

Joint Budget Committee



Staff Budget Briefing FY 2025-26

Department of Education (School Finance and Categorical Programs Only)

JBC Working Document - Subject to Change

Staff Recommendation Does Not Represent Committee Decision

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ADDITIONAL RESOURCES

Brief summaries of all bills that passed during the 2024 legislative session that had a fiscal impact on this department are available in Appendix A of the annual Appropriations Report: <https://leg.colorado.gov/sites/default/files/fy24-25apprept.pdf>

The online version of the briefing document may be found by searching the budget documents on the General Assembly's website by visiting leg.colorado.gov/content/budget/budget-documents. Once on the budget documents page, select the name of this department's *Department/Topic*, "Briefing" under *Type*, and ensure that *Start date* and *End date* encompass the date a document was presented to the JBC.

Overview of Department

The Commissioner of Education, who is appointed by the State Board of Education, is the chief state school officer and executive officer of the Colorado Department of Education (CDE). The Commissioner and department staff, under the direction of the elected members of the State Board of Education, have the following responsibilities:

- Supporting the State Board in its duty to exercise general supervision over public schools and K-12 educational programs operated by state agencies, including appraising and accrediting public schools, school districts, and the State Charter School Institute (Institute).
- Developing and maintaining state academic standards, and administering the associated statewide assessment program.
- Annually accrediting school districts and the Institute and making education accountability data available to the public.
- **Administering the public school finance act and distributing federal and state moneys appropriated or granted to the Department for public schools.**
- Administering educator licensure and professional development programs.
- **Administering education-related programs, including services for children with special needs, services for English language learners, public school transportation, adult basic education programs, and various state and federal grant programs.**
- Supporting the State Board in reviewing requests from school districts for waivers of state laws and regulations and in serving as the appellate body for charter schools.
- Promoting the improvement of library services statewide to ensure equal access to information, including providing library services to persons who reside in state-funded institutions and to persons who are blind and/or physically disabled.
- Maintaining the Colorado virtual library and the state publications library.

The Department also includes three “type 1”¹ agencies:

- A seven-member Board of Trustees that is responsible for managing the Colorado School for the Deaf and the Blind, located in Colorado Springs.
- A nine-member State Charter School Institute Board that is responsible for authorizing and monitoring the operations of “institute charter schools” located within certain school districts.
- A nine-member Public School Capital Construction Assistance Board that is responsible for assessing public school capital construction needs statewide and making recommendations concerning the prioritization and allocation of state financial assistance for school construction projects.

¹ Pursuant to Section 24-1-105 (1), C.R.S., a type 1 agency exercises its prescribed powers and duties independently of the head of the department.

Recent Appropriations

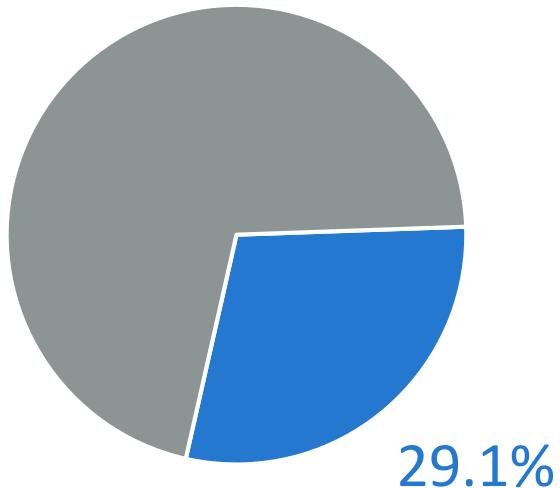
Department of Education: Recent Appropriations				
Funding Source	FY 2022-23	FY 2023-24	FY 2024-25	FY 2025-26 ¹
General Fund ²	\$4,500,428,610	\$4,710,633,330	\$4,527,377,621	\$4,641,790,979
Cash Funds	1,517,239,273	1,719,689,563	2,352,189,332	1,990,029,843
Reappropriated Funds	72,285,315	82,257,878	55,432,193	55,131,843
Federal Funds	1,048,449,871	1,049,944,421	870,229,410	871,138,259
Total Funds	\$7,138,403,069	\$7,562,525,192	\$7,805,228,556	\$7,558,090,924
Full Time Equivalent Staff	638.3	661.9	742.1	749.4

¹Requested appropriation

² Includes General Fund Exempt

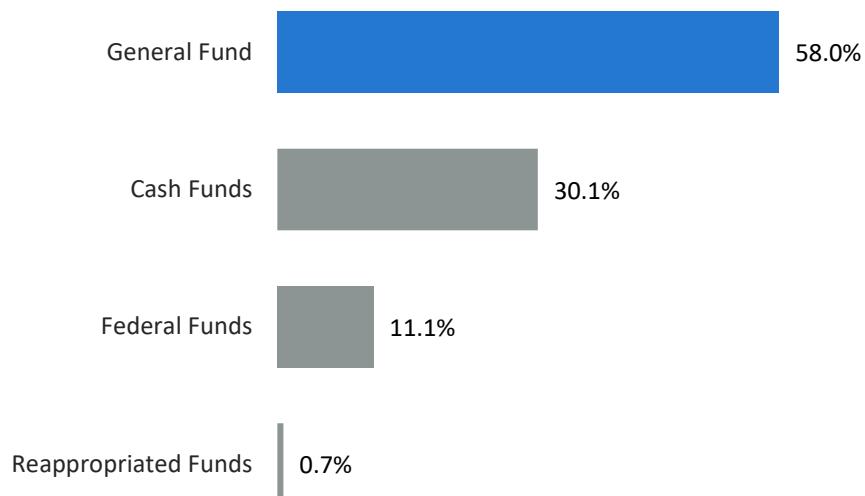
Graphic Overview

Department's Share of Statewide General Fund



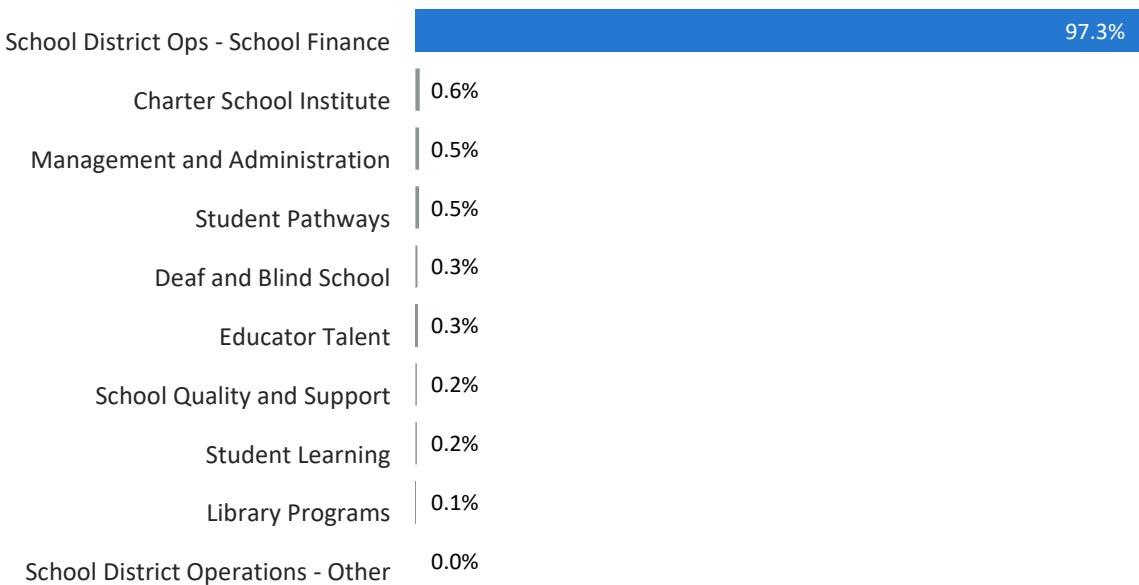
Based on the FY 2024-25 appropriation.

Department Funding Sources



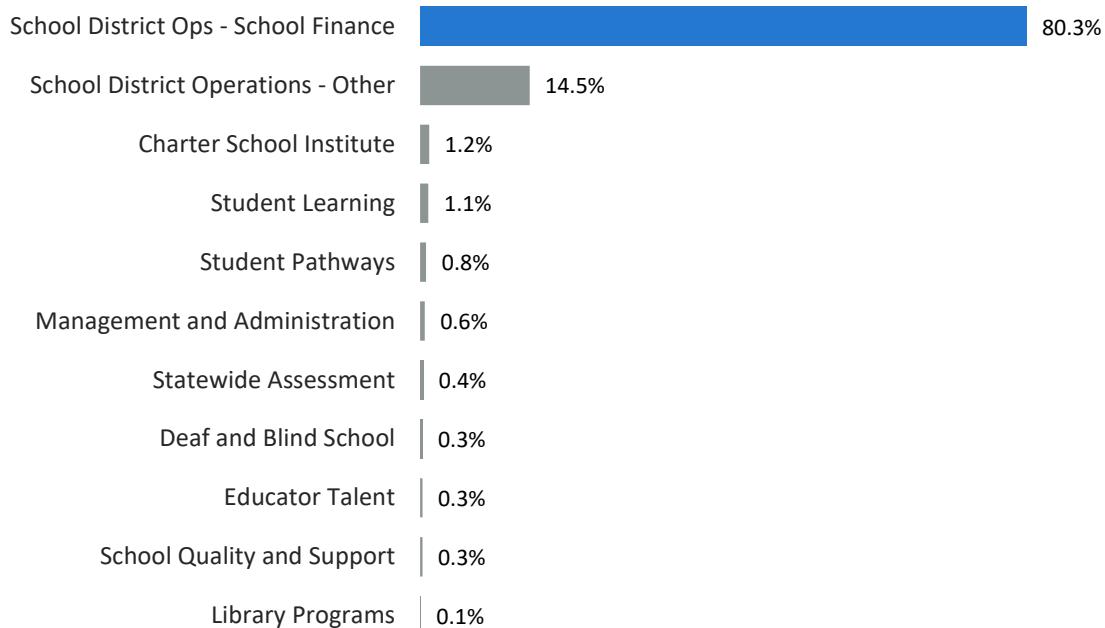
Based on the FY 2024-25 appropriation.

Distribution of General Fund by Division



Based on the FY 2024-25 appropriation.

Distribution of Total Funds by Division



Based on the FY 2024-25 Appropriation

Cash Funds Detail

Department of Education - School Finance/Categoricals Cash Funds Appropriation Detail				
Fund Name or Group	FY 2024-25 Approp.		Primary Sources of Fund Revenue	Primary Uses in This Department
State Education Fund	\$1,592,343,645	¹	Income tax of 0.3%	Used throughout Department for eligible activities under Amendment 23; majority is for state share of total program and categoricals
State Public School Fund	84,455,757	¹	Federal mineral lease revenue - 48.3% of non-bonus revenue received from the federal gov't based on mineral leases on federal public lands [Section 34.63-102, C.R.S.], Public School Fund interest earnings, 12.6% of marijuana special sales tax collections	State share of total program, at-risk supplemental aid, state match for federal school lunches, supplemental online education services, reprinting laws concerning education
Mill Levy Override Match Fund	15,715,539	¹	Transfer from the State Education Fund	Match local money raised through voter-approved mill levy overrides pursuant to S.B. 22-202
Contingency Reserve Fund	1,000,000	¹	Transfer from the General Fund	State Board can authorize payments to assist districts with specific financial emergencies
Public School Transportation Fund	450,000	¹	Transfer from General Fund	Provide operating expenditures for transportation for eligible districts, CSI schools, and facility schools
Total	\$1,693,964,941			

¹TABOR exempt

Additional Detail for Select Funds

The use of the State Education Fund (SEF) and State Public School Fund (SPSF) for costs related to school finance are discussed later in this document; *Appendix C* includes a detailed list of appropriations and transfers from the SEF.

General Factors Driving the Budget

For school finance (the Public School Finance and Categorical Programs subdivisions of the Department's School District Operations division), the FY 2025-26 request consists of 75.1 percent General Fund, 22.0 percent cash funds, and 2.8 percent federal funds. Although local government revenues provide a significant source of funding for K-12 education in Colorado (including an estimated \$4.2 billion anticipated for total program alone in FY 2024-25), local funds are not reflected in the State's annual appropriations to the Department of Education. The following sections review the role of the school finance formula and categorical programs in driving the Department's annual budget.

Public School Finance

The total program funding for public school finance is the primary driver of the Department's budget. With \$5.5 billion total funds and \$4.2 billion General Fund, the state share of districts' total program funding represents 71.0 percent of the Department's total budget and 93.6 percent of its General Fund appropriations in FY 2024-25. Appropriations for school finance are heavily influenced constitutional requirements for a thorough and uniform system of public education and inflationary increases for education. In addition, the budget stabilization factor (BSF), first implemented in FY 2010-11 as a response to severe revenue shortfalls, was a major driver until its elimination in FY 2024-25.

Constitutional Requirements

Section 2 of Article IX of the Colorado Constitution requires the General Assembly to provide for the "establishment and maintenance of a thorough and uniform system of free public schools throughout the state". To meet this requirement, the General Assembly has established a statutory public school finance formula that takes into consideration the individual characteristics of each school district in order to provide thorough and uniform educational opportunities. That formula produces a "total program" funding amount for each school district, which is supported by both local and state revenues, and provides the primary source of funding for public schools in Colorado.

- The formula starts with a uniform statewide base per-pupil funding amount for every school district (\$8,496 per pupil for FY 2024-25) and then adds to that base amount based on factors that affect districts' costs of providing educational services.
- Recognizing differences in costs per pupil, the factors generate a different per pupil funding allocation for each school district. For example, the original FY 2024-25 appropriation includes per-pupil funding allocations ranging from \$10,766 to \$26,345, with a statewide average of \$11,448 per pupil.
- Each district's total program funding is the product of multiplying its per pupil funding amount by its funded pupil count. For FY 2024-25, the formula allocates a total of \$9.7 billion in state and local funds among Colorado's 178 school districts and the State Charter School Institute.

Section 17 of Article IX of the Colorado Constitution (passed by the voters in 2000 as Amendment 23) requires the General Assembly to provide annual inflationary increases in the statewide base per pupil funding amount, which provides the foundation of the statutory school finance formula. For FY 2001-02 through FY 2010-11, this provision required base per pupil funding to increase annually by at least the rate of inflation plus one percent; for FY 2011-12 and subsequent fiscal years, the statewide base must increase annually by at least the rate of inflation. For example, for FY 2024-25, this provision required the General Assembly to increase the statewide base per-pupil funding amount by at least \$420 (from \$8,076 to \$8,497), based on the actual 5.2 percent increase in the Denver-Aurora-Lakewood consumer price index in calendar year 2023. With an estimated funded pupil count of 850,310, this base per pupil funding accounts for \$7.2 billion in state and local funds in FY 2024-25, equal to 74.2 percent of the \$9.7 billion in total program funding available for allocation.

Public School Finance Formula

Public School Finance Act of 1994 (Old Formula)

The Public School Finance Act of 1994 established a school finance formula used to distribute state and local funding to Colorado's 178 school districts. Although the formula has been modified over the years, the basic, underlying structure of the formula had not been changed until the passage of H.B. 24-1448 (New Public School Finance Formula). After accounting for the 74.2 percent of total program funding dedicated to the statewide base in FY 2024-25, the *factors* in the school finance formula that account for individual district characteristics drive the remaining 25.8 percent of total program. For FY 2024-25, the formula includes four major factors:

- **Cost of Living Factor:** Recognizes that the cost of living in a community affects the salaries required to attract and retain qualified personnel. This factor provides additional funding to districts with higher cost of living.
- **Size Factor:** Compensates districts lacking enrollment-based economies of scale, increasing funding for smaller (lower enrollment) districts.
- **At-risk Factor:** Provides additional funding for districts serving students who may be at risk of failing or dropping out of school. The formula utilizes a proxy to estimate the number of at-risk students: the number and concentration of students who are either eligible for free or reduced-price lunch under the federal school lunch program. Prior to FY 2021-22, the at-risk factor did not include reduced-price eligible students; however, the enactment of S.B. 21-268 (School Finance) expanded eligibility to include those students. H.B. 22-1202 (At-risk Student Measure for School Finance) created a new at-risk measure that would include direct certification for students participating in Medicaid or the Children's Basic Health Plan as well as a neighborhood socioeconomic status index. Implementation of the new measure was subsequently delayed by S.B. 23-287 (School Finance) and S.B. 24-188 (School Finance); it is supposed to be implemented in FY 2025-26.
- **English Language Learner Factor:** Beginning in FY 2021-22 (with the enactment of S.B. 21-268), the formula provides additional funding for students identified as non-English

proficient (NEP) or limited English proficiency (LEP). The formula funding for this group is in addition to funding distributed under the English Language Proficiency Act categorical program.

- **Rural funding:** New in FY 2024-25, this factor provides a minimum of \$100,000 extra per pupil to rural and small rural districts as designated by CDE.
- From FY 2020-21 through FY 2023-24 the General Assembly used a **budget stabilization factor (BSF)** to reduce districts' total program funding to a specified total amount based on available state revenues. See *Appendix B* for a history of the BSF.

In addition, the school finance formula requires a minimum level of per-pupil funding (\$10792 per pupil for FY 2024-25 after the application of the budget stabilization factor), regardless of the impact of the above factors. Based on current estimates for FY 2024-25, nine districts are receiving funding based on this minimum level of per-pupil funding.²

Finally, the School Finance Act provides a fixed amount of funding per pupil (established at \$10,244 for FY 2024-25) for two types of students:

- Students receiving full-time, online instruction through a *multi-district* program. (The formula funds students in *single-district* online programs at the same level as the district's "brick and mortar" students.)
- Extended high school students in grades 13 or 14 in a Pathways in Technology Early College High School (P-TECH) program and students in their fifth and sixth year of high school participating in the Teacher Recruitment Education and Preparation (TREP) Program.

H.B. 24-1393 limited the rate for students enrolled in a fifth year of high school through the Accelerating Students through Concurrent Enrollment (ASCENT) program to \$9,588 per pupil for FY 2024-25, which was the amount of the FY 2023-24 extended high school rate.

H.B. 24-1448 (New Public School Finance Formula)

House Bill 24-1448 enacted a new school finance formula, to begin in FY 2025-26 and be phased in over a 6-year period. A detailed explanation of the new formula can be found in a [separate memorandum](#) on the School Finance section of the Legislative Council Staff website. The biggest difference between the old and new formulas is that the 1994 formula structure is multiplicative, meaning that the district adjustments made to the base for the cost of living and size factors flow through to the amount of funding that districts receive for at-risk students and English Language Learners. The new formula is additive, meaning that each factor is calculated directly using the base per pupil amount in the new formula, and then funding for each factor is additively summed to calculate district total program funding. The new formula changes the way the existing factors are calculated, creates two new factors (special education funding and locale), and removes the recently created rural funding factor.

² The nine minimum-funded districts in FY 2023-24 include: three districts in El Paso County (Academy, Cheyenne Mountain, and Lewis-Palmer), two in Larimer County (Poudre and Thompson), Mesa – Mesa Valley, Pueblo Rural, and Windsor and Johnstown-Milliken in Weld County.

State and Local Share

The formula's calculations of each district's per pupil allocation do not account for or determine whether the funding comes from state or local sources. Therefore, after determining each district's allocation, Legislative Council Staff (LCS) and the Department determine the state and local shares for each district based on the local revenues available.

Local property and specific ownership taxes provide the first source of revenue for each district's total program funding. Property taxes are based on each district's tax rate (the mill levy) and the portion of property value that is taxable (the assessment rate). Specific ownership taxes are paid when registering a motor vehicle. These local tax revenues are collected and expended by each school district, and thus are not reflected in the state budget. The FY 2024-25 appropriation anticipates a total of \$4.2 billion in local tax revenues will be available to support public schools pursuant to the statutory school finance formula (this amount does not include any mill levy override funds, as those are outside of the school finance formula). State appropriations then fill the gap between local tax revenues and total program funding for each district. Thus, the General Assembly appropriated \$5.5 billion in state funding for FY 2024-25 to provide a total of \$9.7 billion for school district operations.

Two constitutional provisions have historically limited property tax revenues available for public school operations:

- In 1982, voters approved a property tax reform measure that included a provision (generally called the "Gallagher amendment") that initially reduced the residential assessment rate from 30.0 percent to 21.0 percent, and then capped the residential share of property taxes at approximately 45 percent, which forced continued reductions in the residential assessment rate to maintain the residential share of property taxes as residential property values rose faster than overall property values. As a result of the Gallagher amendment, the residential assessment rate declined from 30.00 percent to 7.15 percent. Voters repealed the Gallagher amendment through approval of Amendment B in the 2020 election, which resulted in the residential assessment rate remaining at 7.15 percent rather than continuing to decline based on the Gallagher formula. Assessment rates have since been altered by several different property tax related bills.
- In 1992, voters approved the Taxpayer's Bill of Rights (TABOR). Prior to TABOR, local governments could generally collect and spend the same amount of property tax revenue each year by periodically increasing or decreasing mill levies. With respect to school district property taxes, TABOR: (1) imposes a property tax revenue limit based on inflation and changes in student enrollment; (2) prohibits districts from increasing a mill levy without voter approval; and (3) requires voter approval for any increase in assessment rates (which are set statewide). TABOR reduced local revenues as a share of total program funding by reducing school district mill levies from the uniform mill of 40.080 (established by the General Assembly in 1988) to disparate mill levies ranging from 1.680 to 27.000. Senate Bill 07-199 froze total program mill levies in most school districts starting in FY 2007-08 and stopped most districts' levies from continuing to decline. Two more recent bills (H.B. 20-1418 (School Finance) and H.B. 21-1164 (Total Program Mill Levy Tax Credit)) require

certain school districts to increase mill levies that had been reduced in error in previous years. House Bill 20-1418 required the mill levy collections but also instituted a system of mill levy credits in affected districts that prevented any change in property taxes paid for FY 2020-21. However, with the enactment of H.B. 21-1164, affected districts began phasing out the mill levy credits at a rate of 1.0 mill per year in FY 2021-22, increasing the local revenues available for school finance.

The reductions in mill levies and assessment rates, in combination with the inflationary spending increases required by Amendment 23, have caused the local share of total program funding to increase at a slower rate than overall funding. As a result, the State's share of total program funding has increased over time. From CY 1988 to FY 2006-07, the state share of funding rose from 43.4 percent to 63.9 percent, while the local share fell from 56.6 percent to 36.1 percent. Since the implementation of S.B. 07-199, the relative state share of funding has fluctuated with changes in local assessed valuation and the inflationary demands of Amendment 23. The mill levy changes instituted by H.B. 20-1418 and H.B. 21-1164 are increasing local revenues (relative to the status quo scenario).

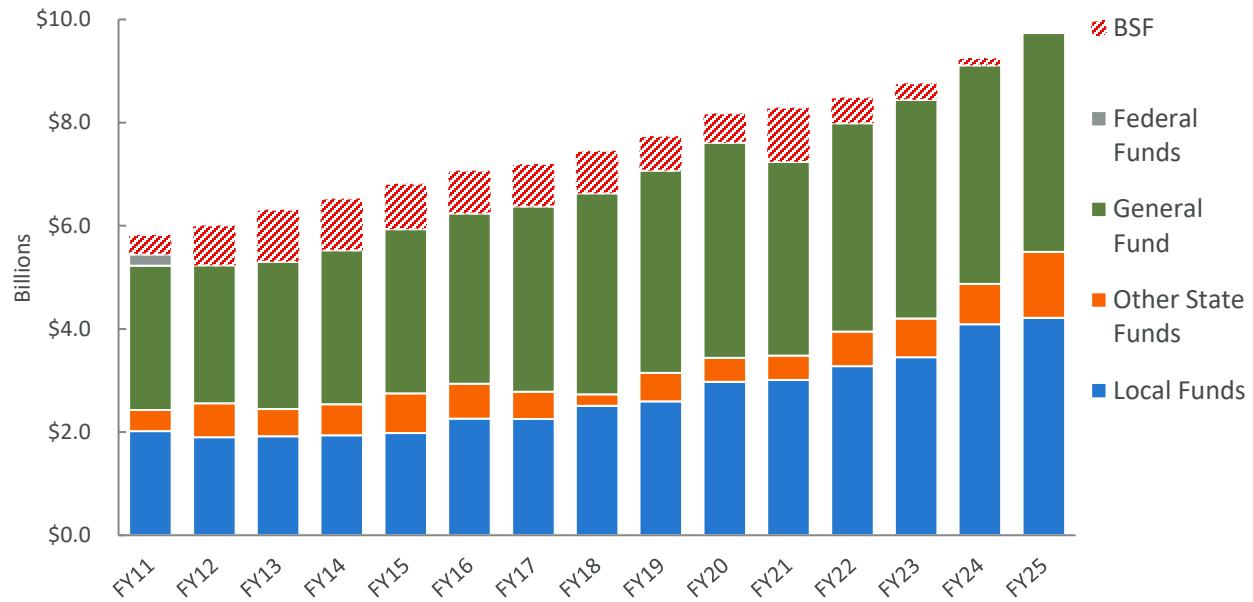
Historic Trends

Total program funding and statewide average per pupil funding both increased relatively steadily from FY 2000-01 through FY 2009-10, pushed upward by the inflationary requirements associated with Amendment 23. Inflation-adjusted funding also increased over that period, largely because Amendment 23 required statewide base per pupil funding to increase by inflation plus 1.0 percent during that time. However, changing economic conditions and the implementation of the budget stabilization factor have added volatility since FY 2009-10.

The following graphic illustrates school districts' total program funding by fund source from FY 2010-11 through FY 2024-25. The segments at the top of each bar illustrate the impact of the budget stabilization factor. Recent years' appropriations have included the following major changes:

- Total program funding for FY 2019-20 included an increase of \$190.2 million (including \$182.9 million in state funding and \$7.3 million in local funding) associated with the transition to funding full-day kindergarten students as 1.0 student FTE as required by H.B. 19-1262 (State Funding for Full-day Kindergarten).
- The final FY 2020-21 appropriation fell \$347.4 million below the FY 2019-20 level, including a decrease of \$395.1 million in state funds that was partially offset by an increase in local funds. Combined with inflationary pressure on total program, the BSF increased by \$601.1 million, from \$572.4 million in FY 2019-20 to \$1.1 billion in FY 2020-21.
- Improved revenue collections and expectations allowed for increases in appropriations for FY 2021-22 through FY 2023-24, with significant increases in total program funding and reductions to the BSF.
- The BSF was eliminated in FY 2024-25.

Amendment 23 requires annual inflationary increases in the base for total program funding. However, revenue constraints from FY 2009-10 through FY 2023-24 prevented full funding, with the BSF representing the shortfall.



Summary

In summary, several factors affect the amount of state funding appropriated through the public school finance formula, including:

- The inflation rate;
- Pupil counts;
- Changes in the relative cost-of-living in various regions of the state;
- The number of at-risk students and English Language Learners enrolled in public schools;
- Fluctuations in local property and specific ownership tax revenues, as well as constitutional and statutory provisions that limit property tax revenues;
- Other budget pressures that lead to the use of the budget stabilization factor; and
- Changes in statutory definitions, procedures, or mathematical factors that affect the calculation of per-pupil funding or state aid for each district.

The table on the following page shows key data related to school finance funding for the last four fiscal years, as well as the current appropriation for FY 2024-25 (which will be adjusted during the supplemental process).

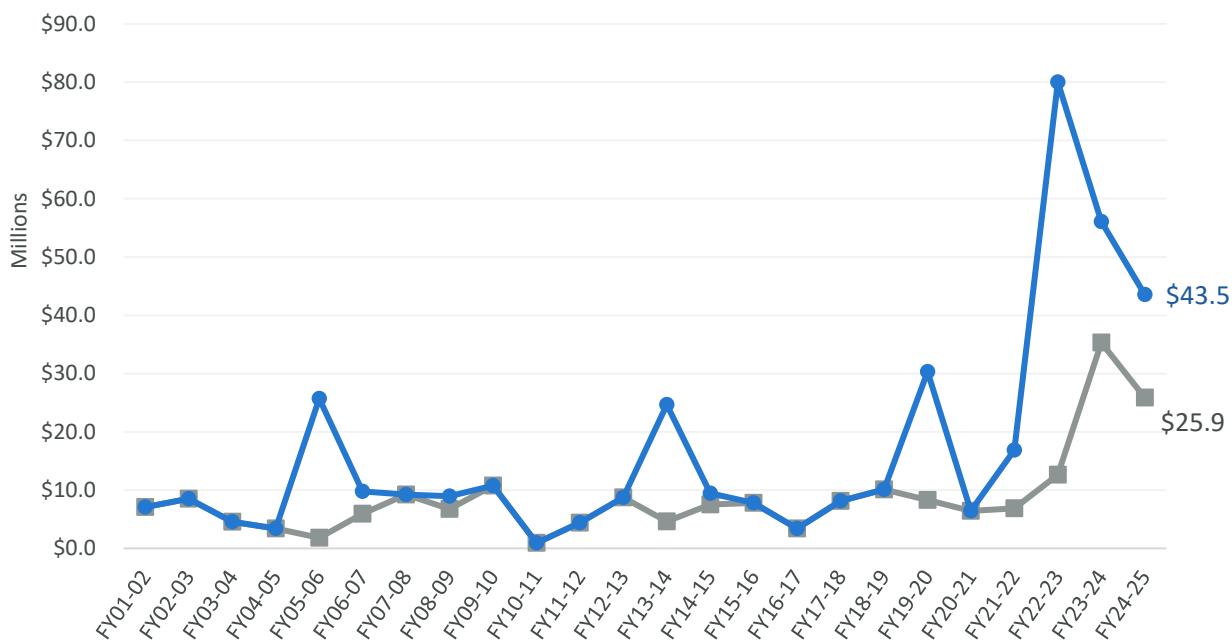
Total Program Funding: Key Data					
Description	FY 2020-21 Actual	FY 2021-22 Actual	FY 2022-23 Actual	FY 2023-24 Actual	FY 2024-25 Approp.
Funded Pupil Count	891,119	886,222	879,477	859,783	850,310
<i>Annual Percent Change</i>	<i>-0.5%</i>	<i>-0.5%</i>	<i>-0.8%</i>	<i>-2.2%</i>	<i>-1.1%</i>
<i>Change in Denver-Boulder Consumer Price Index for Previous Calendar Year</i>	<i>1.9%</i>	<i>2.0%</i>	<i>3.5%</i>	<i>8.0%</i>	<i>5.2%</i>
Statewide <u>Base</u> Per Pupil Funding	\$7,084	\$7,225	\$7,478	\$8,076	\$8,496
<i>Annual Percent Change</i>	<i>1.9%</i>	<i>2.0%</i>	<i>3.5%</i>	<i>8.0%</i>	<i>5.2%</i>
Statewide <u>Average</u> Per Pupil Funding	\$8,123	\$9,015	\$9,596	\$10,670	\$11,448
<i>Annual Percent Change</i>	<i>-4.3%</i>	<i>11.0%</i>	<i>6.4%</i>	<i>11.2%</i>	<i>7.3%</i>
Total Program Funding ¹	\$7,238,343,519	\$7,989,164,350	\$8,439,302,433	\$9,174,031,433	\$9,734,685,667
<i>Annual Percent Change</i>	<i>-4.8%</i>	<i>10.4%</i>	<i>5.6%</i>	<i>8.7%</i>	<i>6.1%</i>
<u>Local Share</u> of Total Program Funding	\$3,013,645,502	\$3,280,192,851	\$3,449,247,817	\$4,177,967,863	\$4,212,348,402
<i>Annual Percent Change</i>	<i>1.2%</i>	<i>8.8%</i>	<i>5.2%</i>	<i>21.1%</i>	<i>0.8%</i>
<u>State Share</u> of Total Program Funding	\$4,224,698,017	\$4,708,971,499	\$4,990,054,616	\$4,996,063,570	\$5,522,337,265
<i>Annual Percent Change</i>	<i>-8.7%</i>	<i>11.5%</i>	<i>6.0%</i>	<i>0.1%</i>	<i>10.5%</i>
<i>State Share as Percent of Districts' Total Program Funding</i>	<i>58.4%</i>	<i>58.9%</i>	<i>59.1%</i>	<i>54.5%</i>	<i>56.7%</i>

¹ Reflects total program funding after application of the budget stabilization factor.

Categorical Programs

Programs designed to serve particular groups of students (e.g., students with limited proficiency in English) or particular student needs (e.g., transportation) have traditionally been referred to as "categorical" programs. Unlike public school finance funding, there is no legal requirement that the General Assembly increase funding commensurate with the number of students eligible for any particular categorical program. However, Section 17 of Article IX of the Colorado Constitution requires the General Assembly to increase *total state funding for all categorical programs* annually by at least the rate of inflation plus one percent for FY 2001-02 through FY 2010-11, and by at least the rate of inflation for subsequent fiscal years. For example, in calendar year 2023 the percentage change in the Denver-Aurora-Lakewood consumer price index was 5.2 percent, so the General Assembly was required to increase state funding for categorical programs in FY 2024-25 by at least that rate, equal to an additional \$25.9 million. The FY 2024-25 appropriation actually added a total of \$43.5 million in state funds, exceeding the minimum requirement by \$17.6 million. The following graphic shows the inflationary increase *required* by Amendment 23 for each year since 2000-01 compared to the actual increases provided each year.

Actual increases have exceeded required inflationary increases in recent years even with historically high inflation.



The General Assembly annually determines how to allocate the required increase among the various categorical programs. Since FY 2000-01, the General Assembly has increased annual state funding for categorical programs by \$399.3 million. In certain fiscal years (including FY 2024-25), the General Assembly has elected to increase state funding by more than the

minimum, constitutionally-required amount, resulting in a larger base to which the required inflationary requirement is applied each year. The following table shows the change in state funding for each categorical program since FY 2000-01.

Increases in State Funding for Categorical Programs Since FY 2000-01				
Long Bill Line Item	FY 2000-01 Appropriation	FY 2024-25 Appropriation	Total Increase in Annual Appropriation of State Funds	
Special Education - Children with Disabilities	\$71,510,773	\$375,565,176	\$304,054,403	425.2%
English Language Proficiency Program	3,101,598	34,602,428	31,500,830	1015.6%
Public School Transportation	36,922,227	71,356,841	34,434,614	93.3%
Career and Technical Education Programs	17,792,850	31,993,182	14,200,332	79.8%
Special Education - Gifted and Talented Children	5,500,000	15,735,647	10,235,647	186.1%
Expelled and At-risk Student Services Grant Program	5,788,807	9,470,254	3,681,447	63.6%
Small Attendance Center Aid	948,140	1,604,359	656,219	69.2%
Comprehensive Health Education	600,000	1,112,772	512,772	85.5%
Total	\$142,164,395	\$541,440,659	\$399,276,264	280.9%

Summary of Request

Department of Education						
Item	Total Funds	General Fund	Cash Funds	Reapprop. Funds	Federal Funds	FTE
FY 2024-25 Appropriation						
FY 2024-25 Long Bill	\$7,440,463,982	\$4,701,504,172	\$1,764,077,511	\$104,652,889	\$870,229,410	732.8
SB 24-188 School Finance	48,593,794	0	48,593,794	0	0	1.0
SB 24-233 Property tax	378,861,731	0	378,861,731	0	0	0.0
Other legislation	-62,690,951	-174,126,551	160,656,296	-49,220,696	0	8.3
Total	\$7,805,228,556	\$4,527,377,621	\$2,352,189,332	\$55,432,193	\$870,229,410	742.1
FY 2025-26 Requested Appropriation						
FY 2024-25 Appropriation	\$7,805,228,556	\$4,527,377,621	\$2,352,189,332	\$55,432,193	\$870,229,410	742.1
R1 School finance changes	-264,012,260	115,000,000	-379,012,260	0	0	0.0
R2 Categorical programs increase	13,536,016	0	13,536,016	0	0	0.0
R3 CSI Mill levy equalization	1,738,755	0	1,738,755	0	0	0.0
R4 Supporting instructional coherence	150,000	0	150,000	0	0	0.0
R5 Student engagement	354,261	354,261	0	0	0	2.0
R6 READ Act training support	3,361,590	0	3,361,590	0	0	2.0
R7 CO Talking Book Library security	72,333	72,333	0	0	0	0.0
R8 National Student Clearinghouse	67,870	67,870	0	0	0	0.0
R9 Statewide Student Information System	200,000	200,000	0	0	0	0.0
R10 CSDB inflationary increase	377,809	377,809	0	0	0	2.3
R11 Career training & basic skills reduction	-550,000	-500,000	-50,000	0	0	0.0
NP3 Retain MTCF refinance	0	0	0	0	0	0.0
Centrally appropriated line items	2,643,100	809,728	614,873	309,650	908,849	0.0
Other non-prioritized requests	-851,494	-247,972	6,478	-610,000	0	0.0
Annualize prior year legislation	-3,567,610	-1,062,669	-2,504,941	0	0	0.8
Annualize prior year budget actions	-658,002	-658,002	0	0	0	0.2
Technical adjustments	0	0	0	0	0	0.0
Total	\$7,558,090,924	\$4,641,790,979	\$1,990,029,843	\$55,131,843	\$871,138,259	749.4
Increase/-Decrease	-\$247,137,632	\$114,413,358	-\$362,159,489	-\$300,350	\$908,849	7.3
Percentage Change	-3.2%	2.5%	-15.4%	-0.5%	0.1%	0.0

R1 School finance changes [requires legislation]: The Department's R1 request proposes the following changes to the new school finance formula created in H.B. 24-1448:

- Eliminate student averaging in the new formula;
- Eliminate student averaging and the extra 0.5% in the old formula for purposes of the hold harmless calculation;
- Extend the phase-in by one year and change annual implementation percentages; and
- Cap Building Excellent Schools Today (BEST) cash grants and use the savings for school finance.

OSPB estimates savings of \$186.4 million for the state share of districts' total program funding attributable to the first three components combined. The proposed BEST cap would generate

an estimated \$58.0 million in savings that would be used for school finance via the State Public School Fund (SPSF), thereby alleviating pressure on the General Fund and State Education Fund. The request identifies this program as “evidence informed” under the S.B. 21-284 evidence categories. For additional information regarding this request, see the briefing issue included in this document.

R2 Categorical programs increase: Amendment 23 requires the General Assembly to increase total state funding for all categorical programs (in aggregate) by at least the rate of inflation in FY 2025-26. The request, based on the OSPB-projected inflation rate for CY 2024 (2.5 percent), seeks an increase of \$13.5 million cash funds from the State Education Fund to support the required increase. The following table shows the requested allocation of funds by program. See the second issue brief in this document for a detailed discussion of the categorical programs allocation for FY 2025-26.

R2 Requested Increases in State Funding for Categorical Programs				
Long Bill Line Item	FY 2024-25 Appropriation	FY 2025-26 Request	Change in State Funding	Percent Change
Special Education - Children with Disabilities	\$375,565,176	\$384,954,305	\$9,389,129	2.5%
English Language Proficiency Program	34,602,428	35,976,163	1,373,735	4.0%
Public School Transportation	71,356,841	73,114,428	1,757,587	2.5%
Career and Technical Education Programs	31,993,182	32,749,567	756,385	2.4%
Special Education - Gifted and Talented Children	15,735,647	15,986,097	250,450	1.6%
Expelled and At-risk Student Services Grant Program	9,470,254	9,473,282	3,028	0.0%
Small Attendance Center Aid	1,604,359	1,606,738	2,379	0.1%
Comprehensive Health Education	1,112,772	1,116,095	3,323	0.3%
Total	\$541,440,659	\$554,976,675	\$13,536,016	2.5%

Annualize prior year budget actions: The request for these subdivisions includes a net increase of \$802,218 total funds for the out-year cost of prior year budget actions, summarized in the following table.

Annualize prior year budget actions						
Item	Total Funds	General Fund	Cash Funds	Reapprop. Funds	Federal Funds	FTE
FY 24-25 Salary survey	\$408,408	\$56,003	\$25,550	\$0	\$326,855	0.0
FY 24-25 Step pay	393,810	72,847	25,623	0	295,340	0.0
Total	\$802,218	\$128,850	\$51,173	\$0	\$622,195	0.0

Annualize prior year legislation: The request for these subdivisions includes a net decrease of \$125,860 total funds to reflect the FY 2025-26 impact of bills passed in previous sessions, summarized in the following table.

Annualize prior year legislation						
Item	Total Funds	General Fund	Cash Funds	Reapprop. Funds	Federal Funds	FTE
SB 24-188 School finance	-\$101,620	\$0	-\$101,620	\$0	\$0	0.0
HB 24-1448 New public school finance formula	-13,340	-13,340	0	0	0	0.0
HB 24-1364 Education-based workforce readiness	-10,900	-10,900	0	0	0	0.0
Total	-\$125,860	-\$24,240	-\$101,620	\$0	\$0	0.0

Budget Reduction Options

This briefing document includes subdivisions (A) Public School Finance and (B) Categorical Programs of the School District Operations division of the Department of Education only. These subdivisions include \$6.0 billion total funds in FY 2025-26, of which \$5.7 billion is from the General Fund and the State Education Fund (SEF). The state share of districts' total program funding makes up 87.4 percent of the total funds in this portion of the budget.

Summary

- The State Education Fund and the General Fund should be thought of interchangeably for the purposes of budget balancing.
- The Department's R1 request proposes legislative changes that would result in \$244.4 million General Fund/SEF relief in FY 2025-26 compared to current law. See the R1 briefing issue in this document for a detailed discussion of the proposal.
- There are numerous education programs funded by the General Fund and SEF that should be considered for budget reductions; most of those programs are in the non-school finance sections of the Department.

Recommendation

- Savings for school finance will primarily come from statutory changes to the school finance formula. Therefore, the Committee should focus on examining the Governor's R1 proposal and working with other interested stakeholders on a legislative strategy for formula changes.
- Staff recommends the Committee ask the Department to comment on the option to eliminate funding for at-risk supplemental aid and at-risk per pupil additional funding, including details on distributions by amount and recipient for the most recent fiscal year available.

Discussion

Budget Requests for General Fund/SEF Relief

For this section of the budget, the request includes proposals for General Fund/State Education Fund relief totaling \$244.4 million compared to current law for FY 2025-26. For the purposes of budget balancing, the State Education Fund should be thought of interchangeably with the General Fund. Any requirements for the state share that aren't appropriated from the General Fund must be paid for from the SEF, and vice versa. The State Public School Fund (SPSF) picks up a minor portion of state share appropriations and typically does not have leeway to absorb additional school finance costs.

Budget balancing proposals related to school finance are below; all components of R1 require legislative change. Due to the complexity of school finance, proposed reductions are measured by their change from FY 2025-26 current law rather than the change from FY 2024-25. Options for budget balancing in this portion of the budget are primarily limited to school finance formula changes. Amendment 23 requires the total amount of state funding appropriated for categorical programs to increase by at least the rate of inflation each year; the General Assembly therefore cannot make any reductions to the (B) Categorical Programs subdivision.

Budget Requests for General Fund/State Education Fund Relief				
Option	General/SEF Fund	Other Funds	Bill? Y/N	Description
Revenue Enhancements				
R1 - BEST cash grants cap	\$58,000,000	\$0	Y	Capping BEST grants will result in \$58.0 million available ongoing in the SPSF for school finance, providing GF/SEF relief of the same amount. See the R1 briefing issue in this document for details.
Subtotal - Revenue	\$58,000,000	\$0		
Expenditure Reductions				
R1 - State share savings	-\$186,413,020	\$0	Y	Proposed changes to the implementation of H.B. 24-1448 are estimated to reduce the state share of total program by this amount in FY 2025-26. See the R1 briefing issue in this document for details.
Subtotal - Expenditures	-\$186,413,020	\$0		
Net Relief	\$244,413,020			

Additional Options for JBC Consideration

The table below summarizes options identified by the JBC staff that the Committee could consider in addition to the options presented in the budget request. While these two items represent only a small fraction of school finance costs, the General Assembly needs to limit expenditures outside of the formula if it wants to implement H.B. 24-1448 as intended. The briefing for the non-school finance portions of the Department of Education covers the long list of programs and initiatives funded by the SEF outside of the formula. Those appropriations are also listed in *Appendix C* of this document.

Additional Options for General Fund/State Education Fund Relief				
Option	General/SEF Fund	Other Funds	Bill? Y/N	Description
Expenditure Reductions				
At-risk supplemental aid	-\$7,009,989	\$0	N	Provides supplemental aid to qualifying school districts and charter schools in specific circumstances; subject to available appropriations.
At-risk per pupil additional funding	-5,000,000	0	Y	Provides additional funding on a per-pupil basis; \$5.0 million divided by the number of at-risk pupils statewide.
Subtotal - Expenditures	-\$12,009,989	\$0		

Additional Options for General Fund/State Education Fund Relief				
Option	General/SEF Fund	Other Funds	Bill? Y/N	Description
Net Relief	\$12,009,989	\$0		

Expenditure Reductions

At-risk Supplemental Aid

House Bill 12-1345 (Public School Finance) created a program to provide supplemental aid to qualifying school districts and charter schools in three specific circumstances described below:

First, for charter schools authorized prior to July 1, 2004, in districts with more than 40 percent at-risk students, a district will receive supplemental aid for charter schools with a smaller percentage of at-risk students than the district average, while charter schools with a larger percentage of at-risk students than the district will receive supplemental aid directly. Second, for all charter schools in districts with less than 40 percent at-risk students, the school will usually receive supplemental aid if the school's percentage of at-risk students exceeds the district average. Third, charter schools authorized by the Charter School Institute (CSI) will receive supplemental aid if the percentage of at-risk students in those schools is less than the accounting district's percentage of at-risk students.

The bill provided an appropriation of \$3.8 million cash funds from the State Public School Fund in FY 2012-13. The Committee added this line item to the FY 2013-14 Long Bill and appropriated the same amount. In FY 2014-15, the General Assembly increased the appropriation to \$5.1 million in an effort to fully fund the statutory calculation, and the appropriation remained at that level through FY 2020-21. For FY 2021-22, the General Assembly reduced the appropriation by \$250,000 (to \$4,844,358) based on recent expenditures under the line item as expenditures had consistently been below the appropriation. During the 2023-24 fiscal year, the Department became aware that it had been erroneously excluding some districts and charter schools from the calculations since FY 2013-14. The affected districts were compensated for errors in the previous four years at a cost of \$1.6 million through a supplemental increase in the School Finance Audit Payments line, and the appropriation for At-risk Supplemental Aid was increased to \$7,009,989 in FY 2023-24 and FY 2024-25.

While a proration is statutorily allowed if the appropriation is not sufficient to fund the calculated payments, JBC staff has recommended fully funding the cost each year based on the General Assembly's intent to fully fund this line item starting in FY 2014-15. The fund source for this line item will have to switch from SPSF to SEF in FY 2025-26 due to changes made by H.B. 24-1448.

At-risk Per Pupil Additional Funding

Created in S.B. 15-267 (School Finance) and first funded in FY 2015-16, this line item provides additional funding to school districts and Institute charter schools for at-risk pupils. The program provides funding on a per pupil basis, calculated as \$5.0 million divided by the number of at-risk pupils statewide for the applicable budget year. In order to support the program, S.B.

15-267 increased the transfer of interest and income earned on the Public School (Permanent) Fund to the State Public School Fund by \$5.0 million per year. The fund source for this line item was switched from the SPSF to the SEF by H.B. 24-1448 due to changes made to Permanent Fund interest and income diversions.

Issue: R1 School Finance Changes

This issue brief provides an overview of the proposed school finance changes in the Department of Education's R1 request.

Summary

- House Bill 24-1448 enacted a new school finance formula that will be phased in over a six-year period beginning in FY 2025-26. The cost of the new formula combined with recent property tax relief legislation will place significant stress on the General Fund and State Education Fund in the coming years.
- The Department of Education's R1 request proposes significant legislative changes to the new formula that would decrease the state share of districts' total program funding by \$186.4 million in FY 2025-26 according to OSPB projections. The request also proposes a cap on Building Excellent Schools Today (BEST) cash grants that would generate \$58.0 million in annual savings.
- Legislative Council Staff projections show a healthy balance in the State Education Fund at the end of FY 2028-29 if all of the proposed changes and fund source adjustments are implemented. However, there are numerous variables at play that will impact SEF projections.
- The General Assembly has a wide array of options available for modifying the new school finance formula to decrease costs.

Recommendation

The Department of Education R1 proposal requires substantial legislative changes that carry significant policy implications; staff therefore expects that legislation to modify implementation of the new school finance formula will *not* be sponsored by the JBC. Because this proposal is a large component of statewide balancing, staff recommends the Joint Budget Committee work closely with the Education Committees, Legislative Leadership, the Department, and other interested stakeholders to determine a legislative strategy prior to Long Bill balancing.

Discussion

Background

House Bill 24-1448 enacted a new school finance formula, to begin in FY 2025-26 and be phased in over a 6-year period. A detailed explanation of the new formula can be found in a [separate memorandum](#) on the School Finance section of the Legislative Council Staff website. The new formula is expected to increase the total cost of school finance by approximately \$94.8 million in FY 2025-26, compared to the cost of the 1994 formula. A total increase of \$571.3 million is expected in FY 2030-31 when the new formula is fully phased in. Immediately after H.B. 24-

1448 was passed, the General Assembly enacted significant property tax relief through S.B. 24-233 and H.B. 24B-1001. The property tax relief bills result in a higher state share of total program funding by shifting school finance costs from local property taxes to the state.

The estimated cost of the state share of districts' total program funding for FY 2025-26 onward is substantially higher than was projected in OSPB's January 2024 revised request. While OSPB had incorporated placeholders for property tax relief and a new school finance formula in their projections, the actual cost of the legislation is much greater than expected. The state share impact of H.B. 24-1448 is \$650.0 million higher and the state share impact of the property tax relief bills is \$250.0 million higher for FY 2024-25 through FY 2028-29 than OSPB estimated in January 2024. The estimated cumulative cost of H.B. 24-1448, S.B. 24-233, and H.B. 24B-1001 on the state share from FY 2024-25 through FY 2028-29 is \$2.3 billion, as shown below.

Legislative Impacts on State Share of Total Program (millions)						
Item	FY 2024-25	FY 2025-26	FY 2026-27	FY 2027-28	FY 2028-29	Cumulative
H.B. 24-1448	\$0.0	\$95.0	\$190.0	\$285.0	\$380.0	\$950.0
Property tax legislation*	\$383.8	\$160.0	\$256.0	\$270.7	\$274.7	\$1,345.2
Total state share increase	\$383.8	\$255.0	\$446.0	\$555.7	\$654.7	\$2,295.2

*State share impact of S.B. 24-233 and H.B. 24B-1001 as estimated by Legislative Council Staff Fiscal Notes.

Governor's Request

The Governor's request proposes significant changes to the new formula that can be divided into four major components:

- Eliminate student averaging in the new formula;
- Eliminate student averaging and the extra 0.5% in the old formula for the hold harmless calculation;
- Extend the phase-in period by one year and change annual implementation percentages; and
- Cap Building Excellent Schools Today (BEST) cash grants and use the savings for school finance.

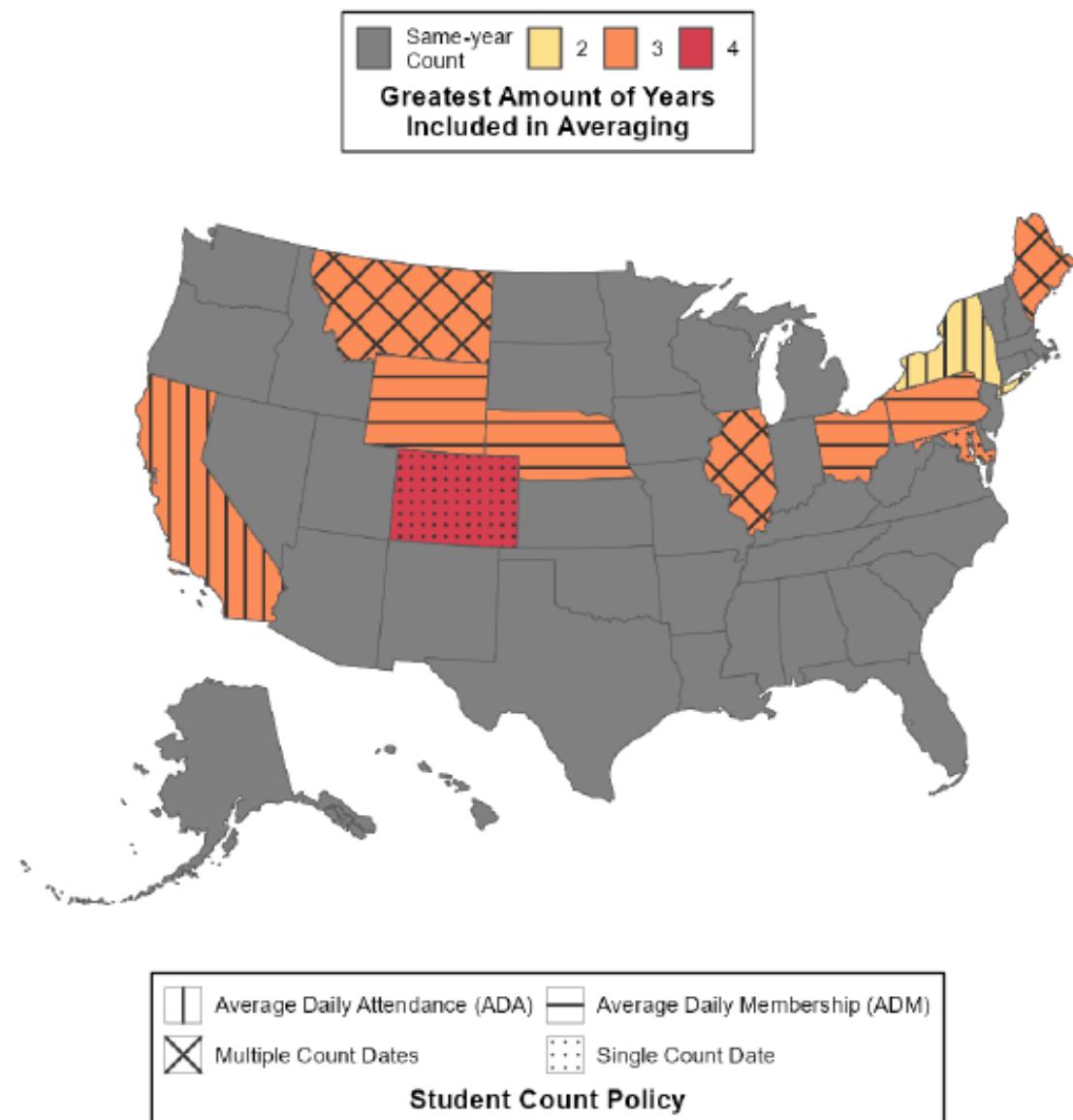
OSPB estimates savings of \$186.4 million for the state share of districts' total program funding attributable to the first three components combined. The proposed BEST cap would generate an estimated \$58.0 million in savings that would be used for school finance via the State Public School Fund (SPSF), thereby alleviating pressure on the General Fund and State Education Fund. Each of these components are discussed in greater detail below.

Eliminate Student Averaging

Under the current formula (in effect through FY 2024-25), a district's funded pupil count is the greater of their current year count or a two-, three-, four-, or five-year average. H.B. 24-1448 shortened the averaging horizon by one year to a maximum of four-year averaging. R1 proposes eliminating student averaging and using a current-year count instead. The request highlights that statewide enrollment is forecasted to decrease by an average of 0.3 to 0.5

percent over the next four years, and the use of four-year averaging leads to funding for students who are no longer enrolled in the school district. The request also includes nationwide data on student count methods. The figure below shows that most states use a same-year count, while Colorado is the only state that allows up to four-year averaging.

The map included in R1 shows Colorado is the only state that allows 4-year averaging.



Source: EdChoice, Education Commission of the States, NASBO, Colorado Children's Campaign, OSPB Calculation

Hold Harmless Calculation

H.B. 24-1448 includes a hold harmless provision for districts during the phase-in period that allows them to receive the greater of the following:

- Their total program under the 1994 formula plus 0.5 percent; or

- Their total program under the 1994 formula, plus [the percent implemented in each year] of the difference between the total program calculated under the current formula and the new formula.

While not explicitly mentioned in the R1 write-up, the request proposes changes that effectively decimate the hold harmless calculation. The proposal would eliminate student averaging and the extra 0.5 percent in the old formula for purposes of the hold harmless calculation. Under current law, 24 districts are expected to receive funding through the hold harmless provision in FY 2025-26. Only three districts (Aspen, Telluride, and Ouray) would benefit from the hold harmless provision under the Governor's proposal.

Implementation Timeline

Under current law, implementation of the new school finance formula is phased in over six years beginning in FY 2025-26. The formula will be phased in between 16 and 18 percent per year, with the hold harmless provisions discussed above in effect during that time. R1 proposes adding a seventh year to the phase-in period and changing the percentage implemented each year. This proposal would save an estimated \$42.0 million in FY 2025-26 by phasing in the new formula at 10.0 percent instead of 18.0 percent. R1 also proposes higher percentage increases in reassessment years to help alleviate budget pressure. A comparison of current law and the proposed timeline is shown below.

Implementation Timeline			
Item	Current Law	R1 Proposal	OSPB Estimated Savings (millions)
FY 2025-26	18.0%	10.0%	\$42.0
FY 2026-27	34.0%	20.0%	\$78.0
FY 2027-28	50.0%	40.0%	\$82.0
FY 2028-29	66.0%	50.0%	\$93.0
FY 2029-30	82.0%	70.0%	\$70.0
FY 2030-31	100.0%	80.0%	\$115.0
FY 2031-32		100.0%	\$0.0

Additional BEST Proposal

In addition to the proposed formula changes, R1 also includes a proposal to cap the Building Excellent Schools Today (BEST) grant program. The BEST program is not covered in this briefing; detailed information about BEST can be found in documents related to the Department of Education - Programs *other than* School Finance and Categorical Programs. The crux of the BEST proposal as it relates to the school finance formula is that it would make approximately \$58.0 million available annually in the State Public School Fund, thereby providing relief to the State Education Fund and/or General Fund.

Estimated Savings

R1 estimates that all of the proposed changes combined will reduce total program by \$186.4 million in FY 2025-26 compared to current law. Of that amount, \$42.0 million is attributable to

reducing implementation of the new formula from 18.0 to 10.0 percent in the first year. The other \$144.4 million of savings comes from eliminating averaging in the new formula and the old formula for the hold harmless calculation, as well as eliminating the extra 0.5 percent in the hold harmless.

JBC Staff worked closely with Legislative Council Staff (who worked closely with CDE) to analyze this proposal. The LCS model estimates state share savings of \$217.1 million from R1, which is \$30.7 million greater than OSPB's projections. There are several differences between the OSPB and LCS model, including the projection of FY 2025-26 school finance costs under current law. However, the magnitude of cost and pupil reductions calculated by both models is similar. The projections provided by both agencies are shown below.

Estimated R1 Savings			
Item	FY 2025-26 current law	FY 2025-26 with R1 proposal	Change from current law
LCS			
Total program	\$10,004,853,058	\$9,784,387,792	-\$220,465,266
State share	5,492,116,945	5,275,009,882	-217,107,062
Local share	4,512,736,114	4,509,377,909	-3,358,204
Funded pupil count	839,933	827,556	(12,377)
Average per pupil revenue	\$11,911	\$11,823	-\$88
OSPB			
Total program	\$9,969,470,242	\$9,783,057,222	-\$186,413,020
State share	5,444,738,025	5,258,325,005	-186,413,020
Local share	4,524,732,217	4,524,732,217	0
Funded pupil count	845,161	832,803	(12,358)
Average per pupil revenue	\$11,796	\$11,747	-\$49
OSPB higher/-lower			
Total program	-\$35,382,816	-\$1,330,570	\$34,052,246
State share	-47,378,920	-16,684,877	30,694,042
Local share	11,996,103	15,354,308	3,358,204
Funded pupil count	5,228	5,247	19
Average per pupil revenue	-\$115	-\$76	\$39

Note, the OSPB September forecast and request uses estimated CY2024 inflation of 2.5 percent. The LCS September forecast estimates CY2024 inflation at 2.7 percent. The LCS estimates provided here use 2.5 percent for simplicity in comparing with the request. Actual CY2024 inflation will be incorporated in OSPB's January budget submission.

State Education Fund Balance

The state share of districts' total funding is paid from a combination of the General Fund, the State Education Fund, and the State Public School Fund. Historically, the General Assembly has increased the General Fund appropriation for the state share annually by an average of 4.2 percent. The General Fund contribution has been held constant since FY 2022-23 primarily due to a historically high balance in the State Education Fund. As a result, increases in the state share and other education-related costs have primarily been paid for from the SEF in recent years. After incorporating the cost of H.B. 24-1448 and the two recent property tax relief bills,

projections of the SEF balance by LCS and OSPB began to look dire. The Legislative Council Staff September 2024 Economic & Revenue Forecast predicted that the SEF balance would be negative by FY 2028-29 without between 5.0 and 5.3 percent growth in the annual General Fund contribution.

The Governor's R1 proposal would significantly reduce the cost of the new school finance formula. Even with significant cost reductions, it will still be necessary to increase the General Fund appropriation for the state share of total program in order to keep the SEF solvent. R1 proposes a General Fund increase of \$115.0 million in FY 2025-26 and \$180.0 million in FY 2026-27; increases in later years are not specified. The LCS projection of the SEF balance shown below incorporates the major components of R1 into a model with LCS assumptions. The requested General Fund increases for the first two years are incorporated; a 3.0 percent increase is used in later years. This analysis also increases the annual SPSF contribution by 41.8 million to align with R1.

LCS State Education Fund Analysis - Governor's R1 Proposal (\$ millions)					
Item	FY 2024-25	FY 2025-26	FY 2026-27	FY 2027-28	FY 2028-29
Total Program	\$9,734.7	\$9,784.4	\$9,762.7	\$9,900.1	\$10,085.2
<i>Change in Total Program</i>	<i>\$560.7</i>	<i>\$49.7</i>	<i>-\$21.7</i>	<i>\$137.4</i>	<i>\$185.1</i>
Funded Pupil Count	850,310	827,556	821,440	814,272	810,846
<i>% chg in Funded Pupil Count</i>	<i>-1.1%</i>	<i>-2.7%</i>	<i>-0.7%</i>	<i>-0.9%</i>	<i>-0.4%</i>
Local Share	\$4,212.3	\$4,509.4	\$4,545.5	\$4,795.5	\$4,833.8
State Share	\$5,522.4	\$5,275.0	\$5,217.3	\$5,104.7	\$5,251.4
State Public School Fund	74.4	114.9	116.2	116.2	116.2
State Education Fund (SEF)	1,209.3	806.5	567.4	318.8	325.4
General Fund	4,238.7	4,353.7	4,533.7	4,669.7	4,809.8
<i>General Fund increase</i>	<i>0.0</i>	<i>115.0</i>	<i>180.0</i>	<i>136.0</i>	<i>140.1</i>
<i>General Fund % increase</i>	<i>0.0%</i>	<i>2.7%</i>	<i>4.1%</i>	<i>3.0%</i>	<i>3.0%</i>
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SEF Beginning balance	\$1,674.1	\$1,151.7	\$913.2	\$948.3	\$1,275.3
SEF Deposits					
Income taxes	\$1,084.6	\$1,157.2	\$1,196.7	\$1,254.2	\$1,314.5
Other transfers	146.0	0.0	0.0	0.0	0.0
Interest earnings	50.5	17.9	6.9	6.6	13.6
Total deposits	1,281.1	1,175.1	1,203.6	1,260.8	1,328.1
SEF expenditures					
State share of total program	\$1,209.3	\$806.5	\$567.4	\$318.8	\$325.4
Categorical programs	377.7	391.2	407.3	420.4	433.9
Other expenditures*	216.6	215.9	193.9	194.6	193.4
Total expenditures	\$1,803.6	\$1,413.6	\$1,168.5	\$933.8	\$952.7
SEF Ending Balance	\$1,151.7	\$913.2	\$948.3	\$1,275.3	\$1,650.7

* Includes assumptions about several large expenditures that are likely to change based on other General Assembly decisions. This analysis assumes the following: The Mill Levy Override Match Program will continue to be funded at \$15.7 million, the SEF portion of CSI Mill Levy Equalization will continue at \$23.7 million, and the SEF subsidy for Healthy School Meals for All will be \$22.8 million in FY 2025-26 and \$0 in later years.

The results of this analysis show the SEF ending FY 2028-29 with a balance of \$1.7 billion – which would be an all-time high. The takeaway here is that the General Assembly may not need to cut school finance costs, or increase the General Fund contribution, by as much has been proposed. R1 only includes OSPB's projection of the SEF balance through FY 2025-26, so it is unclear how much and where the two agencies' models differ. There are *a lot* of variables impacting the SEF balance, several of which will change with the December economic forecasts.

Alternate Scenario Example

The General Assembly has a vast array of options available for reducing the cost of school finance. As an example, staff is presenting one alternative scenario that would save a significant amount of money but maintains 4-year averaging for most districts. The Department of Education designates Colorado's 178 school districts as one of three categories: small rural (110), rural (37), and urban (31). This scenario would allow rural and small rural districts to continue using up to four-year averaging in the new formula and the old formula for the hold harmless calculation; 147 of the state's 178 districts are designated as rural or small rural. The extra 0.5 percent in the hold harmless calculation is eliminated in this scenario.

Estimated R1 vs Alternative Scenario Savings			
Item	FY 2025-26 current law	FY 2025-26 with R1 proposal	Change from current law
R1 - LCS Estimate			
Total program	\$10,004,853,058	\$9,784,387,792	-\$220,465,266
State share	5,492,116,945	5,275,009,882	-217,107,062
Local share	4,512,736,114	4,509,377,909	-3,358,204
Funded pupil count	839,933	827,556	(12,377)
Average per pupil revenue	\$11,911	\$11,823	-\$88
Alternative Scenario - LCS Estimate			
Total program	\$10,004,853,058	\$9,803,180,533	-\$201,672,525
State share	5,492,116,945	5,292,300,896	-199,816,048
Local share	4,512,736,114	4,510,879,637	-1,856,477
Funded pupil count	839,933	829,313	(10,620)
Average per pupil revenue	\$11,911	\$11,821	-\$90
Alternative higher/-lower than R1			
Total program	\$0	\$18,792,741	\$18,792,741
State share	0	17,291,014	17,291,014
Local share	0	1,501,727	1,501,727
Funded pupil count	0	1,758	1,758
Average per pupil revenue	\$0	-\$2	-\$2

As shown in the table above, allowing rural and small rural districts to maintain four-year averaging would cost \$17.3 million and provide funding for 1,758 more pupils than R1 while still generating \$199.8 million in state share savings compared to current law.

Issue: R2 Categorical Programs Increase

Amendment 23 requires the total amount of state funding appropriated for categorical programs to increase by at least the rate of inflation, and the General Assembly has the authority to allocate the mandatory increase among the various categorical programs. Historically, the Committee and the General Assembly generally allocated that increase based on a formula that considers the difference between state and federal funding provided for each program and the total amount that school districts actually spend on the program/services. Large infusions of funding for special education programs for children with disabilities in recent years, as well as the General Assembly's commitment to fully fund those programs, has changed the method by which the Joint Budget Committee allocates funding among categories.

Summary

- In most years, the Long Bill has allocated the required inflationary increase based on the difference between state and federal funding for a program and school district's actual expenditures for that purpose in the most recent year for which that information is available (e.g., the difference between state and federal funding provided for special education versus the total amount that districts have spent on special education services).
- The General Assembly has stated its intent³ to fully fund special education programs for children with disabilities up to the statutory maximum. The amount required to fully fund special education for children with disabilities in FY 2025-26 will be calculated based on a December 2024 count which is not yet available. The Department provided an estimate of \$20.4 million, which *exceeds the estimated required inflationary increase by \$6.8 million*.
- Fully funding special education and providing increases to other categorical programs will require a significantly higher appropriation than what has been requested and what is required by Amendment 23. The Committee must therefore weigh the implications of providing additional funding for categorical programs against proposed changes to the new school finance formula and other statewide budgetary constraints.

Recommendation

Staff recommends that the Committee discuss the allocation of the required increase in categorical funding for FY 2025-26 with interested parties, including the Department, the Governor's Office (who proposed the allocation in R2 in collaboration with the Department), and with the Education Committees. Specifically, the Committee should ask the Department to discuss how districts are negatively impacted by ongoing gaps in funding for categorical programs. Staff assumes any increase above the Amendment 23 requirement would be made from the State Education Fund. Therefore, interested stakeholders should consider how additional expenditures for categorical programs, including any effort to implement the School

³ Section 22-20-114 (1)(c)(III)(D), C.R.S.

Transportation Modernization Task Force recommendations discussed later in this issue, would negatively impact the balance of the State Education Fund as it relates to the General Assembly's ability to implement the new school finance formula.

Discussion

Background

Programs designed to serve particular groups of students (e.g., students with limited proficiency in English) or particular student needs (e.g., transportation) have traditionally been referred to as "categorical" programs. Unlike public school finance funding, there is no legal requirement that the General Assembly increase funding commensurate with the number of students eligible for any particular categorical program. However, Section 17 of Article IX of the Colorado Constitution requires the General Assembly to increase *total state funding for all categorical programs* annually by at least the rate of inflation plus one percent for FY 2001-02 through FY 2010-11, and by at least the rate of inflation for subsequent fiscal years. For example, in calendar year 2023 the percentage change in the Denver-Aurora-Lakewood consumer price index was 5.2 percent, so the General Assembly was required to increase state funding for categorical programs in FY 2024-25 by at least that rate, equal to an additional \$25.9 million. The FY 2024-25 appropriation actually added a total of \$43.5 million in state funds, exceeding the minimum requirement by \$17.6 million.

The General Assembly annually determines how to allocate the required increase among the various categorical programs. Since FY 2000-01, the General Assembly has increased annual state funding for categorical programs by \$399.3 million. In certain fiscal years (including FY 2024-25), the General Assembly has elected to increase state funding by more than the minimum, constitutionally-required amount, resulting in a larger base to which the required inflationary requirement is applied each year. The following table shows the change in state funding for each categorical program since FY 2000-01.

Increases in State Funding for Categorical Programs Since FY 2000-01				
Long Bill Line Item	FY 2000-01 Appropriation	FY 2025-26 Request	Total Increase in Annual Appropriation of State Funds Since FY 2000-01	
Special Education - Children with Disabilities	\$71,510,773	\$384,954,305	\$313,443,532	438.3%
English Language Proficiency Program	3,101,598	35,976,163	32,874,565	1059.9%
Public School Transportation	36,922,227	73,114,428	36,192,201	98.0%
Career and Technical Education Programs	17,792,850	32,749,567	14,956,717	84.1%
Special Education - Gifted and Talented Children	5,500,000	15,986,097	10,486,097	190.7%
Expelled and At-risk Student Services Grant Program	5,788,807	9,473,282	3,684,475	63.6%
Small Attendance Center Aid	948,140	1,606,738	658,598	69.5%
Comprehensive Health Education	600,000	1,116,095	516,095	86.0%
Total	\$142,164,395	\$554,976,675	\$412,812,280	290.4%

The constitution also requires that money from the State Education Fund not supplant the level of General Fund appropriations existing on December 28, 2000, for categorical programs [see Section 17 (5) of Article IX of the Colorado Constitution]. This provision actually requires the

General Assembly to maintain an appropriation of at least \$141,765,474 General Fund (the amount appropriated as of December 28, 2000); however, the General Assembly added \$22.0 million General Fund to the Special Education Programs for Children with Disabilities line item in FY 2019-20 through S.B. 19-246 (School Finance), so the current appropriation includes \$163,765,474 General Fund.

Finally, please note that pursuant to Section 22-55-107 (3), C.R.S., for the 2008-09 budget year and each budget year thereafter, on or before February 15, "the education committees of the house of representatives and senate, or any successor committees, may submit to the joint budget committee of the general assembly a joint recommendation regarding the allocation of the increase in total state funding for all categorical programs as required by subsection (1) of this section for the next budget year. The joint budget committee shall consider but shall not be bound by any joint recommendations made pursuant to this subsection (3) when developing the annual general appropriation bill for the budget year for which the joint recommendation is made". To date, these Committees have not made any such recommendation.⁴

Past Allocation Method

Since December 2006, staff has recommended that the Committee consider four factors when allocating state funds among categorical programs:

- 1 Are districts required by federal law to provide the services?
- 2 If the program has a statutory reimbursement formula, how close does state funding come to the maximum statutory reimbursement?
- 3 What percent of districts' actual expenditures are covered by state and federal funds?
- 4 Are districts' expenditures for providing the service proportionate, or are certain districts impacted significantly more than others?

For years, the Department and staff have used similar mechanisms to allocate the Constitutionally-required increases among categorical line items, based on the difference between state and federal funding provided for a program and school districts' actual expenditures. Thus, programs with a larger gap between state and federal funds and total district expenditures (those for which school districts are absorbing the greatest cost within their budgets) receive the largest increase.

This model has typically:

- Allocated the largest *dollar amount* to special education programs for children with disabilities because that line item has the largest shortfall in terms of the amount of money.

⁴ S.B. 22-127 (Special Education Funding) and S.B. 23-099 (Special Education Funding), which increased funding for special education programs for children with disabilities, originated as bills from the Interim Committee on School Finance rather than as a specific recommendation from the Education Committees to the Joint Budget Committee.

- Allocated the largest *percentage* increase to the English language proficiency program because that line item has had the largest shortfall in percentage terms.

The cumulative changes from FY 2000-01 through FY 2025-26 as requested are shown in the table on page 29, with special education for children with disabilities increasing by \$313.4 million (438.3 percent) and funding for the English Language Proficiency Program (including only the categorical funding) increasing by \$32.9 million (1,059.9 percent). The Committee should note that funding for special education programs for children with disabilities was increased by \$80.0 million in FY 2022-23 and \$40.2 million in FY 2023-24 by S.B. 22-127 and S.B. 23-099, respectively. Senate Bill 22-127 also requires inflationary increases and full statutory funding for special education programs for children with disabilities, which resulted in an increase of \$34.7 million for that category in the FY 2024-25 Long Bill.

Considerations for FY 2025-26 Allocation

The General Assembly's commitment to fully funding special education programs for children with disabilities has essentially rendered the old staff allocation model unusable, as the cost of fully funding special education in a given year will likely equal or exceed the Amendment 23 increase every year. Recent influxes of special education funding also complicate the use of the "standard" allocation model for FY 2025-26 because some of those changes are not captured in school districts' FY 2022-23 actual expenditures (the most recent data available). As discussed above, S.B. 22-127 added \$80.0 million from the SEF in FY 2022-23 and requires inflationary adjustments for special education for Tier A per pupil and Tier B amounts beginning in FY 2024-25. Senate Bill 23-099 added \$40.2 million from the SEF in FY 2023-24. Because the JBC staff allocation model is using appropriations and expenditures from FY 2022-23, the S.B. 23-099 increase in funding for special education for children with disabilities is not reflected in the model. The amount required to fully fund special education for children with disabilities in FY 2025-26 will be calculated based on a December 2024 count which is not yet available. The Department provided an estimate of \$20,367,426, which *exceeds the estimated required inflationary increase by \$6,831,410*.

In addition to the recent attention given to closing the special education funding gap, the General Assembly has also been examining the adequacy of public school transportation funding. S.B. 23-094 created the School Transportation Modernization Task Force to study issues facing school transportation systems and use the findings to develop and recommend policies, laws, and rules to improve public school transportation across the state in order to better meet student needs and alleviate burdens on school districts. The final task force report was released on December 1, 2024 and includes twelve recommendations, three of which relate specifically to funding:

- Recommendation #4* proposes the creation of a Transportation Innovation Fund, similar to what was proposed by H.B. 22-1395 (Transportation Innovation Grant Program). That bill would have provided \$7.5 million for grants from the Revenue Loss Restoration Cash Fund; it was deemed postponed indefinitely. The task force recommendation does not suggest a dollar amount or fund source for the grant program.

- *Recommendation #10* suggests the General Assembly should examine reimbursement percentages and the gap between state funding and expenditures while considering the categorical budget request each year. While there is no dollar amount tied to this recommendation, data included on the following pages provides insight into the current funding gap for this category.
- *Recommendation #11* proposes utilizing a single-factor reimbursement process and increasing public school transportation funding by \$10.0 million.

Given that keeping up with special education funding alone requires more than the Amendment 23 increase, it will be not be possible to close the gap in transportation funding without additional funding that substantially exceeds the R2 request.

Conclusion

In light of the recent policy changes to special education funding, staff expects to recommend that the Committee prioritize fully funding special education programs for children with disabilities at the statutory maximum before allocating the increase among other categorical programs. However, fully funding special education is estimated to exceed the Amendment 23 increase by \$6.8 million. Any appropriations made in excess of the requested amount will impact the State Education Fund balance and should therefore be weighed in consideration with other changes to school finance. Additionally, staff recommends the Committee ask the Department to discuss how ongoing gaps in funding for categorical programs might be negatively impacting districts.

For the Committee's reference, the following pages include three tables associated with categorical funding that reflect different lenses through which to consider the increase for FY 2025-26.

- *Table A* shows the gap between state and federal funding and actual local expenditures in FY 2022-23 - the data which would drive the standard JBC Staff allocation model absent recent policy changes for special education.
- *Table B* shows the gap between funding levels and "full funding" for the programs with statutory formulas for that year. In this case "full funding" would reflect the statutory amounts for each program – but would not reflect district expenditures.
- *Table C* summarizes four potential options for allocating the required Amendment 23 increase, including the method that was used for the FY 2024-25 appropriation.

Table A: Categorical Program Revenues and Expenditures: FY 2022-23

Long Bill Line Item	(a)	(b)	(c) = (a) + (b)	(d)	(e) = (c)/(d)	(f) = (d) - (c)
	State Funds	Federal Funds	Total State and Federal Funds	Total District Expenditures	State/Federal Share of Expenditures	Local Share of Expenditures
District Programs Required by Statute						
Special Education - Children with Disabilities ¹	\$340,347,798	\$170,873,032	\$511,220,830	\$1,325,624,999	39%	\$814,404,170
English Language Proficiency Program ²	69,650,967	9,779,156	79,430,123	255,957,445	31%	176,527,321
Other Categorical Programs						
Public School Transportation	\$64,439,895	\$0	\$64,439,895	\$290,292,950	22%	\$225,853,055
Career and Technical Education	28,644,361	5,740,963	34,385,324	131,582,165	26%	97,196,841
Special Education - Gifted and Talented Children	12,538,874	0	12,538,874	44,722,101	28%	32,183,227
Total	\$515,621,895	\$186,393,151	\$702,015,046	\$2,048,179,660		\$1,346,164,614

¹ State funds include Public School Finance Act funding for preschool children with disabilities; FY 2022-23 is the last year that funding for preschoolers flows through CDE.

² State funds include funding through the English Language Learner factor included in the Public School Finance Act.

Table B: Maximum Amount of State Funds Districts Were Statutorily Eligible to Receive¹

Long Bill Line Item	Description of What Determines Maximum State Funding	Total State Funds	Maximum State Funding	Percent of Maximum Covered by State Funds	Estimated Increase Required to Fund Statutory maximum
District Programs Required by Federal Statute					
Special Education - Children With Disabilities ²	Driven by the number of children requiring special education services, characteristics of the children eligible for such services, and the cost of such services	\$375,065,176	\$375,065,176	100.0%	\$0
English Language Proficiency Program ³	Driven by the number of eligible students and statewide average per pupil operating revenue	31,293,891	123,586,041	25.3%	92,292,150
Other Categorical Programs (with specified statutory reimbursement levels)					
Public School Transportation	Driven by total miles traveled and total transportation-related costs (excluding capital outlay expenses)	\$74,404,441	\$116,807,774	63.7%	\$42,403,333
Career and Technical Education	Driven by the number of students participating in vocational education programs and the costs of such services per FTE in relation to each districts per pupil operating revenue	30,409,006	46,102,403	66.0%	15,693,397
Small Attendance Center Aid	Driven by the number of eligible schools, such schools' enrollment, and eligible districts' per pupil funding	1,599,991	1,619,968	98.8%	19,977
Total					\$150,408,857

¹ Total state funds and statutory maximum for Special Education reflects FY 2024-25. All other categories are based on FY 2023-24.

² The statutory maximum for special education for children with disabilities in FY 2024-25 is based on the following: \$212,255,176 for Tier A (\$1,840.26 for each student with disabilities); \$155,310,000 for Tier B (assuming districts received \$6,000 per student for 100 percent of the 25,885 students with specified disabilities); \$4,000,000 for high cost grants; and \$500,000 for "educational orphans." Staff has not attempted to estimate the costs of "fully funding" the high cost grant program.

³ The state funds provided for the English Language Proficiency Program in FY 2023-24 only reflect categorical program funding amounts. They do *not* include amounts in the school finance formula attributable to the English language learners (ELL) factor added through S.B. 21-268. The ELL factor provided \$52.3 million through the school finance formula in FY 2023-24.

Table C: Options for the Allocation of the Increase in State Funding for Categorical Programs in FY 2025-26

Long Bill Line Item	FY 24-25 Appropriation	Examples of Options for Allocating Required Increase						
		A: Standard Model	%	B: Dept. Request	%	C: All to Special Education	%	D. FY 24-25 Method
Special Education - Children with Disabilities	\$375,565,176	\$8,189,034	2.2%	\$9,389,129	2.5%	\$13,536,016	3.6%	\$20,367,426
English Language Proficiency Program	34,602,428	1,775,026	5.1%	1,373,735	4.0%	0	0.0%	1,373,735
Public School Transportation	71,356,841	2,271,008	3.2%	1,757,587	2.5%	0	0.0%	1,757,587
Career and Technical Education	31,993,182	977,338	3.1%	756,385	2.4%	0	0.0%	756,385
Special Education Programs - Gifted and Talented	15,735,647	323,610	2.1%	250,450	1.6%	0	0.0%	250,450
Expelled and At-risk Student Services Grant Program	9,470,254	0	0.0%	3,028	0.0%	0	0.0%	3,028
Small Attendance Center Aid	1,604,359	0	0.0%	2,379	0.1%	0	0.0%	2,379
Comprehensive Health Education	1,112,772	0	0.0%	3,323	0.3%	0	0.0%	3,323
Totals	\$541,440,659	\$13,536,016	2.5%	\$13,536,016	2.5%	\$13,536,016	2.5%	\$24,514,313
								4.5%

Description of Potential Allocation Options

A: Standard model, based on OSPB September Revenue Forecast inflation rate (2.5 percent). This method may not comply with the statutory requirement to increase both Tier A per pupil amounts and Tier B funding for special education by inflation annually.

B: Department request, based on OSPB September Revenue Forecast inflation rate (2.5 percent)

C: Put entire inflationary increase toward special education for children with disabilities. The Department estimates an increase of \$20.4 million will be required to fully fund this category in FY 2025-26.

D: Same method as FY 2024-25 action; fully fund special education and provide increases for other categories as requested. This would result in an estimated \$11.0 million increase above the required amount.

Footnotes and Requests for Information

Update on Long Bill Footnotes

The General Assembly includes footnotes in the annual Long Bill to: (a) set forth purposes, conditions, or limitations on an item of appropriation; (b) explain assumptions used in determining a specific amount of an appropriation; or (c) express legislative intent relating to any appropriation. Footnotes to the 2024 Long Bill (H.B. 24-1430) can be found at the end of each departmental section of the bill at <https://leg.colorado.gov/bills/HB24-1430>. The Long Bill footnotes relevant to this document are listed below.

16 Department of Education, School District Operations, Public School Finance, Extended High School -- Pursuant to section 22-35-108.5 (2)(b)(II), C.R.S., the purpose of this footnote is to specify what portion of this appropriation is intended to be available for the Teacher Recruitment Education and Preparation (TREP) Program for FY 2023-24. It is the General Assembly's intent that the Department of Education be authorized to utilize up to \$2,561,000 of this appropriation to fund qualified students identified as TREP Program participants. This amount is calculated based on an estimated 250 FTE TREP Program participants funded at a rate of \$10,244 per FTE pursuant to section 22-54-204 (4.7), C.R.S.

Comment: The Committee added the Teacher Recruitment Education and Preparation (TREP) program to the footnote for FY 2022-23 to designate a cap required by S.B. 21-285 (Supporting Educator Workforce in Colorado). The program, which started in FY 2022-23, allows participating students to concurrently enroll in postsecondary courses for two years following the student's twelfth grade year. The Department can designate students as TREP participants if they are following the teaching career pathway, are on schedule to complete the specified courses by senior year, and are enrolling in the pathways postsecondary courses for the fifth and sixth year, among other requirements.

The bill requires the General Assembly to decide on the maximum number of TREP participants each year through the Long Bill process (with this footnote as the mechanism). The FY 2024-25 Long Bill includes slots for 250 FTE; this footnote will be modified in the mid-year adjustment bill to reflect actual utilization in the current year.

Update on Requests for Information

The Joint Budget Committee annually submits requests for information (RFIs) to executive departments and the judicial branch via letters to the Governor, other elected officials, and the Chief Justice. Each request is associated with one or more specific Long Bill line item(s), and the requests have been prioritized by the Joint Budget Committee as required by Section 2-3-203 (3), C.R.S. Copies of these letters are included as an Appendix in the annual Appropriations Report (Appendix H in the FY 2024-25 Report):

<https://leg.colorado.gov/sites/default/files/fy24-25apprept.pdf>

The RFIs relevant to this document are listed below.

Requests Affecting Multiple Departments

2 Department of Education, Assistance to Public Schools, Categorical Programs; and Department of Higher Education, Division of Occupational Education, Distribution of State Assistance for Career and Technical Education pursuant to Section 23-8-102, C.R.S. -- The Department of Education is requested to work with the Department of Higher Education and to provide to the Joint Budget Committee information concerning the distribution of state funds available for each categorical program, excluding grant programs. The information for special education programs for children with disabilities, English language proficiency programs, public school transportation, career and technical education, and small attendance center aid is requested to include the following: (a) a comparison of the state funding distributed to each district or administrative unit for each program in fiscal year 2023-24 and the maximum allowable distribution pursuant to state law and/or State Board of Education rule; and (b) a comparison of the state and federal funding distributed to each district or administrative unit for each program in fiscal year 2022-23 and actual district expenditures for each program in fiscal year 2022-23. The information for special education programs for gifted and talented children is requested to include a comparison of the state funding distributed to each district or administrative unit for each program in fiscal year 2022-23 and actual district expenditures in fiscal year 2022-23.

Comment: The Department provided the information as requested, which was used to create Tables A and B for the briefing issue related to categorical programs in this document.

Department Annual Performance Report

Pursuant to Section 2-7-205 (1)(b), C.R.S., the Department of Education is required to publish an **Annual Performance Report** for the *previous state fiscal year* by November 1 of each year. This report is to include a summary of the Department's performance plan and most recent performance evaluation for the designated fiscal year. In addition, pursuant to Section 2-7-204 (3)(a)(I), C.R.S., the Department is required to develop a **Performance Plan** and submit the plan for the *current fiscal year* to the Joint Budget Committee and appropriate Joint Committee of Reference by July 1 of each year.

For consideration by the Joint Budget Committee in prioritizing the Department's FY 2025-26 budget request, the FY 2023-24 Annual Performance Report and the FY 2024-25 Performance Plan can be found at the following link:

<https://www.colorado.gov/pacific/performancemanagement/department-performance-plans>

Appendix A: Numbers Pages

Appendix A details actual expenditures for the last two state fiscal years, the appropriation for the current fiscal year, and the requested appropriation for next fiscal year. This information is listed by line item and fund source.

Appendix A: Numbers Pages

	FY 2022-23 Actual	FY 2023-24 Actual	FY 2024-25 Appropriation	FY 2025-26 Request	Request vs. Appropriation
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Department of Education Susana Cordova, Commissioner

(3) School District Operations

This section provides funding that is distributed to public schools and school districts, as well as funding for Department staff who administer this funding or who provide direct support to schools and school districts.

(A) Public School Finance

Administration	<u>1,932,724</u>	<u>4,384,542</u>	<u>2,467,046</u>	<u>2,471,809</u>
FTE	15.1	15.5	17.5	17.5
General Fund	1,853,111	1,481,791	2,106,008	2,210,618
Cash Funds	79,613	2,902,751	361,038	261,191
Reappropriated Funds	0	0	0	0
Federal Funds	0	0	0	0
Financial Transparency System Maintenance	<u>87,884</u>	<u>87,896</u>	<u>92,786</u>	<u>92,786</u>
FTE	0.8	1.0	1.0	1.0
General Fund	0	0	0	0
Cash Funds	87,884	87,896	92,786	92,786
Reappropriated Funds	0	0	0	0
Federal Funds	0	0	0	0
State Share of Districts' Total Program Funding	<u>4,990,054,616</u>	<u>4,996,063,570</u>	<u>5,502,388,095</u>	<u>5,238,375,835</u> *
General Fund	4,238,686,861	4,238,686,861	2,991,406,528	3,106,406,528
General Fund Exempt	0	0	1,247,280,333	1,247,280,333
Cash Funds	751,367,755	757,376,709	1,263,701,234	884,688,974

NOTE: An asterisk (*) indicates that the FY 2025-26 request for a line item is affected by one or more decision items.

Appendix A: Numbers Pages

	FY 2022-23 Actual	FY 2023-24 Actual	FY 2024-25 Appropriation	FY 2025-26 Request	Request vs. Appropriation
Extended High School Cash Funds	0 0	0 0	19,949,170 19,949,170	19,949,170 19,949,170	
School Finance Audit Payments General Fund	205,165 0	5,251,851 0	3,000,000 0	3,000,000 0	
Cash Funds	205,165	5,251,851	3,000,000	3,000,000	
Reappropriated Funds	0	0	0	0	
Federal Funds	0	0	0	0	
At-risk Per Pupil Additional Funding Cash Funds	5,000,000 5,000,000	4,999,997 4,999,997	5,000,000 5,000,000	5,000,000 5,000,000	
At-risk Supplemental Aid Cash Funds	4,077,711 4,077,711	7,009,989 7,009,989	7,009,989 7,009,989	7,009,989 7,009,989	
District Per Pupil Reimbursements for Juveniles Held in Jail	0	10,000	10,000	10,000	
General Fund	0	0	0	0	
Cash Funds	0	10,000	10,000	10,000	
Additional Funding for Rural Districts and Institute Charter Schools	34,999,962	30,000,000	0	0	
Cash Funds	34,999,962	30,000,000	0	0	
Mill Levy Override Matching Pursuant to Sec. 22-54-107.9, C.R.S.	9,999,981	32,511,319	15,715,539	15,715,539	
Cash Funds	9,999,981	32,511,319	15,715,539	15,715,539	

NOTE: An asterisk (*) indicates that the FY 2025-26 request for a line item is affected by one or more decision items.

Appendix A: Numbers Pages

	FY 2022-23 Actual	FY 2023-24 Actual	FY 2024-25 Appropriation	FY 2025-26 Request	Request vs. Appropriation
Contingency Reserve Fund	0	0	1,000,000	1,000,000	
General Fund	0	0	0	0	
Cash Funds	0	0	1,000,000	1,000,000	
Reappropriated Funds	0	0	0	0	
Federal Funds	0	0	0	0	
New Arrival Students Funding	0	23,950,000	0	0	
Cash Funds	0	23,950,000	0	0	
SUBTOTAL - (A) Public School Finance	5,046,358,043	5,104,269,164	5,556,632,625	5,292,625,128	(4.8%)
FTE	15.9	16.5	18.5	18.5	(0.0%)
General Fund	4,240,539,972	4,240,168,652	2,993,512,536	3,108,617,146	3.8%
General Fund Exempt	0	0	1,247,280,333	1,247,280,333	0.0%
Cash Funds	805,818,071	864,100,512	1,315,839,756	936,727,649	(28.8%)
Reappropriated Funds	0	0	0	0	0.0%
Federal Funds	0	0	0	0	0.0%

(B) Categorical Programs

(1) District Programs Required by Statute

Special Education - Children with Disabilities	492,949,408	561,542,608	533,048,139	543,039,085	*
FTE	90.8	63.0	100.0	100.0	
General Fund	93,572,347	93,572,347	93,572,347	93,572,347	
Cash Funds	206,582,286	247,285,957	281,992,829	291,381,958	
Reappropriated Funds	0	0	191,090	191,090	
Federal Funds	192,794,775	220,684,304	157,291,873	157,893,690	

NOTE: An asterisk (*) indicates that the FY 2025-26 request for a line item is affected by one or more decision items.

Appendix A: Numbers Pages

	FY 2022-23 Actual	FY 2023-24 Actual	FY 2024-25 Appropriation	FY 2025-26 Request	Request vs. Appropriation
English Language Proficiency Program	<u>36,082,722</u>	<u>42,681,475</u>	<u>45,902,552</u>	<u>47,296,665</u>	*
FTE	3.7	4.6	4.6	4.6	
General Fund	3,101,191	3,101,598	3,101,598	3,101,598	
Cash Funds	22,156,144	28,192,293	31,500,830	32,874,565	
Reappropriated Funds	0	0	0	0	
Federal Funds	10,825,387	11,387,584	11,300,124	11,320,502	
SUBTOTAL -	529,032,130	604,224,083	578,950,691	590,335,750	2.0%
FTE	<u>94.5</u>	<u>67.6</u>	<u>104.6</u>	<u>104.6</u>	<u>(0.0%)</u>
General Fund	96,673,538	96,673,945	96,673,945	96,673,945	0.0%
Cash Funds	228,738,430	275,478,250	313,493,659	324,256,523	3.4%
Reappropriated Funds	0	0	191,090	191,090	0.0%
Federal Funds	203,620,162	232,071,888	168,591,997	169,214,192	0.4%
(2) Other Categorical Programs					
Public School Transportation	<u>64,949,882</u>	<u>68,839,945</u>	<u>71,845,006</u>	<u>73,613,705</u>	*
FTE	2.4	2.0	2.0	2.0	
General Fund	36,922,227	36,922,227	36,922,227	36,922,227	
Cash Funds	27,983,876	31,884,000	34,884,614	36,653,313	
Reappropriated Funds	43,779	33,718	38,165	38,165	
Federal Funds	0	0	0	0	
Transfer to the Department of Higher Education for Distribution of State Assistance for Career and Technical Education	<u>28,244,361</u>	<u>2.7</u>	<u>30,514,944</u>	<u>31,993,182</u>	<u>32,749,567</u>
General Fund	17,792,850	17,792,850	17,792,850	17,792,850	
Cash Funds	10,451,511	12,722,094	14,200,332	14,956,717	

NOTE: An asterisk (*) indicates that the FY 2025-26 request for a line item is affected by one or more decision items.

Appendix A: Numbers Pages

	FY 2022-23 Actual	FY 2023-24 Actual	FY 2024-25 Appropriation	FY 2025-26 Request	Request vs. Appropriation
Special Education Programs for Gifted and Talented Children	<u>12,983,116</u>	<u>14,669,280</u>	<u>15,735,647</u>	<u>15,990,281</u>	*
FTE	0.5	1.5	1.5	1.5	
General Fund	5,500,000	5,500,000	5,500,000	5,500,000	
Cash Funds	<u>7,483,116</u>	<u>9,169,280</u>	<u>10,235,647</u>	<u>10,490,281</u>	
Reappropriated Funds	0	0	0	0	
Federal Funds	0	0	0	0	
Expelled and At-risk Student Services Grant Program	<u>9,464,367</u>	<u>9,471,511</u>	<u>9,470,254</u>	<u>9,493,058</u>	*
FTE	3.3	1.0	1.0	1.0	
General Fund	5,788,804	5,759,731	5,788,807	5,788,807	
Cash Funds	<u>3,675,563</u>	<u>3,711,780</u>	<u>3,681,447</u>	<u>3,704,251</u>	
Reappropriated Funds	0	0	0	0	
Federal Funds	0	0	0	0	
Small Attendance Center Aid	<u>1,314,250</u>	<u>1,599,991</u>	<u>1,604,359</u>	<u>1,606,738</u>	*
General Fund	787,645	787,645	787,645	787,645	
Cash Funds	<u>526,605</u>	<u>812,346</u>	<u>816,714</u>	<u>819,093</u>	
Comprehensive Health Education	<u>1,010,222</u>	<u>1,009,575</u>	<u>1,112,772</u>	<u>1,130,423</u>	*
FTE	1.6	1.0	1.0	1.0	
General Fund	300,000	300,000	300,000	300,000	
Cash Funds	<u>710,222</u>	<u>709,575</u>	<u>812,772</u>	<u>830,423</u>	

NOTE: An asterisk (*) indicates that the FY 2025-26 request for a line item is affected by one or more decision items.

Appendix A: Numbers Pages

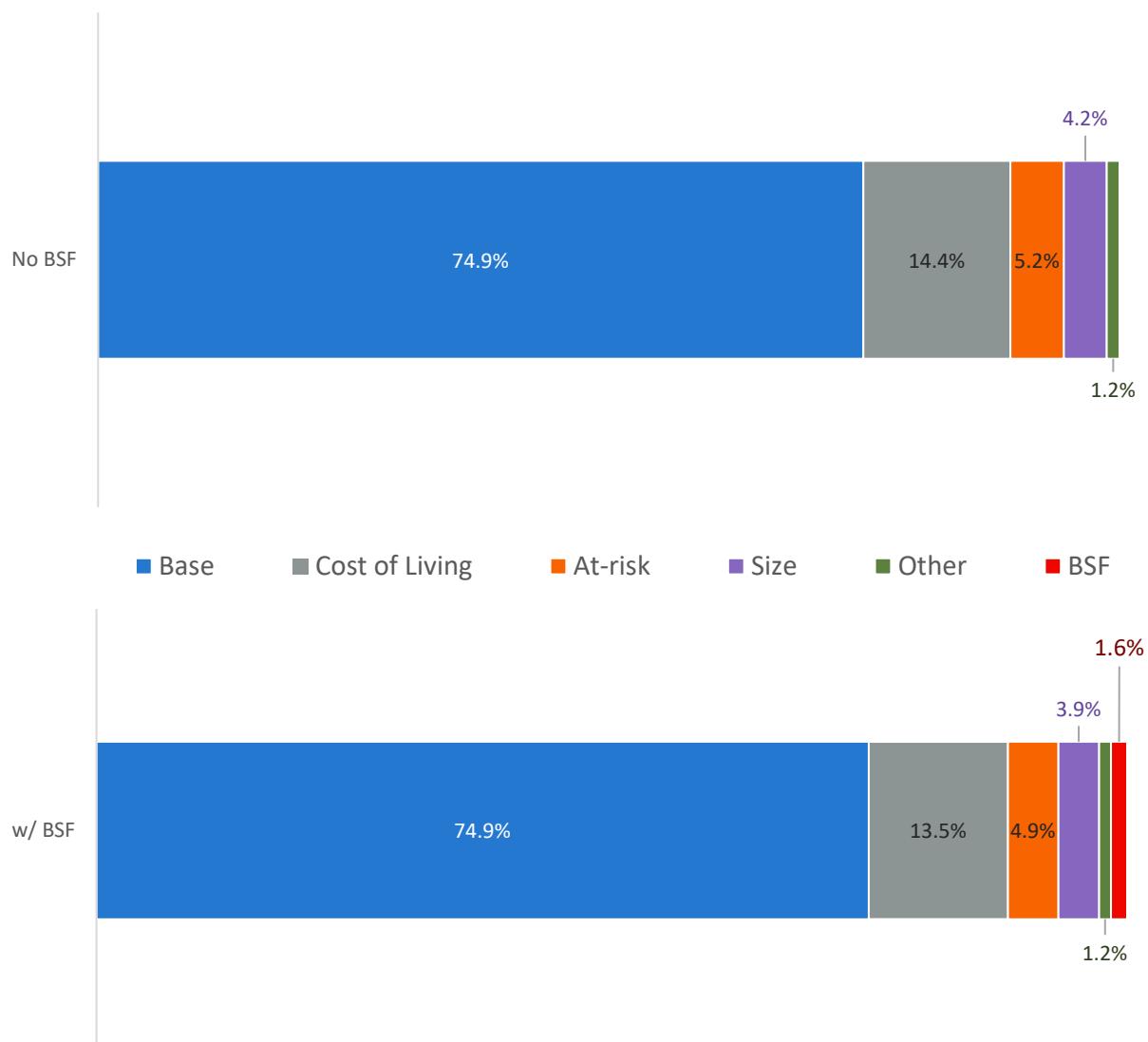
	FY 2022-23 Actual	FY 2023-24 Actual	FY 2024-25 Appropriation	FY 2025-26 Request	Request vs. Appropriation
SUBTOTAL -	117,966,198	126,105,246	131,761,220	134,583,772	2.1%
<i>FTE</i>	<u>10.5</u>	<u>5.5</u>	<u>5.5</u>	<u>5.5</u>	<u>0.0%</u>
General Fund	67,091,526	67,062,453	67,091,529	67,091,529	0.0%
Cash Funds	50,830,893	59,009,075	64,631,526	67,454,078	4.4%
Reappropriated Funds	43,779	33,718	38,165	38,165	0.0%
Federal Funds	0	0	0	0	0.0%
SUBTOTAL - (B) Categorical Programs	646,998,328	730,329,329	710,711,911	724,919,522	2.0%
<i>FTE</i>	<u>105.0</u>	<u>73.1</u>	<u>110.1</u>	<u>110.1</u>	<u>(0.0%)</u>
General Fund	163,765,064	163,736,398	163,765,474	163,765,474	0.0%
Cash Funds	279,569,323	334,487,325	378,125,185	391,710,601	3.6%
Reappropriated Funds	43,779	33,718	229,255	229,255	0.0%
Federal Funds	203,620,162	232,071,888	168,591,997	169,214,192	0.4%

NOTE: An asterisk (*) indicates that the FY 2025-26 request for a line item is affected by one or more decision items.

Appendix B: Budget Stabilization Factor

From FY 2010-11 through FY 2023-24, the formula included a budget stabilization factor (BSF, previously known as the negative factor) designed to reduce districts' total program funding to a specified total amount based on available state revenues. For FY 2023-24, the last year the BSF was in use, it equated to negative 1.6 percent, requiring a \$141.2 million reduction in total program funding. The Department calculated total program funding for each district based on the formula described above and then reduced each district's total program funding by 1.6 percent. Because the General Assembly cannot decrease base per-pupil funding, the BSF had the effect of reducing the funding attributed to the other formula factors, as illustrated below.

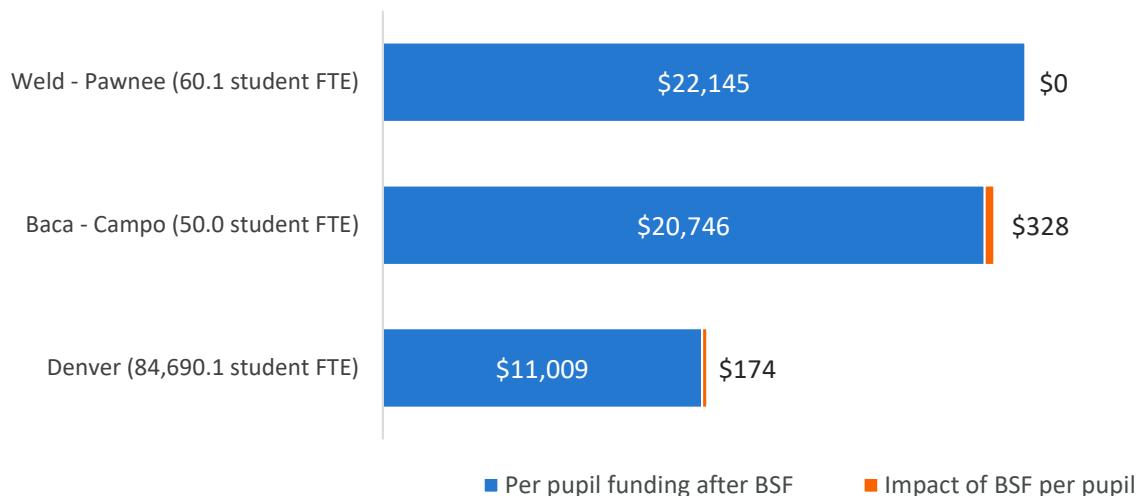
Factors' contribution to average per pupil funding with and without BSF



While the BSF was applied as a flat percentage reduction (1.6 percent in FY 2023-24), the impact varied as a dollar amount depending on the school district in question.

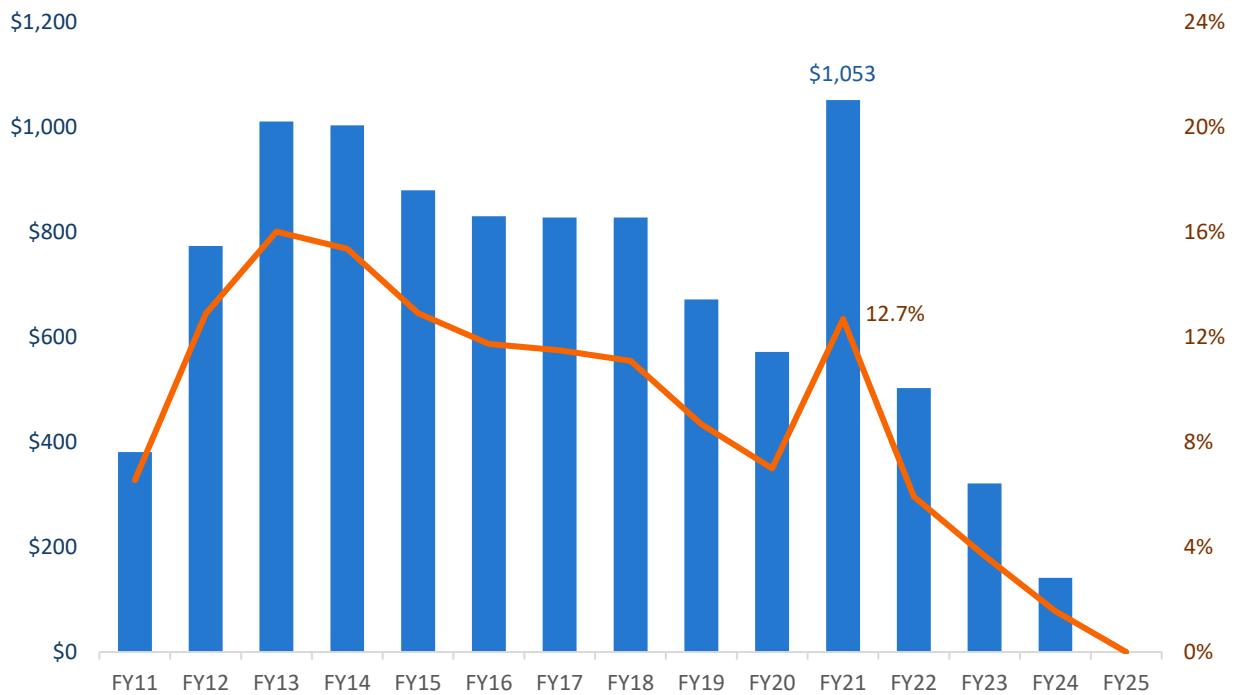
- First, while the percentage reduction was constant, the *dollar value* of the reduction (on a per pupil basis and in total) varied by district. As shown in the chart below, with a per pupil allocation of \$11,183 *before* the application of the budget stabilization factor, Denver's reduction equated to \$174 per pupil (but \$14.7 million in total based on Denver's large pupil count). In contrast, Campo's per pupil allocation before the application of the BSF was \$21,074. Based on the higher per pupil amount (driven by the size factor), Campo absorbed a reduction of \$328 per funded pupil (\$16,409 in total with a funded pupil count of 50.0 FTE).
- Second, the BSF only applied to *state* funds. While the calculation applied to *total program* (1.6 percent of total funding, including both state and local shares, in its last year), the BSF could not reduce the local share. Therefore, districts with sufficient local property tax bases and mill levies did not experience the full reduction (see Weld – Pawnee below).

The per pupil impact of the BSF depended on the district's formula per pupil funding and the local revenues available (Example from FY 2023-24).



As shown on the following page, the magnitude of the BSF fluctuated significantly with economic conditions, as both a dollar amount and as a percentage of total program funding. The BSF peaked at more than \$1.0 billion (representing 16.0 percent of formula-based total program funding) in FY 2012-13 before declining through FY 2019-20. Anticipated revenue shortfalls associated with the COVID-19 pandemic in FY 2020-21 forced the BSF back over \$1.0 billion. With additional revenues available for FY 2021-22, the General Assembly reduced the BSF in subsequent years to an all-time low of \$141.2 million (1.6 percent) the current FY 2023-24 appropriation. Current law, as enacted in S.B. 23-287 (School Finance), prohibits use of the budget stabilization factor starting with FY 2024-25.

The BSF fluctuated as both a **dollar amount** and **percent of total program** with economic conditions. (Nominal \$ in millions)



Appendix C: State Education Fund Details

In November 2000, Colorado voters approved Amendment 23, which added Section 17 to Article IX of the State Constitution. This provision links funding for kindergarten through twelfth grade education to the rate of inflation and creates the State Education Fund. The SEF consists of all state revenues collected from a tax equal to one-third of 1.0 percent on federal taxable income of every individual, estate, trust, and corporation, as well as any interest earned on the fund balance. Revenues to the SEF are not subject to the constitutional Taxpayer's Bill of Rights (TABOR) limitation on fiscal year spending, and SEF appropriations are not subject to the statutory limitation on state General Fund appropriations. The General Assembly may annually appropriate money from the SEF for the following education-related purposes:

- compliance with the requirement to annually increase base per pupil funding for public school finance;
- compliance with the requirement to annually increase funding for categorical programs;
- accountable education reform;
- class size reduction;
- expanding technology education;
- improving student safety;
- expanding the availability of preschool and kindergarten programs;
- performance incentives for teachers;
- accountability reporting; or
- public school building capital construction.

Appropriations and transfers from the SEF fluctuate based on economic conditions because of the direct link to taxable income. The initial appropriation and projected transfers to other funds from the SEF for FY 2024-25 totals \$1.8 billion. Funding related to public school finance makes up 68.2 percent of all appropriations and transfers from the SEF in FY 2024-25, the majority of which goes to the state share of districts' total program funding.

Recent Transfers and Appropriations from the State Education Fund			
Item	FY 2022-23	FY 2023-24	FY 2024-25
Public School Finance:			
Funding for the state share of districts' total program funding	\$714,820,264	\$485,563,635	\$1,209,204,636
Transfer to Mill Levy Override Match Fund	0	32,512,235	15,715,539
At-risk per pupil additional funding	0	0	5,000,000
Public school finance administration	90,340	13,306,817	361,038
Financial transparency maintenance system	88,120	89,172	92,786
District per pupil Reimbursements for juveniles held in jail (S.B. 10-054)	10,000	10,000	10,000
Additional funding for rural school districts and institute charter schools	0	30,000,000	0
New arrival student funding (H.B. 24-1389)	0	24,000,000	0
Mid-year appropriation adjustments	(76,383,372)	(23,964,790)	0
Subtotal: School Finance	\$638,625,352	\$561,517,069	\$1,230,383,999
<i>Percent of Total Appropriations</i>	60.5%	52.9%	68.2%
Categorical Programs	\$277,597,372	\$334,192,458	\$377,675,185

Recent Transfers and Appropriations from the State Education Fund				
Item	FY 2022-23	FY 2023-24	FY 2024-25	
	<i>Percent of Total Appropriations</i>			
School Capital Construction:				
Charter school capital construction	\$23,939,893	\$34,379,016	\$23,935,468	
Transfer to Public School Capital Construction Assistance Fund	15,000,000	0	0	
Distributions to replace prohibited American Indian mascots	0	300,000	0	
Subtotal: Capital Construction	\$38,939,893	\$34,679,016	\$23,935,468	
	<i>Percent of Total Appropriations</i>		3.7%	3.3%
				1.3%
Other Programs				
Transfer to Early Literacy Fund (S.B. 13-260)	\$34,000,000	\$34,000,000	\$34,000,000	
Facility school funding	17,365,075	29,611,902	33,354,626	
Colorado Student Assessment Program	24,672,725	26,000,279	24,737,797	
Healthy School Meals for All school meal reimbursements (H.B. 24-1206)	0	15,439,107	22,146,226	
CSI mill levy equalization	0	0	22,000,000	
School Counselor Corps Grant Program (H.B. 08-1370)	12,010,970	12,016,250	12,007,490	
Student Educator Stipend Program in DHE (H.B. 24-1290)	0	0	4,197,000	
Assistance to BOCES (H.B. 12-1345)	3,320,784	3,322,985	3,327,275	
Professional development for science teachers (H.B. 24-1446)	0	0	3,000,000	
Early literacy assessment tool (H.B. 12-1345)	2,997,072	2,997,072	2,997,072	
School turnaround leaders development/school transformation (S.B. 14-124)	2,008,248	2,008,248	2,012,527	
Ninth-grade success grant and performance reporting (H.B. 24-1282)	0	0	1,925,050	
Child Nutrition School Lunch Protection Program (S.B. 08-123)	850,731	850,731	841,460	
Preschool to postsecondary alignment (S.B. 08-212)	641,455	662,654	700,923	
Local School Food Purchasing Programs (H.B. 24-1390)	0	0	675,729	
Content specialists	546,536	555,181	566,356	
Computer Science Education Grants for Teachers	555,681	559,403	552,815	
Office of Online and Hybrid Learning and Innovation Schools	388,608	475,924	493,008	
Educator Effectiveness Unit Administration (H.B. 13-1257)	129,397	133,887	143,602	
Training for LEPs harassment and discrimination (S.B. 24-162)	0	0	111,111	
English Language Learners technical assistance (H.B. 14-1298)	58,600	59,119	59,119	
Basic skills placement or assessment tests (H.B. 12-1345)	50,000	50,000	50,000	
Transfer to Colorado Teacher of the Year Fund (H.B. 14-1298)	24,800	24,800	24,800	
Interstate compact for military children (H.B. 08-1317)	21,298	21,298	21,298	
Longitudinal assessment data analyses	298,000	0	0	
Subtotal: Other Programs	\$99,939,980	\$128,788,840	\$169,945,284	
	<i>Percent of Total Appropriations</i>		9.5%	12.1%
				9.4%
Centrally Appropriated Line Items	\$1,080,496	\$1,769,257	\$1,566,395	
	<i>Percent of Total Appropriations</i>		0.1%	0.2%
				0.1%
Total	\$1,056,183,093	\$1,060,946,640	\$1,803,506,331	