

Re: Proposed Elimination of Enrollment Averaging for School Funding Purposes

Dear Governor Polis, Members of the Joint Budget Committee, Speaker McCluskie, Majority Leader Duran, Representative Lukens

I have served as the superintendent for Adams 12 Five Star Schools for more than 15 years, and earlier in my career served as legal counsel to more than 40 of Colorado's school districts for over a decade. I've often worked in the weeds of school funding and budgeting in these roles, including budget management in districts with increasing and decreasing enrollment; districts with grave financial challenges (e.g., the Elizabeth School District in the early 2000s); and districts with vastly different resources given the disparities in local mill levy override funding. I have been a panelist on a variety of school funding topics over the years at convenings hosted by CASE and CASB, and given my longevity in the role and experience working with complex school funding provisions am often consulted on budgeting matters by colleagues.

It is through this lens of school budgeting experience that I consider the proposal to eliminate enrollment averaging for funding declining enrollment districts. I'm writing because the messaging from those advancing this proposal is badly disconnected from my experience in developing school and district budgets responsive to the needs of students. I've read statements that eliminating averaging will allow the state to meet "real student needs in real time," that eliminating averaging will allow us to "start funding for students where they're at in their schools today in ways tailored to their needs" -- and, implicitly, that past funding provided by enrollment averaging has not been needed to meet student needs because it was provided for "phantom students."

The rhetoric is disconnected from the reality of school budgeting. Scrapping the averaging formula will, in many school districts and schools, result in larger class sizes. It will result in larger student cohort sizes in specialized programs for those with special education needs, who are learning English as a second language, or who need small group instruction to make gains in literacy and math skills. It will increase the number of students without a qualified instructor in areas in which the supply of educators is especially limited, including special education, English language development, and support of students in schools with high poverty and mobility rates. And it will limit student choice through the elimination of electives and extracurricular programs with modest student participation levels. This proposal, contrary to the messaging to date, will **leave many students throughout our state -- ones that will be actively enrolled and in school for the 2025-26 school year -- without resources necessary to meet their needs.**

I'll add some examples from my experience in Adams 12 to support these statements.

Budget Reality Principles: There are times when a school's enrollment is growing -- and it does not require additional funding to meet the needs of students. There are times that a school is declining in enrollment, and it cannot adequately meet the needs of students if its resources are decreased. And in many cases the rate of student enrollment reductions will not allow cost savings at the classroom and student cohort level for five years or longer.

Example:

- Grades 3, 4, and 5 in Adams 12 often have class sizes of 28-29 students per classroom
- Many of our elementary schools have 3 "rounds," or classrooms, per grade level. Three rounds of 29 students per classroom total 87 students.
- Parents and staff will not accept class sizes of 30+ in these grade levels -- nor should they, if Colorado is truly focused on "meeting the needs of students where they are today." Accordingly, it is not possible to reduce from three teachers to two teachers in this grade level until student enrollment has declined from 87 students to 58 students. This level of enrollment decline from 87 to 58, is incremental and often occurs over 5-10 years.
- Adams 12 receives approximately \$11,250 per student in the 24-25 school year. The average teacher salary and benefits cost in our district is approximately \$100,000 per year.
- In this 4th grade example in which enrollment declines we would lose 29 students, at \$11,250 in current per pupil funding, for a total loss in revenue of \$326,250, before we can reduce a teacher and save \$100,000 in expense.
- This same incremental reduction in enrollment -- and the inability to reduce a teacher in that grade level -- often occurs in multiple grade levels in a larger elementary school as it transitions from a growing or stable school to one with declining enrollment. In these cases the gap between expenses to maintain appropriate class sizes -- and the revenue reductions from declining enrollment/no averaging -- can exceed \$1 million in an elementary school, and even more at a middle or high school.
- Not every grade level and school begins a declining enrollment cycle at these upper end class sizes. In those cases the school can reduce a grade level teacher after enrollment declines of a handful of students, and the revenue loss and expense savings will be balanced or tilt to a slight financial benefit for the school and school district.
- Likewise, a school with growing enrollment can often add many more students at a grade level; significantly grow its revenues; and not add a teacher for many years. For example, a school with 23 students in three rounds/classrooms at 4th grade could add 20 students across those three classrooms before hitting the "30 students per classroom mark" and adding a new teacher.
- Our experience in Adams 12 -- which is not unique among the 140+ declining enrollment school districts in the state -- is that the revenue reductions for the district as a whole due to declining enrollment significantly exceed the savings for reducing the number of teachers and classrooms.
- For the 2023-24 school year, for example, our funded pupil count declined by 640 students from the prior year. Without an averaging system the revenue decline would have been \$13.7 million. Instead, we were able to reduce 20 educators for that school year and maintain (mostly) acceptable class and student cohort sizes. The cost savings from those reductions was \$1.9 million. The total deficit we would have had to cover, if averaging had not been in place, would have been \$11.8 million.

- In the current school year our enrollment declined by 471 students from the prior year; we reduced teaching positions by 22; and our net revenue to expense deficit would have been \$12.9 million without an enrollment averaging mechanism.

Bottom Line Implications

If enrollment averaging is repealed for school funding purposes, we anticipate a **reduction of \$13.2 million** in our district for the 25-26 school year. Even after factoring in the modest increases provided through the HB 24-2448 formula as reflected in the Governor's revised FY 26 proposal, **our year over year revenue will decline by \$7.3 million**. The pain will be exacerbated in many districts, including our own, as many have used fund balance/one time funds to support academic interventionists and mental health professionals to address needs of students that intensified during the pandemic and have remained at elevated levels.

I began my work as superintendent in November 2009, and the magnitude of cuts we will need to make if enrollment averaging is eliminated will rival several of the years during/following the Great Recession and the onset of the Budget Stabilization Factor. Districts will need to make painful cuts because of the following realities:

- School closure/consolidation will not be viable in most rural districts, and school enrollments haven't declined enough in many suburban districts to combine schools without an overcrowding problem.
- Many areas of school operations cannot be cut whether the school has 600 students or 300. The school will still need a principal, a secretary, an office manager, health aide, custodian, etc. and will need to heat/cool the school and maintain the facility and property.
- Trimming/cutting administration will not balance the books. Administrative expenditures in Adams 12, for example, are less than 6.4 percent of our annual expenditures and are in the bottom seven, on a percentage basis, in the entire state. Much of that expense is for principals/assistant principal positions that cannot be eliminated.
- Because districts commonly spend 85 to 90 percent of their funding on personnel costs, they will be balancing compensation needs against staffing needs.
- If compensation does not increase in a competitive manner we will i) see continued declines in the number of people who want to be educators, ii) see more educators/staff exit the profession, iii) have greater numbers of staff leave for better resourced districts that can pay more (Colorado's K-12 funding system has **huge equity problems** that are not addressed by HB 24-1448), and iv) leave students in many schools/school districts without qualified teachers in areas in which educators are in the shortest supply, including educators with expertise in special education, multilingual learner education, and service of students in lower income households.
- If compensation does increase in a competitive manner then districts like ours will likely do so through substantial class size increases and elimination of electives and extracurricular activities with modest enrollment and participation rates.

Final Thoughts

I understand that balancing the state budget for FY 26 is a daunting task given the approximately \$1 billion gap that you're facing. I understand that adjustments to K-12 funding may need to be part of the overall solution. The challenge with the proposal to eliminate enrollment averaging, however, is that it cuts too much funding too quickly -- and contrary to the messaging to date, will result in schools being without the resources needed to meet the needs of the students they'll be serving in the 25-26 school year.

I'd be happy to be part of discussions seeking a better solution.

Sincerely,



Christopher E. Gdowski
Superintendent

cc: Adams 12 Board of Education
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Representative Bird
Representative Phillips
Representative Rutinel
Representative Lindstedt
Representative Willford
Representative Garcia
Representative Carter
Representative Barron
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