

FY2003	FY2007	FY2011
D	D	D
Grade based on % of Weighted Funding Disparity		

Colorado

By Jay F. May

Introduction

This chapter compares district and charter school revenues statewide, and for Colorado Springs and Denver, for fiscal year 2011 (FY11).¹ Comparisons are made to previous research for FY03 and FY07, based on the same methodology.

Funding disparities between districts and charter schools for the same geographic area are explored. The per pupil funding values in the analysis are weighted to compare district and charter schools as though they served the same proportions of urban and suburban students (see Methodology for details). Additional research and insights not included in this chapter appear in the monograph at the beginning of this report. The monograph also includes a state-by-state Return on Investment (ROI) analysis, which combines the analysis of revenues with student performance data.

Highlights of the FY11 Analysis

- The 165 charter schools analyzed in Colorado, in aggregate, received 20.2 percent less in revenues on a per pupil basis than district schools. Charter schools received \$8,786 vs. \$11,016 for district schools—a difference of \$2,230 (Figures 1 & 3).
- If districts were to educate the same *urban/metropolitan vs. suburban/rural proportion* of students as charter schools do, the district *weighted* per pupil would be \$11,102, or \$2,316 (20.9%) more than charter schools (\$11,102 less \$8,786; see Figure 3).
- The 7 charter schools in Colorado Springs, in aggregate, received 20.7 percent less in revenues on a per pupil basis than district schools. Charter schools received \$8,322 vs. \$10,493 for district schools—a difference of \$2,171 (Figure 3).
- The 28 charter schools in Denver, in aggregate, received 19.1 percent less in revenues on a per pupil basis than district schools. Charter schools received \$10,967 vs. \$13,564 for district schools—a difference of \$2,597 (Figure 3).
- Charter schools in Colorado educate 8.9 percent of total public school enrollment but receive only 7.2 percent of total revenues (Figure 3).
- Magnitude of Disparity: If all Colorado districts received the same level of per pupil funding as charter schools, districts would have received \$1,649,946,604 less in total funding (Figure 3).

There are three significant differences in district vs. charter school funding by source (see Figure 3):

- District's received a greater percentage of revenues from Federal (11.5%) and Local (43.1%) sources than charter schools (4.7% and 0.2%, respectively).
- Charter schools received a greater percentage of revenues from State (78.7%) and Other (16.5%) sources than districts (37.9% and 7.4%, respectively).
- As a means to evaluate state equalization efforts to compensate for the lack of Local funding for charter schools, the combined total of State and Local sources for districts is \$8,925 per pupil; but only \$6,928 per pupil for charters.

Figure 1

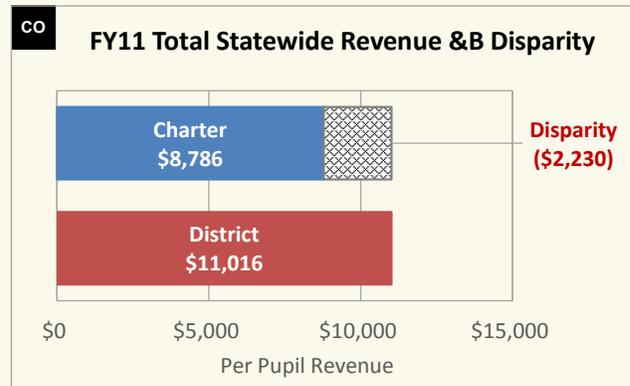


Figure 2

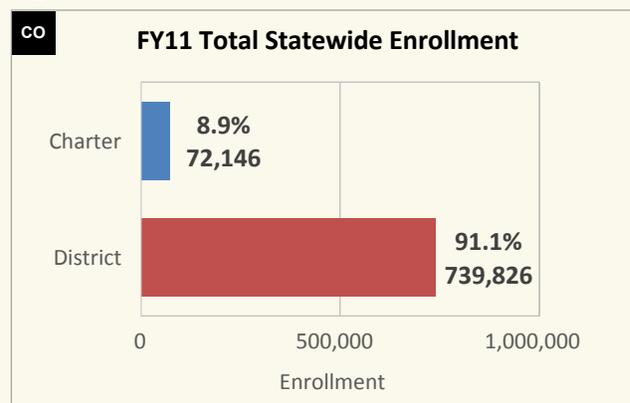


Figure 3

CO Summary Data Table								
FY2010-11	Statewide		Statewide Weighted by Charter Enrollment		Colorado Springs		Denver	
Per Pupil Revenue								
District	\$11,016		\$11,102		\$10,493		\$13,564	
Charter	\$8,786		\$8,786		\$8,322		\$10,967	
Difference	(\$2,230)		(\$2,316)		(\$2,171)		(\$2,597)	
% of District	(20.2%)		(20.9%)		(20.7%)		(19.1%)	
Per Pupil Revenue by Source	District	Charter	District	Charter	District	Charter	District	Charter
Federal	\$1,266	\$412	\$1,301	\$412	\$1,450	\$120	\$2,389	\$1,843
State	\$4,173	\$6,910	\$4,127	\$6,910	\$4,062	\$6,516	\$2,735	\$7,203
Local	\$4,752	\$18	\$4,831	\$18	\$4,319	\$337	\$7,108	\$0
Other	\$816	\$1,450	\$834	\$1,450	\$662	\$1,349	\$1,331	\$1,921
Public-Indeter.	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Indeterminate	\$9	(\$4)	\$9	(\$4)	\$0	\$0	\$0	\$0
Total	\$11,016	\$8,786	\$11,102	\$8,786	\$10,493	\$8,322	\$13,564	\$10,967
Enrollment								
District	739,826 91.1%		Focus Area Districts Educate 12.4% of All District Students		26,636 92.7%		65,244 88.4%	
Charter	72,146 8.9%		Focus Area Charters Educate 14.8% of All Charter Students		2,110 7.3%		8,543 11.6%	
Total Enrollment	811,972		N/A		28,746		73,787	
Charter Schools*	165		N/A		7		28	
Revenue								
District	\$8,149,761,393 92.8%		N/A		\$279,480,822 94.1%		\$884,964,569 90.4%	
Charter	\$633,845,847 7.2%		N/A		\$17,559,083 5.9%		\$93,691,155 9.6%	
Total Revenue	\$8,783,607,240		N/A		\$297,039,905		\$978,655,724	
Percentage of Revenue by Source	District	Charter	District	Charter	District	Charter	District	Charter
Federal	11.5%	4.7%	11.7%	4.7%	13.8%	1.4%	17.6%	16.8%
State	37.9%	78.7%	37.2%	78.7%	38.7%	78.3%	20.2%	65.7%
Local	43.1%	0.2%	43.5%	0.2%	41.2%	4.1%	52.4%	0.0%
Other	7.4%	16.5%	7.5%	16.5%	6.3%	16.2%	9.8%	17.5%
Public-Indeter.	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Indeterminate	0.1%	0.0%	0.1%	0.0%	0.0%	0.0%	0.0%	0.0%
Magnitude of Disparity = Total funding Difference times District enrollment (see above)								
	(\$1,649,946,604)				(\$57,820,278)		(\$169,433,056)	

* The 165 charter schools included in Figure 3 are the number of charter schools for which revenue and enrollment data could be acquired and analyzed. Other state counts of charter schools may include a few more or less because of new or closing charter schools where revenue data and/or enrollment data may not be available.

Probable Causes of Disparities

Probable causes of Colorado's district-to-charter funding disparities include:

- Insufficient Equalization – According to statute, charter schools are to receive a portion of local funding to compensate for the fact that Colorado's non-Local Education Agency (non-LEA) charter schools do not have local taxing authority. The intent of the Statute is to use state and local revenues to equalize district vs. charter funding. However, when statewide Local and State revenue sources are added together districts receive \$8,925 in per pupil revenues; but charter schools receive only \$6,928. This difference of \$1,997 roughly accounts for a majority of the statewide disparity of \$2,230, favoring districts (see Figure 3).
- Non-LEA Charter Schools -- Colorado charter schools are not LEAs and receive their revenues through their authorizing district; or if authorized by the Charter School Institute (CSI), then through CSI. Some revenues are retained from charter schools to compensate districts, CSI, and the Colorado Department of Education for capped administrative costs. Nationally, non-LEA charter schools tend to receive less revenue than LEA charter schools.
- Federal Funding Disparity -- Federal revenues are lower for charter schools than for districts (statewide, \$1,266 per pupil for districts; \$412 per pupil for charter schools). The specific causes of this Federal disparity are unknown, but this result can occur: a) when small charter schools choose not to pursue certain Federal revenues due to associated administrative burdens, b) because non-LEA charter schools cannot apply for federal funds independently, c) because the rules for qualifying for Title I funds favor larger entities like districts, and/or d) if funds from the Federal American Recovery and Reinvestment Act (ARRA) and State Fiscal Stabilization Fund (SFSF) grants provided to the state did not get distributed equitably.

Although charter schools have percentages of Free & Reduced Lunch enrollments and Title I enrollments that are slightly lower than for districts (F&RL: 30.7% vs. 40.8% for districts, respectively; and Title I: 28.0% vs. 37.6% for districts, respectively), these differences are not large enough to account for the Federal revenue disparity.

- Special Education Enrollments – Special education enrollment comprises 9.7% of district enrollment and 5.7% of charter school enrollment – a difference of 4.0% of total enrollment. Because additional funding is received for special education students, the higher percentage of special education enrollment in districts may contribute to the disparities. However, this effect would be small compared to a total disparity of \$2,230 statewide, or 20.2% of total district funding.
- Bond Proceeds & Mill Levy Overrides -- Colorado law does not require districts to share bond proceeds or locally raised mill levy override funds with charter schools, which can average \$750 per pupil.
- Facilities Funding – Although the state provides a number of beneficial programs to assist charter schools with facilities support, the financial level of support does not appear to be as much as for districts. Districts have access to local funds; something that charter schools do not enjoy. Local funding for districts can be used to raise the matching funds required of some programs. These differences may be contributing to the total funding disparity.

Where the Money Comes From

The Colorado Public School Finance Act of 1994 (as amended) provides funds for public schools through state taxes (approximately 64%), local specific ownership taxes (vehicle registrations, about 3%), and local property taxes (approximately 34%).² In FY11, 37.9 percent of district funding was provided from State sources, 11.5 percent from Federal sources, 43.1 percent from Local sources, and 7.4 percent from Other sources (see Figure 3). In FY11, 78.7 percent of charter funding was provided from State sources, 4.7 percent from Federal sources, 0.2 percent from Local sources, and 16.5 percent from Other sources (see Figure 3). Districts received 92.5 percent of their funding from public sources, whereas charters received 83.5 percent from public sources (see Figures 4 & 5).

How Colorado Funds its Districts

The Public School Finance Act of 1994 provides for funding of every school district. *Total Program* is a term used to describe the total amount of money each school district receives under the School Finance Act. The Total Program amount is determined by multiplying a *Base Funding* amount (in FY11, \$5,529.71) times a *Pupil Count*; plus, additional funding to recognize district-to-district variances in: a) cost of living, b) personnel costs, and c) size.³

The Pupil Count is a membership count taken as of the school day nearest October 1 (the official count day). Generally, pupils in grades 1 through 12 are counted either as full-time or part-time depending upon the number of scheduled hours of coursework. Kindergarten, special education preschool, and a limited number of at-risk preschool (Colorado Preschool Program) pupils are counted as part-time. For districts with fluctuating enrollments, enrollment averaging is permitted for up to four years.

Starting in FY11, an additional factor was included in the school finance formula due to the statewide budget balancing challenges facing Colorado. Essentially, this factor was intended to equitably decrease statutory funding levels on a fair basis across all districts to match a state shortage of funds available. This new factor was originally called the “State Budget Stabilization Factor” but was later renamed the “Negative Factor.”⁴

Attempts to Enhance Funding for Education

In November, 2013, Colorado’s voters soundly rejected a \$1 billion income tax hike (Amendment 66) for school funding by a margin equal to the margin that they approved Proposition AA for the legalization of marijuana. The first \$40 million of the new marijuana tax goes toward public education capital construction – or, 4 percent of what Amendment 66 would have provided.

How Colorado Funds its Charter Schools

Colorado’s charter schools are not considered local education agencies (LEA). District-authorized charter school revenues flow through the district. Charter schools authorized by the Colorado Charter School Institute (CSI) also are not LEAs, but the CSI is considered an LEA; and charter school revenues flow through the CSI. Most charter schools in Colorado are district-authorized.

According to Colorado law, district-authorized Charter schools are to receive the same amount of per pupil revenue as their district receives for its students, less specified administrative costs based on actual district spending as reported to the state. For administrative costs districts with 500 or fewer students can hold back up to 15 percent; all other districts can hold back no more than 5 percent. However, the law does not require districts to share bond proceeds or locally raised mill levy override funds with charter schools (which can average \$750 per pupil).

Figure 4

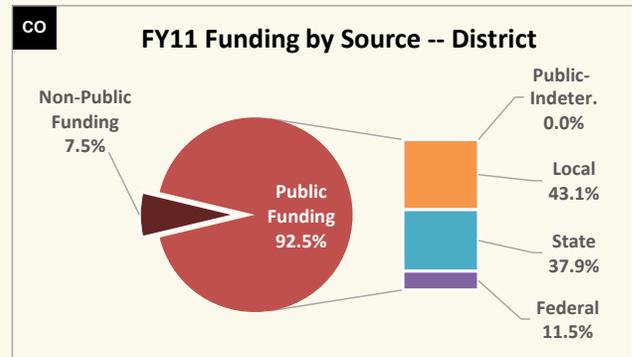
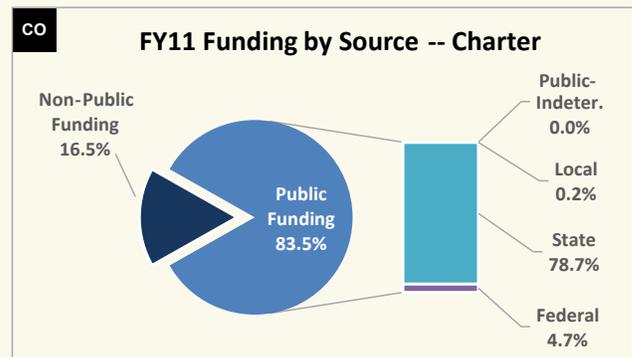


Figure 5



According to state law, charter schools authorized by the CSI are to receive the same amount of revenue per pupil as provided to other students in the district in which the charter school is located, less up to 3 percent for CSI administrative costs and up to 2 percent for Colorado Department of Education’s administrative costs.

Colorado law provides that charter schools are eligible for their proportionate share of federal and state categorical funding. However, in practice, there are few controls in place to assure that districts pass-through a charter school’s proportionate share of federal and state categorical revenues, inclusive of American Recovery and Reinvestment Act (ARRA) and State Fiscal Stabilization Fund (SFSF) grants.

Legislative Attempts to Enhance Funding for Charter Schools

Since FY11, there have also been unsuccessful legislative attempts to give charter schools LEA status, and to give charter schools *first right of refusal* to purchase or lease a closed, unused, or underused public school property.

Funding for Public School Facilities

Colorado offers several programs to assist with school district and charter school capital construction projects. Through the competitive Building Excellent Schools Today (BEST) Act, the Public School Capital Construction Assistance Fund provides grant money to school districts, charter schools, and boards of cooperative services to ensure that the condition and capacity of public school facilities are sufficient to provide a safe and uncrowded environment that is conducive to learning. To qualify for this funding a charter school must have been authorized for 5 years.

For FY11, the General Assembly appropriated \$5 million from the State Education Fund for the Charter School Capital Construction Fund. These funds can be used to construct, demolish, remodel, finance, purchase, or lease land, buildings, or facilities. Each eligible charter school receives its proportionate share of the appropriation based on the number of pupils enrolled (\$69 per charter pupil in FY11; currently in FY14 around \$92). Colorado law allows charter schools to apply for competitive grants from the state’s public school facility financing program. The “Charter School Matching Moneys Loan Program” provides state loans required to meet “matches” under the state’s public school facility financing program. The Educational and Colorado Cultural Facility Authority (CECFA) issues bonds on behalf of charter schools. Charter schools cannot be charged rent for using space in a school district facility, only costs for operations and maintenance.⁵ The majority of charter schools are not located in district facilities. Also, the state provides charter schools with opportunities for credit enhancement.

Compared to district access to facilities funding, charter schools have unique limitations to their access to the programs mentioned above. Districts can use local funding to satisfy matching requirements of programs, whereas charter schools do not have access to local funds and struggle to come up with matching funds. For the BEST program charter schools must have been in existence for five years before they are eligible.⁶ Also, there is a requirement that requested support be for facilities that the charter school or a district owns (or, has an option to own).⁷

Long-Term Funding Patterns

For Colorado, we now have three point-in-time snapshots of public education funding for FY03, FY07, and FY11. Please note that in the presentation and discussion of longitudinal data that follows, the figures used are inflation adjusted to 2007 dollars and differ from figures presented in Figure 3, which includes actual and weighted per pupil revenues representing FY11 only. The inflation adjusted per pupil revenues in Figures 6 – 8 are for comparative purposes only. Refer to the Methodology section for more on inflation adjustments.

Total Funding

Figure 6 illustrates how total revenue per pupil, inflation-adjusted, decreased between FY03 and FY07 for districts and charters statewide; and increased slightly for Colorado Springs and Denver. Between FY07 and FY11, revenues changed little for districts and charters statewide and for Colorado Springs and Denver, except for a larger increase in Denver district revenues.

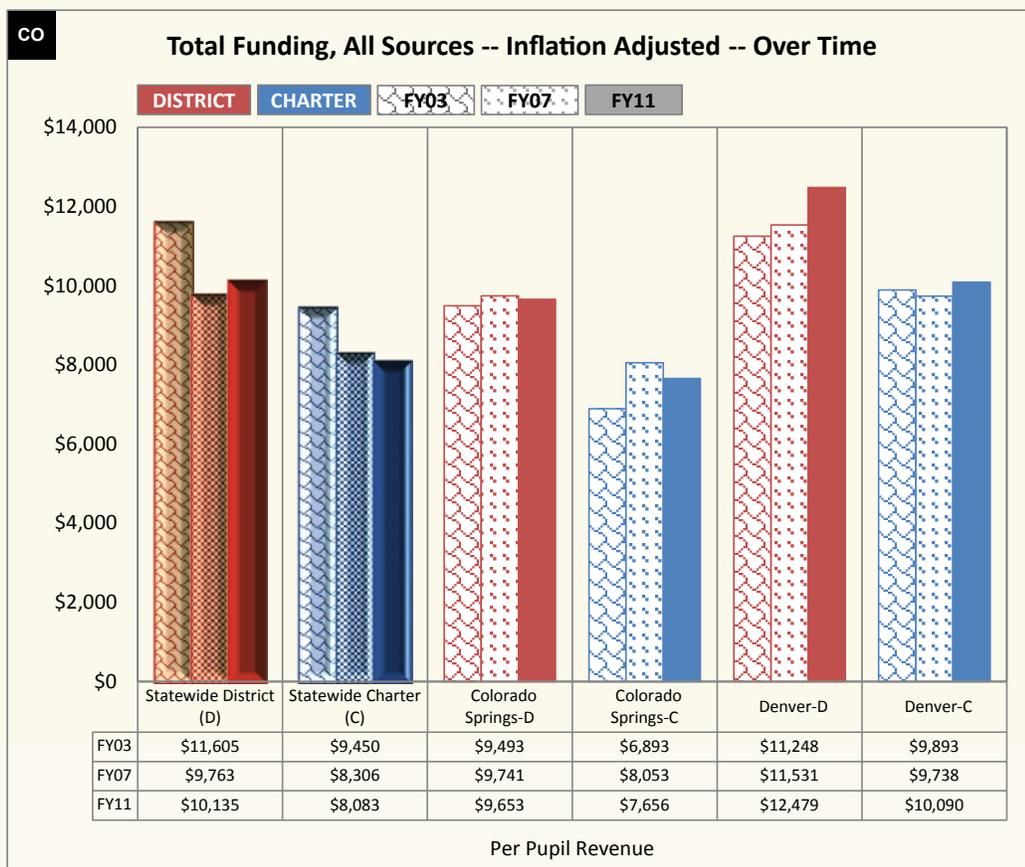
FY03 and FY07 Total Funding Disparity: Consistent with the funding disparity noted in FY11 data in Figure 3 above, note that the statewide disparity favoring districts using inflation-adjusted dollars for FY03 was \$2,155 (\$11,605 for districts less \$9,450 for charters) or 18.6 percent; and for FY07 was \$1,457 (\$9,763 for districts less \$8,306 for charters) or 14.9 percent (Figure 6). There has been a persistent total funding disparity favoring districts over the past eight years.

Total Funding Changes from FY03 to FY11: Statewide, as illustrated in Figure 6, Total Funding decreased from FY03 to FY11 for districts in the amount of \$1,470 (\$11,605 less \$10,135), or 12.7 percent. The decrease for charters from FY03 to FY11 is in the amount of \$1,367 (\$9,450 less \$8,083), or 14.5 percent. Statewide, charter revenues decreased at a larger rate than district revenues. From FY03 to FY11, Colorado Springs' Total Funding for districts increased \$160 (\$9,493 less \$9,653), or 1.7 percent; charters increased \$763 (\$6,893 less \$7,656), or 11.1 percent. From FY03 to FY11, Denver Total Funding for districts increased \$1,231 (\$11,248 less \$12,479), or 10.9 percent; charters increased \$197 (\$10,090 less \$9,893), or 2.0%.

Total Funding Less Other

Our study includes total funding whether the funds originate from public or private sources. Other is comprised

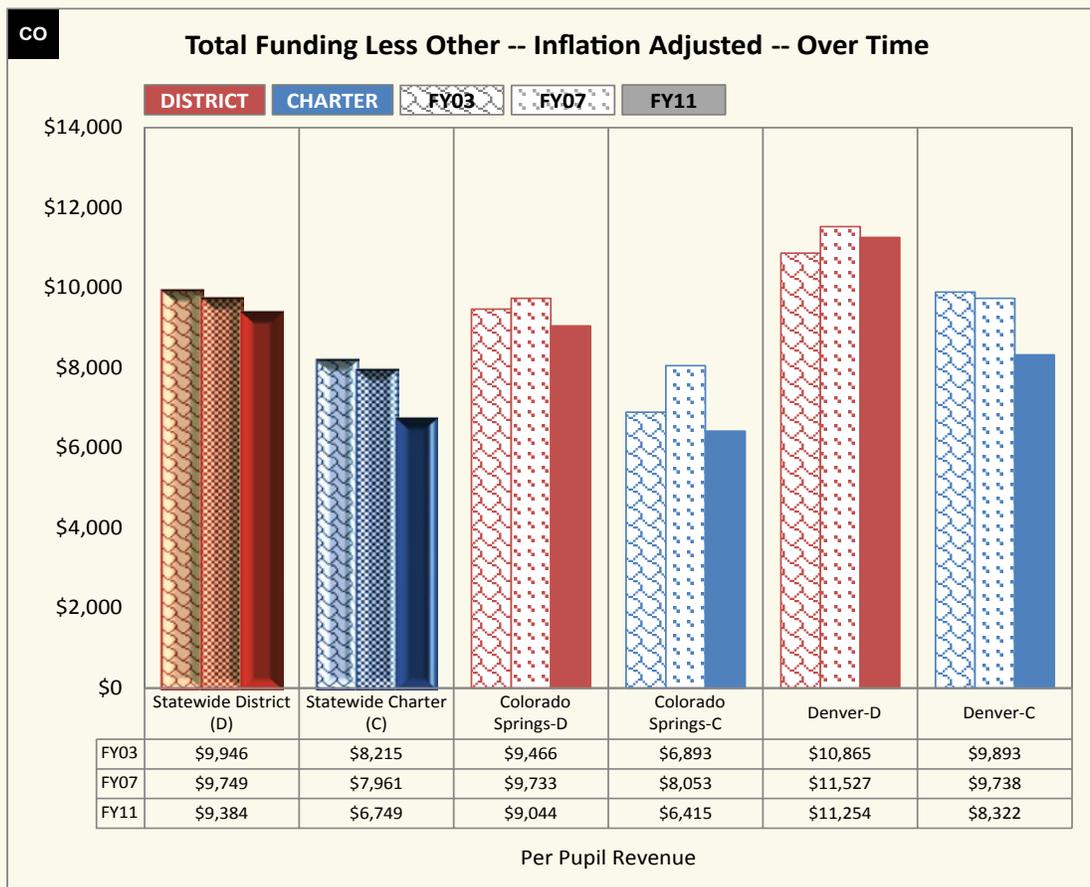
Figure 6



of philanthropic dollars and other non-tax revenues, which can play a significant role in the financing of charter schools. Therefore, we have removed Other dollars from this level of analysis to determine if funding from public sources is distributed equitably to districts and to charter schools. Public funding includes Local, State, Federal, Indeterminate-Public, and where we cannot determine the source, Indeterminate.

Note: Colorado’s Other funding was not separately identified in the prior FY03 and FY07 analyses of revenue data, on a consistent basis. For those analyses, Other Funding was inconsistently included with Local Funding. Due to improvements in state data systems and in consistency of accounting and reporting practices; and improved access to finance information Other funding has been separately identified for the analysis of FY11 data on a basis consistent with analysis methodology. Therefore, for purposes of longitudinal comparative analysis, using Figures 7 and 8, be aware that there are some deviations from analysis methodology consistency in FY03 and FY07 data. For that reason, no observations about this data have been made; but charts 7 and 8 have been provided.

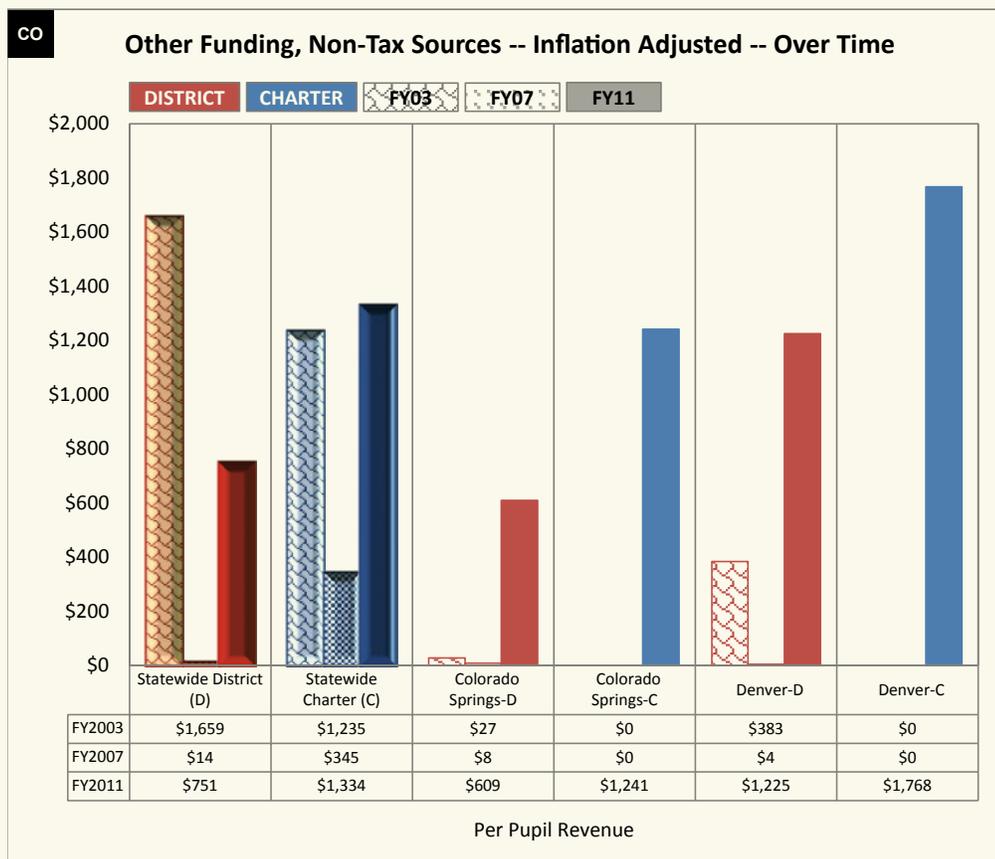
Figure 7



Other Funding

See cautionary note regarding use of Figure 7 & 8 data above under Total Funding Less Other.

Figure 8



Changes in Funding Results

Figure 9 illustrates changes in funding levels by source from FY03 to FY11, using inflation-adjusted dollars (adjusted to 2007). Significant changes include:

- Total revenue has decreased modestly for both districts and charter schools statewide, and has increased modestly for Colorado Springs and Denver;
- Federal revenue has increased significantly for both districts and charter schools statewide, and for Colorado Springs and Denver;
- State revenue has decreased modestly for districts and charter schools statewide, and for Colorado Springs and for Denver.
- Local revenue has decreased moderately for districts and charter schools statewide, and for Colorado Springs and Denver, except for Denver districts (a 6.6% increase).
- Comparable Other revenue was not separately identified in FY03 and FY07, so no data is presented (“N/A”);
- Statewide charter data was not available by source for FY03 data (thus, “N/A”).

Figure 9

CO Per Pupil Revenue -- Inflation Adjusted -- Over Time Percentage Increase / Decrease (black shading)					
From/To: FY2003 / FY2011	Federal	State	Local	Other	Total
Statewide District (D)	85.6%	-8.4%	-14.8%	N/A	-12.7%
Statewide Charter (C)	22.8%	-6.0%	-98.5%	N/A	-14.5%
Colorado Springs-D	119.1%	-5.6%	-18.9%	N/A	1.7%
Colorado Springs-C	N/A	-4.3%	-50.8%	N/A	11.1%
Denver-D	91.8%	-29.8%	6.6%	N/A	10.9%
Denver-C	1.2%	-6.8%	-100.0%	N/A	2.0%

Figure 10 shows changes in the percentage of disparity from FY03 to FY11. The disparity has persisted over the past eight years.

Figure 10

CO Disparity as Percent of District -- Over Time Negative Disparities Mean Districts Receive More (red text)			
Focus Area	FY2003	FY2007	FY2011
Statewide	-18.6%	-14.9%	-20.2%
Colorado Springs	-27.4%	-17.3%	-20.7%
Denver	-12.0%	-15.5%	-19.1%

Select Enrollment Characteristics

Charter school percentages for Free & Reduced Lunch, a proxy for low-income, are slightly lower than district percentages (in FY11 30.7% vs. 40.8%, respectively). Charter school percentages for Title I are also slightly lower than for districts (in FY11 28.0% vs. 37.6%, respectively). On a percentage basis, more special education students attend districts than charter schools (9.7% vs. 5.7%, respectively).

Figure 11

CO Select Enrollment Characteristics									
Student Group >>> Year >>>	Percentage of Total Enrollment								
	Free & Reduced Lunch			Title I			Special Education		
	FY03	FY07	FY11	FY03	FY07	FY11	FY03	FY07	FY11
Statewide District	29.5%	34.6%	40.8%	24.7%	36.1%	37.6%	N/A	N/A	9.7%
Statewide Charter	18.7%	25.6%	30.7%	52.3%	21.5%	28.0%	N/A	N/A	5.7%

Funding Practices Summary

Figure 12

CO Funding Practices Summary								
PURPOSE	GRADE			FUNDING				REF
	FY2003	FY2007	FY2011	Federal Source	State Source	Local Source	Facilities Source	
<i>This table summarizes answers to key funding mechanism questions in context with a grade based on actual funding results.</i>	D	D	D					
	Grade based on % of Weighted Funding Disparity							
ACCESS TO FUNDING SOURCES								
Do charter schools have access to this funding source according to state statutes?	Yes	Yes	Yes	Yes	Yes	Yes	Yes	
In practice, do charter schools have at least as much access to this funding source as districts have?	No	Yes	No	No	No	No	No	1
Do charter school students receive at least 95% as much per pupil in revenue for this source as district students?	No	Yes	No	UK	UK	UK	UK	2
DATA AVAILABILITY								
Does the state provide reasonable access to detailed public data on federal, state, local, and other revenues for district schools?							Yes	
Does the state provide reasonable access to detailed public data on federal, state, local, and other revenues for charter schools?							Yes	
FUNDING FORMULA								
Are charter schools treated as LEAs for funding purposes?							No	
Does the state provide funding for charter schools and districts based primarily on student enrollment?							Yes	

1 Colorado’s non-LEA charter schools do not have local taxing authority. Colorado law mandates that the state funding mechanism share local revenues with charter schools. As demonstrated in the discussion in this chapter, the total of State and Local revenues for charter schools falls far short compared to districts; and districts are not required to share Mill Levy Override funding with charter schools. In practice, charter schools do not have as much access to Local funding as do districts.

2 The data analyzed are insufficiently specified to determine precise amounts of per pupil facilities funding for charter schools vs. districts. Districts have greater access to funding sources for facilities, but it is unknown (“UK”) whether or not charter schools receive at least 95% of the funding level that districts enjoy.

Endnotes

- 1 The source for revenue data was the Colorado Department of Education (CDE). A detailed 132,893 line item Excel file of district and charter school finance data was provided by Yolanda Lucero, Fiscal Data Analyst, Public School Finance Unit, CDE (303-866-6847); Lucero_Y@cde.state.co.us). Enrollment data was obtained from Excel files downloaded from the CDE web site: “D3_PupilMembershipbyDistrictandGrade.xlsx;” and “2010_csenrol_byschlgrade.xlsx.”
- 2 Colorado Department of Education, Public School Finance Unit. Understanding Colorado School Finance and Categorical Program Funding. July 2012. <http://co.chalkbeat.org/wp-content/uploads/sites/2/2011/08/FY2012-13Brochure.pdf>.
- 3 Colorado General Assembly, Colorado Legislative Council. School Finance in Colorado. March 2011. <http://www.colorado.gov/cs/Satellite?blobcol=urldata&blobheader=application%2Fpdf&blobkey=id&blobtable=MungoBlobs&blobwhere=1251699592646&ssbinary=true>
- 4 See endnote ⁱⁱ above.
- 5 The National Alliance for Public Charter Schools provides an annual ranking of how state charter laws rank compared to a national charter school law model. This data is provided in a publication, and is also available online at: <http://www.publiccharters.org/get-the-facts/law-database/>
- 6 Colorado Department of Education, Division of Capital Construction Assistance. “Important Announcement for all Charter Schools Wishing to Access BEST Funding.” Web Site. http://www.cde.state.co.us/sites/default/files/CCCharterAnnouncement_0.pdf.
- 7 Colorado Department of Education. “FY2013-2014 Charter School Capital Construction Funding Eligibility Questionnaire.” Web Site. <http://www.cde.state.co.us/sites/default/files/CSCC-02EligibilityQuestionnaireForm.pdf>.