

Joint Budget Committee Staff

FY 2025-26 Budget Briefing Summary

Education (School Finance, Categoricals)

The Department of Education supports the State Board of Education in its duty to exercise general supervision over public schools, including accrediting public schools and school districts. The Department distributes state and federal funds to school districts, administers a variety of education-related programs, develops and maintains state model content standards, and administers associated assessments. The Department also includes three independent agencies: (1) the Board of Trustees for the Colorado School for the Deaf and the Blind, (2) the State Charter School Institute Board, and (3) the Public School Capital Construction Assistance Board. The Department's FY 2024-25 appropriation represents approximately 17.9 percent of statewide operating appropriations and 29.1 percent of statewide General Fund appropriations. Most of this funding is distributed on a formula basis for school finance and categorical programs addressed in this document.

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 |

| Department of Education | | | | | | |
|-------------------------------------|-----------------|-----------------|-----------------|-----------------|---------------|-------|
| Item | Total Funds | General Fund | Cash Funds | Reapprop. Funds | Federal Funds | FTE |
| 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 first issue brief.

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 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% |

| 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 |
| 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 |

Issues Presented

This is a summary of the briefing issues presented to the Joint Budget Committee by their dedicated non-partisan staff.

R1 School Finance Changes: This issue brief provides an overview of the Governor's proposed changes to the new H.B. 24-1448 school finance formula. The key components of the request are:

- 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 period by one year (from 6 to 7) and change annual implementation percentages (from 18 to 10 percent in the first year); 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.

R2 Categorical Programs Increase: Amendment 23 requires the General Assembly to increase total state funding for all categorical programs (in aggregate) annually by at least the rate of inflation, equating to \$13.5 million in the Governor's request. This issue brief discusses the R2 proposal for how to allocate the increase among categorical programs and examines how recent policy changes related to special education funding programs for children with disabilities complicate the calculation method that has historically been used.

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% |
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| 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% |

For More Information

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To read the entire briefing: Go to <http://leg.colorado.gov/content/budget/budget-documents> to use the budget document search tool. Select this department's name under *Department/Topic*, "Briefing" under *Type*, and select a *Start date* and *End date* to show documents released in November and December of 2024.