations per FTE student (NIMHS in Boulder)
 - CO at \$3,364, 3rd lowest, only VT and NH lower
 - US avg is \$6,325; so CO is 52% of nat'l average
 - Highest states are WY (\$13K !), AL, HW, NM
- Adding 2005 NEA PPOR for K12 and higher ed, combined
 - \$11,387 for CO combined spending
 - Ranks 49th in US; only Utah lower
 - Nat'l Average is \$14,531 (CO is 79% of that)



Implications

- Complicated, not getting easier
- State K12 share growing rapidly, now nearly 2/3; but most states are increasing state share (though most don't have "local control")
- And, P20 Ed is 52%+ of state GF budget, so Ed is majority of issues, when talking about TABOR, Ref C, etc.



More Implications

- CO is a average-low K12 spender, lower if you make adjustments
- Higher ed is the lowest comparative spending
- Not surprising, given tax environment here now; 46th of 50 states in residential property taxes collected per capita



Conclusions

- P20 in Colorado is shaped by low funding, at nearly all levels
- K12 PPOR is actually the best funded of the elements
- How you use money may be more important than how much of it, but in truth, both matter

