

An Open Invitation to INVEST in Douglas County Schools

I am a parent of three kids who have graduated from, or are presently enrolled in, Douglas County Schools. Our family has lived in Douglas County for 21 years. During that time we have seen Highlands Ranch grow from 9,000 residents to 99,000. Douglas County has grown from 60,000 to 300,000+, and DCSD has increased from 10,000 students to 54,000.

I am an actuary. The best description I can give that is that I am a financial risk engineer. In my job I use data to project a range of future costs and revenues, and using statistical principles, probability, and an understanding of finance, I help ensure that my company has enough reserve to cover its obligations to customers, employees, and its shareholders.

The challenges our school district faces now have no single, easy solution. It will take a combination of approaches that look at resource priorities, increasing revenue sources, changing how the state education funding formula works, and working together with all constituents of our community to make an investment, not only in our students, but through them into our entire community.

I currently serve on the District Advisory Committee (DAC). From February 1-5 I attended seven meetings with SACs in the Highlands Ranch HS feeder area. It's great to see very passionate parents, citizens, teachers, and principals working together to take a hard look at the priorities to allocate their limited and shrinking funds in the best way for student learning. At a recent school board meeting there was a lot of community feedback during the open forum. There were many emotions and passionate statements made. These were great – but now we need to focus that energy behind ideas and solutions. Among those ideas is that we need a mill levy override.

I agree with that, *as one of many* parts of a comprehensive approach. Please bear with me as I suggest a list of the puzzle pieces I see.

1. Prioritize Resources

We must examine the budget wisely so that we eliminate waste and use resources at the most efficient level possible. We already began that last year. Some of the outcomes from that have yielded benefits we didn't anticipate. In the HRHS feeder, elementary instrumental music instruction was moved to the high school before school. Most have been pleased with the success of that approach, one that may not have been tried were we not forced to trim costs. There are other examples of innovative ways to do things that happen when forced to make tough choices.

Already this year the state has gone back to school districts and said, "Sorry, we gave you more money than we could afford to. Oopsie! We need you to give some of it back." That means that schools have to cough up and return approximately \$40-50 per student. That's 20-30 grand for an elementary school, 45-50 grand for a middle school, and 80 grand or so for a high school. That's THIS year's budget. Now we are looking at the state funding formula for our district in the 2010-11 school year decreasing anywhere from \$200 to \$400 per student from its earlier projections.

We've done the budget liposuction. We're losing muscle now and in danger of causing brain damage. Every school is trying to minimize the classroom impact, but there's no avoiding a rise in class sizes next year.

Our school district is already opening up and making more transparent its expenditures and budget items. This is a vital step to build confidence within the community that its investment is being spent wisely.

Most recently, our teachers and district have worked cooperatively to establish a framework for a pay-for-performance model of compensation and employment. This is another step that builds investor confidence, and yet another way that our district is at the front end of innovative thinking.

There's a perception among some that we are not efficient. I'd beg to differ. There is a study that was just done by Augenblick, et al. It showed Douglas County Schools to be in the tops in efficiency among the dozen or so Front Range districts that were analyzed. Here are links to that report:

Augenblick 15 DEC 09 Presentation

<https://eboardsecure.dcsdk12.org/attachments/35477e65-2837-4d92-938d-fdb1849910aa.ppt>

Augen Final Tables.xls

<https://eboardsecure.dcsdk12.org/attachments/1cf77733-16fb-4555-b346-1788910c0f88.xls>

Augen Final Report 11-30-09.doc

<https://eboardsecure.dcsdk12.org/attachments/8ff56399-f702-4ad2-a904-5779801c0b56.doc>

2. How can we increase revenue?

The budget surveys that just completed asked respondents if they would support either new or increased fees for technology, for bus transportation, for athletics, for instrumental music, for world language instruction. For some of these, the users (parents) did show a willingness to pay fees to keep the programs or services. For some, the disposition was mixed or lukewarm. But our district is at least going to the community to see what we'd be willing to pay.

Revenues sources to operate a school district are going to be a combination of the state formula, local investment, and fees directly paid by users of certain services. It takes a balance of these approaches and should reflect the values of each of those entities. The state makes educating our children a priority so that we have productive, contributing citizens in our society. Local investment, keeping ones particular school district strong, makes that community a desirable one in which to live, and one where properties maintain and grow their value. Parents fund some of the services they feel are a priority, whether that is in athletics, activities, music, transportation, language instruction or technology. Our district is looking right now at what parents want to prioritize and fund through fees, if we fall short on other types of funding.

3. State Funding Formula

Colorado funds K-12 public education by use of a formula. By statute, the total of state and local funding a school district receives per pupil is determined by several factors. The formula can get quite complex, but the gist of it is that there are four categories of pupils: mainstream, at-risk, online learners, and kindergarten. Kindergarten is funded at half a mainstream full-time student. At-risk kids and online learning is funded at a higher level than mainstream. At-risk funding is higher because more resources are needed to intervene and develop that child's learning. Online funding is higher because the state has made it a priority to invest in that as a future delivery method for education.

Douglas County has a smaller proportion of at-risk students than most, if not all, school districts in Colorado. That is the reason our per-pupil dollars are lower than that for other districts.

There are other factors that determine how much tax money is available or mandated to be spent on education. TABOR restricts taxes from increasing beyond population growth and inflation unless the voters approve an increase at the ballot. Amendment 23 mandates that the state budget expenditures for K-12 education increase with inflation, and for the first ten years after its passage, an additional 1%. This is the final year of the +1%, but even at the capitol, because the state cannot print money (thank the Lord), there have been nuances that have limited the 1% extra to only the base parts of the formula. Yeah, lawyering, but understandable, because the state revenues are down with the recession.

The other piece is the Gallagher Amendment, which took effect in 1982. It says that the share of property taxes from residential property cannot exceed 45%, with the remaining coming from business property. When this amendment was passed 28 years ago residential property accounted for 45% of the total state property value. Today that is 75% residential. So to keep the tax burden at 45% residential, your home's assessed value for taxes is only 7.96% of its market value.

What's interesting in the state formula is that if your district's property values rise (as they did significantly until recently in Douglas County), then the per-pupil dollars would increase, too, right? WRONG. The state formula determines that the total of local and state funding is set by the formula. If local revenue goes up, the state backfills less. If local revenue decreases, the state fills more. Twenty years ago the state covered about 35% of education and local district revenues covered about 65%. Today it is the reverse. That is why we are so vulnerable to the decrease in state revenues. The only way to add to the local revenue beyond the formula is through a mill levy override.

4. Investing in the Community

Of the many slides in the budget presentations, one was extremely telling. It compared a dozen Colorado school districts' per-pupil funding levels, both from the state funding formula, and from local mill levy overrides. In both we ranked dead last. The first is because of the many factors I mentioned above. But the second is disturbing. Our local override level per pupil is even less than Sheridan, a community that gets some of the highest state per pupil money because of its high concentration of at-risk kids. Our affluent county kicks in less per kid than a distressed district.

Why is that? I have some theories.

- a. We have not only one of the most affluent, but also one of the most educated counties in the nation, not just Colorado. People have moved here by choice and for the most part, can afford higher value homes and other things in life than the average family. But with that education and income comes a high degree of discretion. People want value for their money. There is a perception that the value isn't there. I say look at the Augenblick reports for evidence of efficiency and look at the achievement scores for student growth.
- b. We have a community that wants schools of choice. That comes in many forms: charters, magnets, alternatives where different approaches are available to parents to select for their kids. I think in the 2008 mill override/bond, because of the exclusion of charter receiving some of the capital money, we divided our community, a division that carried over into last year's overly politicized board election. To have a successful initiative again, we will have to repair that division and find an equitable way to allocate funds so that both neighborhood schools and charters can thrive.
- c. In the 21 years I've lived here we've had several successful mill levy overrides and bond approvals and two that failed. One in the early '90s failed by 35 votes out of 30,000+ votes cast. The other failure was 2008. We can armchair that all we want, but what I do want to do is learn what went wrong and how to avoid repeating that mistake.

I personally felt 2008 was undersold in terms of value to the community. Yes, I know people worked tirelessly (many of you) on that campaign. But unless you were an insider, it was quite likely you were not presented with that convincing information. The needs were listed in a vague way. After the failure, the district outlined specifically where it would need to cut to make up the shortfall. Why wasn't that info out there BEFORE the election? Beforehand, I heard about total dollars (\$25-30 million) that would need to be cut, but I didn't know where. I still voted for the override, but many did not.

Early in 2008 the economy was beginning to slow down. It didn't fall off the cliff until September. By then, because voters didn't feel informed and convinced this was a worthy investment, the economy killed any chance of passage. However, if folks had known specifically what the consequences of the no vote were, they might have withstood the economic collapse. Maybe not, but we'd have had a better chance.

At many of the meetings I attended these past two weeks, and expressed at the board meeting on January 19, were calls for a mill levy increase. I agree. Again, it is one part of many facets to the solution to our financial challenges. At the same SAC meeting where the overwhelming majority of folks supported an increase, there was worry about doing it at the right time, and fear of having another initiative fail.

I love to quote one of my favorite philosophers, Wayne Gretzky. He said you miss 100% of the shots you don't take. But he didn't just score goals by taking crazy, random shots. No, he got into position, and anticipated where the puck was going to be, not just where it was.

Here's how we get into position. To succeed we first need to have a united board that not only approves, but wholeheartedly endorses approaching the citizens for an INVESTMENT in their community. We must unite those who prefer neighborhood schools and those who prefer charters and other options. And we must engage in conversations with our friends, neighbors, business associates, sports team families, rec center buddies, churches, dance recital families to see this as an investment.

Around 70% of Douglas County residents don't have a child enrolled in a school. As exciting as the crowd got in the Jan 19 board meeting, and as passionate as some SAC meetings have been, there's a large constituency that isn't here. They need to see that this is an investment.

I got my new property tax bill a couple weeks ago. My total mill levy was 95 mills, half of which goes to the school district. 95 mills equals 9.5% of the assessed tax value. And the assessed tax value is just under 8% of the market value. So essentially, I am paying about 0.75% of my market value each year in property taxes.

The last go round the mill levy increase for me would have been about \$13-14/month. That extra \$13/month, or \$160/year, is another 0.04% of my home's market value. Keeping our schools strong, even if you don't have a kid in them, keeps Douglas County a desirable place to live. That makes employers want to set up shop here. That keeps demand for homes up; that keeps home values up.

If we don't invest, and if our schools eventually slip (it doesn't happen overnight - it lags the financial support), say to the point where home values drop 1% (or grow by 1% less than they would have with the support), your 0.04% saved is quickly wiped out. To me, making the investment is a no-brainer. That extra mill levy is a very small insurance premium for my property value and home equity.

We need to get this message out to the entire community. Preach to the choir, yes, get them energized. But reach beyond that comfort zone to those who haven't heard the choir, to all who not only have a vote, but who have a stake in our schools', and community's, success.

Mr. Carson, Mr. Stuart, Mr. Stahl, Mr. Williams, Mr. Gerken, Mr. Benevento, Ms. Silverthorn, please take this issue to the community and ask us all to raise our INVESTMENT in Douglas County Schools!

Most sincerely,

Kevin Larsen
DCSD Parent
Volunteer
DAC Member
Douglas County Citizen
Investor