



School Finance 101: What Every Coloradan Should Know About Education Funding

An equitable formula

Since 1994, Colorado's School Finance Act (the "Act") has been designed to ensure every student in Colorado has the same educational opportunity regardless of where the student lives. Under the Act, the total per-pupil funding received by each school district includes a "base" per-pupil amount (base funding) that represents what it takes to educate an average student in an average district. The base amount is then adjusted by "factors," which account for unique local circumstances such as size, at-risk students in the district, cost of living and personnel costs.

The factors equalize funding across districts by addressing the increased per-pupil costs for a district to educate its students when, for example, a high percentage of pupils are from at-risk populations or when the necessary costs of running a school and hiring staff are divided among a small student population in an isolated rural district.

Amendment 23 and adequate funding

Amendment 23 was a constitutional amendment approved by voters in 2000 to reverse a decade of lost funding experienced by Colorado school districts throughout the 1990s. During that decade, Colorado's education spending did not keep pace with growth and the inflation rate, and each year per-pupil funding for education in Colorado fell steadily further and further behind the national average.

Amendment 23 required K-12 funding to increase each year by the inflation rate plus 1 percent until 2011, and thereafter by inflation. The intention was to provide stable and predictable funding increases for Colorado school districts and to bring the total per-pupil funding amount in Colorado back to 1989 levels when adjusted for inflation.

For a decade, the Colorado legislature and the governor interpreted Amendment 23 to require these funding increases each year to be based on the total per-pupil funding – that is, on the total of *base funding plus the factors*. This interpretation preserved the fairness and equities built into the school finance funding formula and it was consistent with the intent of Amendment 23 to bring total per-pupil funding in Colorado back to 1989 levels.

The Negative Factor

Beginning in the 2009-10 school year, in response to the economic downturn and resulting budget crisis, the legislature changed its interpretation of Amendment 23 and declared that Amendment 23 only required the legislature to increase the *base funding* each year. Under this new interpretation, funding for *the factors* could be cut by the legislature. The legislature proceeded to add a new “negative factor” to the school finance funding formula as a mechanism to enact across-the-board cuts to school finance funding each year.

The negative factor has forced all Colorado school districts to make cuts to important educational programs. Moreover, the negative factor has destroyed the equalizing mechanism in the school finance funding formula by disproportionately impacting districts and communities that rely most heavily on *the factors* to attain equity with other districts. The legislature also has continued to pass significant new mandates that impose additional unfunded and costly obligations on school districts already struggling to serve students with dramatically reduced funding.

Consequences

The total funding school districts have lost by application of the negative factor since 2009-10 is more than \$5 billion. The negative factor has destroyed the equities built into the school finance funding formula. It is a violation of the legislature’s own interpretation of Amendment 23 during the first decade after it was passed by the voters. *Until the negative factor is eliminated, every new program, initiative or reporting requirement is an unfunded mandate on local school districts.*



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