

JOINT BUDGET COMMITTEE



STAFF FIGURE SETTING FY 2024-25

DEPARTMENT OF EDUCATION (School Finance and Categorical Programs Only)

JBC WORKING DOCUMENT - SUBJECT TO CHANGE
STAFF RECOMMENDATION DOES NOT REPRESENT COMMITTEE DECISION

PREPARED BY:
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HOW TO USE THIS DOCUMENT

The Department Overview contains a table summarizing the staff recommended incremental changes followed by brief explanations of each incremental change. A similar overview table is provided for each division, but the description of incremental changes is not repeated, since it is available under the Department Overview. More details about the incremental changes are provided in the sections following the Department Overview and the division summary tables. Decision items, both department-requested items and staff-initiated items, are discussed at the beginning of the most relevant division. Within a section, decision items are listed in the requested priority order, if applicable.

In some of the analysis of decision items in this document, you may see language denoting certain ‘levels of evidence’, e.g. theory-informed, evidence informed, or proven. For a detailed explanation of what is meant by ‘levels of evidence’, and how those levels of evidence are categorized, please refer to Section 2-3-210 (2), C.R.S.

DEPARTMENT OVERVIEW

The elected members of the State Board of Education are responsible for the general supervision of public schools throughout Colorado. The Commissioner of Education, appointed by the State Board, advises the State Board concerning the operation and status of public schools and serves as the executive officer of the Department of Education. Among other tasks and responsibilities, the Department supports the Board in its duties by:

- Accrediting public schools and school districts.
- Developing and maintaining state model academic content standards and administering associated student assessments for certain subject areas and grade levels.
- Issuing school and district performance reports for every public school and school district in the state.

The Department also administers a number of education-related programs, including: educator licensure and professional development; the School Finance Act and the distribution of state and federal funds to school districts; special education for children with disabilities; English language proficiency programs; the Colorado Preschool Program (through FY 2022-23); educator effectiveness and evaluation programs; and adult basic education programs.

The Department 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, which is responsible for authorizing and monitoring the operations of institute charter schools located within certain school districts; and (3) the Public School Capital Construction Assistance Board, which 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.

In addition to its duties related to public schools, the Department is charged with 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 or physically disabled.

SUMMARY OF STAFF RECOMMENDATIONS

DEPARTMENT OF EDUCATION - SCHOOL FINANCE AND CATEGORICALS ONLY						
	TOTAL FUNDS	GENERAL FUND	CASH FUNDS	REAPPROPRIATED FUNDS	FEDERAL FUNDS	FTE
FY 2023-24 APPROPRIATION:						
FY 2023-24 Long Bill	\$5,472,203,467	\$4,404,094,096	\$899,773,874	\$229,255	\$168,106,242	88.4
Other legislation	294,132,279	95,313	294,036,966	0	0	1.2
HB 24-1183 (Supplemental)	7,453,150	0	7,453,150	0	0	0.0
HB 24-1207 (Mid-year Adjustment)	(23,964,790)	0	(23,964,790)	0	0	0.0
TOTAL	\$5,749,824,106	\$4,404,189,409	\$1,177,299,200	\$229,255	\$168,106,242	89.6
FY 2024-25 REQUESTED APPROPRIATION:						
FY 2023-24 Appropriation	\$5,749,824,106	\$4,404,189,409	\$1,177,299,200	\$229,255	\$168,106,242	89.6
R1/BA1 State share of total program	111,946,469	0	111,946,469	0	0	0.0
R2/BA2 Categorical programs increase	25,893,812	0	25,893,812	0	0	0.0
R5 School finance system modernization	200,000	200,000	0	0	0	0.0
BA3 At-risk supplemental aid payments	1,000,000	0	1,000,000	0	0	0.0
Annualize prior year legislation	(39,419,040)	(95,313)	(39,323,727)	0	0	(0.9)
Mill levy override match funding	(23,376,536)	0	(23,376,536)	0	0	0.0
Annualize prior year budget actions	(6,858,682)	95,712	(7,440,149)	0	485,755	0.1
TOTAL	\$5,819,210,129	\$4,404,389,808	\$1,245,999,069	\$229,255	\$168,591,997	88.8
INCREASE/(DECREASE)	\$69,386,023	\$200,399	\$68,699,869	\$0	\$485,755	(0.8)
Percentage Change	1.2%	0.0%	5.8%	0.0%	0.3%	(0.9%)
FY 2024-25 EXECUTIVE REQUEST	\$6,105,433,559	\$4,429,389,808	\$1,507,222,499	\$229,255	\$168,591,997	88.8
Request Above/(Below) Recommendation	\$286,223,430	\$25,000,000	\$261,223,430	\$0	\$0	0.0

DESCRIPTION OF INCREMENTAL CHANGES

R1/BA1 STATE SHARE OF TOTAL PROGRAM: The recommendation assumes the elimination of the budget stabilization factor (BSF) in FY 2024-25 pursuant to Section 22-54-104 (5)(g)(II.7), C.R.S. Staff therefore recommends, and current law requires, appropriating the entire amount for the state share of districts' total program funding in the Long Bill. Legislative Council Staff (LCS) estimates the state share at \$5.1 billion in FY 2024-25, an increase of \$111.9 million from the revised FY 2023-24 appropriation. Staff's recommendation is to hold the General Fund appropriation constant from the FY 2023-24 appropriation and pay for the increase with cash funds from the State Education Fund (SEF).

R2/BA2 CATEGORICAL PROGRAMS INCREASE: Amendment 23 requires the General Assembly to increase state funding for all categorical programs (in aggregate) annually by at least the rate of inflation. The recommendation, based on the actual Denver-Aurora-Lakewood inflation rate for CY 2023 (5.2 percent), includes an increase of \$25.9 million cash funds from the State Education Fund allocated entirely to special education for children with disabilities.

R5 SCHOOL FINANCE SYSTEM MODERNIZATION: The recommendation includes a one-time increase of \$200,000 General Fund to hire an independent contractor to evaluate the feasibility and estimate the cost of modernizing the State Equal and Audit modules of the Department's School Finance System. Portions of the current system rely heavily on spreadsheet uploads rather than a database and are extremely prone to human error. Recent changes to school finance funding such as

the transition to full-day kindergarten have highlighted the inadequacies of this system. The Department anticipates that the results of the feasibility will result in a FY 2025-26 IT capital request to the Joint Technology Committee.

BA3 AT-RISK SUPPLEMENTAL AID: The recommendation includes an increase of \$1.0 million cash funds from the State Public School Fund to support an estimated increase in at-risk supplemental aid payments due to a correction in the way the Department has historically calculated the payments.

ANNUALIZE PRIOR YEAR LEGISLATION: The recommendation includes adjustments for the out-year impacts of prior year legislation, as shown below.

ANNUALIZE PRIOR YEAR LEGISLATION						
	TOTAL FUNDS	GENERAL FUND	CASH FUNDS	REAPPROPRIATED FUNDS	FEDERAL FUNDS	FTE
SB 23-287 Public school finance	(39,323,727)	0	(39,323,727)	\$0	\$0	(0.4)
SB 23-094 Transportation task force	(95,313)	(95,313)	0	0	0	(0.5)
TOTAL	(\$39,419,040)	(\$95,313)	(\$39,323,727)	\$0	\$0	(0.9)

MILL LEVY OVERRIDE MATCH FUNDING: The recommendation includes a decrease of \$23.4 million cash funds from the Mill Levy Override Match Fund. The requested appropriation cannot be supported without a transfer into the Fund; staff recommends funding for the Mill Levy Override Match program be provided through separate legislation.

ANNUALIZE PRIOR YEAR BUDGET ACTIONS: The recommendation includes adjustments to reflect the FY 2024-25 impact of salary survey increases provided for FY 2023-24, the annualization of FY 2023-24 R6 Personnel School Support, and the annualization of supplemental funding provided by H.B. 24-1183 (Department of Education Supplemental) for adequacy studies related to the Public School Finance Task Force and additional funding for at-risk supplemental aid and audit payments.

ANNUALIZE PRIOR YEAR BUDGET ACTIONS						
	TOTAL FUNDS	GENERAL FUND	CASH FUNDS	REAPPROPRIATED FUNDS	FEDERAL FUNDS	FTE
FY 2023-24 Salary survey	\$584,825	\$86,069	\$13,001	\$0	\$485,755	0.0
FY 2023-24 R6 Personnel school support	9,643	9,643	0	0	0	0.1
FY 2023-24 supplemental (HB 24-1183)	(7,453,150)	0	(7,453,150)	0	0	0.0
TOTAL	(\$6,858,682)	\$95,712	(\$7,440,149)	\$0	\$485,755	0.1

MAJOR DIFFERENCES FROM THE REQUEST

The recommendation includes the following major differences from the request:

- *R1/BA1 State Share of Total Program:* Staff's recommendation for the state share of districts' total program funding differs from the request due to forecast differences between LCS and the Governor's Office of State Planning and Budgeting (OSPB). Specifically, OSPB's assumptions predict a much faster depletion of the State Education Fund (SEF) balance and warrant an increase of \$25.0 million from the General Fund for FY 2024-25. Staff recommendation leaves the General Fund appropriation unchanged from FY 2023-24 and is based off of LCS projections that show a much larger SEF balance through the forecast period. Differences between the forecasts are discussed in detail later in this document.
- *Allocation of Amendment 23 increase for R2/BA2 Categorical Programs Increase:* Amendment 23 results in a required inflationary increase of \$25.9 million for categorical programs in FY 2024-25. The request and recommendation both recommend this increase from the State Education Fund, but staff recommendation allocates the entire increase to special education programs with children with disabilities.
- *Mill Levy Override Matching:* The recommendation includes a decrease of \$23.4 million cash funds from the Mill Levy Override Match Fund below the request. The request reflects a continuation appropriation of \$23.4 million from that source, with no change from the FY 2023-24 appropriation provided in S.B. 23-287 (Public School Finance). S.B. 23-287 transferred \$23.4 million from the State Education Fund to the Mill Levy Override Match Fund to support the appropriation for FY 2023-24 – but there is no revenue source identified for FY 2024-25. Staff recommends a transfer into the Fund be provided in separate legislation if the General Assembly wishes to continue funding this program.

(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. The following table summarizes staff's recommendation for the (A) Public School Finance and (B) Categorical Programs subdivisions within the School District Operations division. All of the other subdivisions and line items will be presented at a later date.

DEPARTMENT OF EDUCATION - SCHOOL FINANCE AND CATEGORICALS ONLY						
	TOTAL FUNDS	GENERAL FUND	CASH FUNDS	REAPPROPRIATED FUNDS	FEDERAL FUNDS	FTE
FY 2023-24 APPROPRIATION:						
FY 2023-24 Long Bill	\$5,472,203,467	\$4,404,094,096	\$899,773,874	\$229,255	\$168,106,242	88.4
Other legislation	294,132,279	95,313	294,036,966	0	0	1.2
HB 24-1183 (Supplemental)	7,453,150	0	7,453,150	0	0	0.0
HB 24-1207 (Mid-year Adjustment)	(23,964,790)	0	(23,964,790)	0	0	0.0
TOTAL	\$5,749,824,106	\$4,404,189,409	\$1,177,299,200	\$229,255	\$168,106,242	89.6
FY 2024-25 REQUESTED APPROPRIATION:						
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R1/BA1 State share of total program	111,946,469	0	111,946,469	0	0	0.0
R2/BA2 Categorical programs increase	25,893,812	0	25,893,812	0	0	0.0
R5 School finance system modernization	200,000	200,000	0	0	0	0.0
BA3 At-risk supplemental aid payments	1,000,000	0	1,000,000	0	0	0.0
Annualize prior year legislation	(39,419,040)	(95,313)	(39,323,727)	0	0	(0.9)
Mill levy override match funding	(23,376,536)	0	(23,376,536)	0	0	0.0
Annualize prior year budget actions	(6,858,682)	95,712	(7,440,149)	0	485,755	0.1
TOTAL	\$5,819,210,129	\$4,404,389,808	\$1,245,999,069	\$229,255	\$168,591,997	88.8
INCREASE/(DECREASE)	\$69,386,023	\$200,399	\$68,699,869	\$0	\$485,755	(0.8)
Percentage Change	1.2%	0.0%	5.8%	0.0%	0.3%	(0.9%)
FY 2024-25 EXECUTIVE REQUEST	\$6,105,433,559	\$4,429,389,808	\$1,507,222,499	\$229,255	\$168,591,997	88.8
Request Above/(Below) Recommendation	\$286,223,430	\$25,000,000	\$261,223,430	\$0	\$0	0.0

DECISION ITEMS - ASSISTANCE TO PUBLIC SCHOOLS

➔ R1/BA1 STATE SHARE OF TOTAL PROGRAM

REQUEST:

The Department's request for the state share of districts' total program funding for FY 2024-25 eliminates the budget stabilization factor pursuant to Section 22-54-104 (5)(g)(II.7), C.R.S.

The following table shows the FY 2023-24 appropriation (as adjusted by the mid-year school finance bill), the Governor's proposed fund sources for FY 2024-25, and the requested change from the FY 2023-24 appropriation. The numbers below are based on OSPB's 2023 December forecast and updated from the S1/BA1 January 16th request to include final 2023 assessed value data and incorporate changes made in H.B. 24-1207 (Adjustments to School Funding Budget Year 2023-24).

OSPB REQUESTED FUND SOURCES FOR STATE SHARE OF DISTRICTS' TOTAL PROGRAM			
	FY 2023-24 APPROPRIATION (ADJUSTED)	FY 2024-25 REQUEST	ANNUAL CHANGE
Local Share	\$4,177,967,864	\$4,335,644,693	\$157,676,829
State Share	\$4,996,063,570	\$5,356,843,858	\$360,780,288
General Fund	4,238,686,861	4,263,686,861	25,000,000
Cash Funds - State Education Fund	461,598,845	1,001,404,153	539,805,308
Cash Funds - State Public School Fund	295,777,864	91,752,844	(204,025,020)
Total Program	\$9,174,031,434	\$9,692,488,551	\$518,457,117

RECOMMENDATION:

Staff recommendation differs from the request due to variances between the OSPB and Legislative Council Staff forecasts, which are discussed in detail later in this section. The OSPB request includes an increase of \$25.0 million General Fund, whereas the staff recommendation holds the General Fund appropriation constant. Because current law requires the elimination of the budget stabilization factor for FY 2024-25, the entire appropriation for the state share of district's total program funding should be made in the Long Bill.

STAFF RECOMMENDED FUND SOURCES FOR STATE SHARE OF DISTRICTS' TOTAL PROGRAM			
	FY 2023-24 APPROPRIATION (ADJUSTED)	FY 2024-25 REQUEST	ANNUAL CHANGE
Local Share	\$4,177,967,864	\$4,587,747,207	\$409,779,343
State Share	\$4,996,063,570	\$5,108,010,039	\$111,946,469
General Fund	4,238,686,861	4,238,686,861	0
Cash Funds - State Education Fund	461,598,845	775,963,724	314,364,879
Cash Funds - State Public School Fund	295,777,864	93,359,454	(202,418,410)
Total Program	\$9,174,031,434	\$9,695,757,246	\$521,725,812

The recommended reduction to the State Public School Fund (SPSF) appropriation is related to a one-time influx of \$200.0 million from the General Fund provided by S.B. 22-238 (to backfill the bill's projected impact on the local share). Consistent with recent years, the recommendation for the SPSF would retain an estimated balance equal to the projected deposits of marijuana taxes to the fund in FY 2024-25 plus a "buffer" of \$5.0 million dollars, as shown below. The Committee should note that the recommended amounts from the SEF and SPSF will likely change based on the March 2024 revenue forecast as well the Committee's decisions affecting available balances in those funds (staff does not anticipate a change to the General Fund recommendation). Staff will address those changes and the Committee's decisions for a final recommendation through a staff "comeback" following the March forecast.

STATE PUBLIC SCHOOL FUND CASH FLOW - DECEMBER 2023 LCS FORECAST			
	FY 2022-23	FY 2023-24 EST.	FY 2024-25 EST.
Beginning Balance	\$57,615,332	\$259,915,661	\$39,115,261
Federal Mineral Lease	83,254,722	51,186,838	58,816,674
Marijuana Sales Tax	24,896,915	23,363,108	25,015,161
Permanent Fund Earnings	21,000,000	21,000,000	21,000,000
Audit Recoveries	3,144,052	1,000,000	1,000,000
General Fund Transfer (SB 22-238)	200,000,000	0	0
Total Available	\$389,911,021	\$356,465,607	\$144,947,096

STATE PUBLIC SCHOOL FUND CASH FLOW - DECEMBER 2023 LCS FORECAST			
	FY 2022-23	FY 2023-24 EST.	FY 2024-25 EST.
Expenditures			
Total Program	(\$112,930,863)	(\$295,777,864)	(93,359,453)
Other Expenditures	(17,064,497)	(21,572,482)	(21,572,482)
Total Expenditures	(129,995,360)	(317,350,346)	(114,931,935)
Ending Balance	\$259,915,661	\$39,115,261	\$30,015,161

Staff also anticipates potential adjustments prior to the introduction of the Long Bill related to the Teacher Recruitment Education and Preparation (TREP) Program. The amounts reconciled between the Department and Legislative Council Staff assume 138 TREP slots will be funded and accepted for FY 2024-25 – an increase of 35 percent from the current year. Staff's current recommendation (discussed in the Footnotes section of this document) would fund 250 slots for FY 2024-25. At a cost of \$10,244 per slot, increasing to 250 slots would add \$1,147,328 to the total cost anticipated in the current projection. If the slots remain unused, then the General Assembly will have an opportunity to true up those amounts at mid-year.

EVIDENCE LEVEL:

The Department classified this request as evidence-informed. Evidence-informed means that the program “reflects a moderate, supported, or promising level of confidence related to the effectiveness, ineffectiveness, or harmfulness as determined by an evaluation with a comparison group, multiple pre- and post-evaluations, or an equivalent measure.”¹ The Department provided multiple research citations indicating a link between increased funding and improved outcomes. The Department's objective is “to provide a better quality education for all Colorado students” and the Department intends to use standardized assessment scores, college entrance exams, the statewide six-year graduation rate, and the statewide matriculation rate as the measures.

While there are identifiable outputs related to school finance, and staff agrees that the cited research shows a correlation between funding and outcomes, the Department does not control districts' use of funds – or know which specific interventions/programs districts may use. Based on that, JBC staff disagrees that adding funding for school finance qualifies as an “intervention” that is intended to lead to a specific change with measurable outcomes. The local education providers will use this funding to support specific programs and interventions – but the Department does not control the use of those funds or know which interventions may be used. Thus, JBC staff has determined that, pursuant to S.B. 21-284, assignment of a level of evidence is not applicable to this request.

ANALYSIS:

CONTEXT AND ASSUMPTIONS: Current law requires the elimination of the budget stabilization factor for the 2024-25 fiscal year and ongoing. As a result, the Governor's request and staff recommendation differ only due to variables affected by forecast assumptions. Even with the increase in total program resulting from elimination of the BSF, LCS is forecasting a healthy balance in the State Education Fund through FY 2027-28. JBC staff's recommendations related to total program funding are based on Legislative Council Staff's December 2023 forecast and the January 2024 State Education Fund report².

¹ Sec. 2-3-210 (2)(a), C.R.S.

² https://leg.colorado.gov/sites/default/files/images/report_24_final.pdf

The SEF has accumulated a significant balance, as revenues (including income tax deposits and transfers to the fund) have exceeded expenditures every year since FY 2019-20. Similar to the dynamic with the General Fund, the General Assembly enacted deep reductions to SEF appropriations for FY 2020-21 but revenues came in well above expectations. In addition, the General Assembly has made a variety of other transfers to the fund, including \$290 million from the General Fund in FY 2022-23 and \$146 million from the General Fund that will occur on July 1, 2024.

Assessed values increased 24.6 percent in 2023, resulting in \$403 million more in property taxes for the local share of total program in FY 2023-24 than the prior year. LCS forecasts a 9.8 percent increase in the local share for FY 2024-25, which assumes the expiration of temporary property tax changes enacted by the General Assembly and does not attempt to incorporate hypothetical future policy changes. Local share growth is expected to be lower later in the forecast period, averaging 2.7 percent from FY 2025-26 through FY 2027-28.

Legislative Council Staff projections show FY 2023-24 ending with a balance of over \$1.5 billion in the SEF. The staff recommendations for the FY 2024-25 Long Bill, combined with the December 2023 LCS Forecast, anticipate the balance will be nearly unchanged at the end of FY 2024-25 before beginning a decline over the forecast period, as shown below.

LEGISLATIVE COUNCIL STAFF - SCHOOL FINANCE PROJECTIONS					
	FY 2023-24	FY 2024-25	FY 2025-26	FY 2026-27	FY 2027-28
Total Program <u>Before</u> BSF	\$9,315,274,917	\$9,695,757,246	\$9,856,840,252	\$10,049,843,267	\$10,236,595,409
BSF	(141,243,484)	0	0	0	0
Total Program <u>After</u> BSF	\$9,174,031,433	\$9,695,757,246	\$9,856,840,252	\$10,049,843,267	\$10,236,595,409
<i>Funded Pupil Count</i>	<i>859,783</i>	<i>850,310</i>	<i>845,164</i>	<i>839,876</i>	<i>833,804</i>
<i>Average Per Pupil Revenue</i>	<i>\$10,670</i>	<i>\$11,403</i>	<i>\$11,663</i>	<i>\$11,966</i>	<i>\$12,277</i>
Local Share of Funding	\$4,177,967,864	\$4,587,747,207	\$4,674,914,404	\$4,712,313,720	\$4,971,490,974
State Share of Funding	\$4,996,063,570	\$5,108,010,038	\$5,181,925,848	\$5,337,529,547	\$5,265,104,435
State Public School Fund	295,777,864	93,359,454	93,359,454	93,359,454	93,359,454
State Education Fund (SEF)	461,598,845	775,963,724	849,879,533	1,005,483,232	933,058,120
General Fund	4,238,686,861	4,238,686,861	4,238,686,861	4,238,686,861	4,238,686,861
SEF Beginning Balance	\$1,454,124,377	\$1,537,379,100	\$1,544,439,620	\$1,389,383,411	\$1,134,634,927
SEF Deposits					
Income taxes (LCS forecast)	1,062,200,000	1,100,100,000	1,167,000,000	1,235,918,269	1,308,906,570
Other transfers	0	146,000,000	0	0	0
Interest earnings	45,723,741	46,999,434	48,879,656	50,628,919	52,024,149
Total Deposits	\$1,107,923,741	\$1,293,099,434	\$1,215,879,656	\$1,286,547,188	\$1,360,930,719
SEF Expenditures					
School finance	\$461,598,845	\$775,963,724	\$849,879,533	\$1,005,483,232	\$933,058,120
Categorical programs	334,192,458	360,086,270	378,421,081	392,517,931	406,981,300
Other spending	228,877,715	149,988,920	142,635,251	143,294,508	143,966,951
Total Expenditures	\$1,024,669,018	\$1,286,038,914	\$1,370,935,865	\$1,541,295,671	\$1,484,006,371
SEF Ending Balance	\$1,537,379,100	\$1,544,439,620	\$1,389,383,411	\$1,134,634,927	\$1,011,559,275

UNCERTAINTY AND POTENTIAL RISK: Major assumptions and areas of divergence between the two forecasts include:

- *Local Revenues:* Given the upward pressure on total program, the anticipated increase in local revenues is a critical assumption. If those revenues do not materialize (as a result of either economic conditions or major tax policy changes) then there is a direct dollar-for-dollar impact on the state funds required to support total program funding. As with all components of the revenue forecast, uncertainty and risk increase in the out-years. The Governor's forecast is more conservative on local share estimates than LCS, primarily due to the assumption that additional property tax relief measures will be implemented, suppressing growth in local share. These differences lead to an \$806 million cumulative difference through the forecast period.
- *General Fund/State Education Fund Revenues:* Income and sales taxes drive General Fund collections; the SEF is entirely driven by the income tax. A significant recession would decrease revenues to both sources, and the resulting decline in State Education Fund collections would place additional pressure on the General Fund. The December 2023 forecasts of SEF revenue are similar for both agencies throughout the forecast period, with neither predicting a recession in the immediate future.
- *Pupil Counts and At-risk Counts:* Current projections anticipate a continued gradual decline in the funded pupil count; there is more uncertainty in the at-risk count. House Bill 22-1202 (At-risk Student Measure for School Finance) establishes a new at-risk measure for the formula that could increase the at-risk count. Implementation has already been delayed from FY 2023-24, and appears unlikely to happen in FY 2024-25. OSPB and LCS are predicting similar funded pupil counts through the forecast period, with differences in at-risk assumptions causing OPSB's estimated total program costs to exceed LCS estimates through the forecast period.
- *Policy Changes and Competing Priorities:* Staff's recommendations in this document are based on projections of costs under the current formula; changes to the formula will likely increase the required state share. The Governor's request sets aside \$100.0 million in FY 2024-25 as a placeholder for potential school finance formula reform. The request assumes a phase-out of \$20.0 million per year (to \$80.0 million in FY 2025-26 and \$60.0 million in FY 2026-27, etc.). That assumption would use a total of \$280.0 million of the SEF balance from FY 2024-25 through FY 2027-28.

Due to the combination of variables discussed above, OSPB is forecasting a much quicker depletion of the SEF balance than LCS. OSPB projections show an ending balance of \$150 million in FY 2027-28, compared to LCS's estimate of \$1.0 billion (shown in the previous table).

POLICY SCENARIOS FOR OTHER LEGISLATION: Staff assumes that any changes to the formula to implement the Public School Finance Task Force recommendations would be made in separate legislation. The estimated cost to implement all of the recommendations is \$473.9 million annually, plus an additional \$64.1 million annually for a "hold harmless" provision. Phasing the recommendations in over four years would require an additional \$118.5 million each year, plus an additional \$16.0 million each year for the "hold harmless" provision. The final S.B. 23-287 Public School Finance Task Force Report is available online³.

³ Final Task Force report: <https://www.cde.state.co.us/cdefinance/publicschoolfinancetaskforcereport>

Staff notes that the Governor’s request includes several assumptions that make the request more conservative than the scenarios that legislative staff have generated using the LCS forecast. Thus, staff suggests that the Governor’s request provides a useful comparison with a more conservative set of assumptions than the LCS forecast (higher at-risk counts, a placeholder for formula changes, and lower assessed value estimates).

→ R2/BA2 CATEGORICAL PROGRAMS INCREASE

REQUEST: 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. The request, based on the actual Denver-Aurora-Lakewood inflation rate for CY 2023 (5.2 percent), seeks an increase of \$25.9 million cash funds from the State Education Fund to support the required increase. The request proposes to allocate the increase among seven programs, with two major components:

- Allocate \$17.7 million to special education programs for children with disabilities; and
- The remainder (\$8.2 million) would be distributed to six other categorical programs using a method similar to previous years and as shown in the following table.

R2 REQUESTED INCREASES IN STATE FUNDING FOR CATEGORICAL PROGRAMS				
LONG BILL LINE ITEM	FY 2023-24 APPROPRIATION	FY 2024-25 REQUEST	CHANGE IN STATE FUNDING	PERCENT CHANGE
Special Education - Children with Disabilities	\$340,858,304	\$358,582,936	\$17,724,632	5.2%
English Language Proficiency Program	31,294,098	34,602,428	3,308,330	10.6%
Public School Transportation	68,379,237	71,356,841	2,977,604	4.4%
Career and Technical Education Programs	30,514,944	31,993,182	1,478,238	4.8%
Special Education - Gifted and Talented Children	14,677,532	15,083,387	405,855	2.8%
Expelled and At-risk Student Services Grant Program	9,499,542	9,492,426	(7,116)	-0.1%
Small Attendance Center Aid	1,599,991	1,604,359	4,368	0.3%
Comprehensive Health Education	1,134,284	1,136,185	1,901	0.2%
Total	\$497,957,932	\$523,851,744	\$25,893,812	5.2%

RECOMMENDATION: The Constitution requires an increase of at least \$25,893,812 for categorical programs in FY 2024-25; staff recommends appropriating the additional funds from the State Education Fund in the FY 2024-25 Long Bill. The recommendation differs from the request in that staff recommends allocating the entire \$25.9 million increase to special education for children with disabilities based on the General Assembly’s stated intent to fully fund special education pursuant to Section 22-20-114 (1)(c)(III)(D), C.R.S.

ANALYSIS:

Background - Constitutional Funding Requirement: 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.

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 \$355.8 million. In certain fiscal years (including FY 2022-23 and FY 2023-24), the General Assembly elected to increase state funding by more than the minimum, constitutionally-required amount, resulting in appropriations that are now \$216.4 million higher than the minimum amount that would have otherwise been required.

INCREASES IN STATE FUNDING FOR CATEGORICAL PROGRAMS SINCE FY 2000-01				
LONG BILL LINE ITEM	FY 2000-01 APPROPRIATION	FY 2023-24 APPROPRIATION	TOTAL INCREASE IN APPROPRIATED STATE FUNDS	
Special Education - Children with Disabilities	\$71,510,773	\$340,858,304	\$269,347,531	376.7%
English Language Proficiency Program	3,101,598	31,294,098	28,192,500	909.0%
Public School Transportation	36,922,227	68,379,237	31,457,010	85.2%
Career and Technical Education Programs	17,792,850	30,514,944	12,722,094	71.5%
Special Education - Gifted and Talented Children	5,500,000	14,677,532	9,177,532	166.9%
Expelled and At-risk Student Services Grant Program	5,788,807	9,499,542	3,710,735	64.1%
Small Attendance Center Aid	948,140	1,599,991	651,851	68.8%
Comprehensive Health Education	600,000	1,134,284	534,284	89.0%
Total	\$142,164,395	\$497,957,932	\$355,793,537	250.3%

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]. Staff's recommendations for this section maintain \$163,765,474 in General Fund appropriations to comply with this requirement. 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 (appropriated in S.B. 19-246 (School Finance)).

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.

Staff's analysis of R2/BA2 summarizes the staff recommendation for how to distribute the required inflationary increase for FY 2024-25. A more detailed description of each categorical program line item, including a description of the funds available -- other than state funds -- can be found in the Line Item Detail section for categorical programs.

Allocation of Required Funding Increase for FY 2024-25: As noted above, the Constitution requires the General Assembly to increase total state funding for all categorical programs annually by at least the rate of inflation (based on the change in the Denver-Aurora-Lakewood Consumer Price Index for calendar year 2023) for FY 2024-25. Based on the actual change in the CPI for CY 2023 (5.2 percent), the Constitution requires, and staff recommends, adding a total of \$25,893,812 state funds for FY 2024-25. Consistent with prior years, staff recommends appropriating the increase from the State Education Fund.

In most recent years, staff and the Department have used similar mechanisms to allocate the Constitutionally-required increases among categorical line items, with increases 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. For illustrative purposes and the Committee's consideration, staff has included Table C on page 15 to show how that model would allocate the increase for FY 2024-25.

Section 22-20-114 (1)(c)(III)(D), C.R.S., added by S.B. 22-127 (Special Education Funding), states the General Assembly's intent to fully fund special education services beginning with the FY 2023-24 budget year. Special education funding for FY 2024-25 will be distributed based on the Special Education December Count data from December 2023, which is finalized in the spring of 2024. The Department does not have final data at this time, but estimates an increase of \$30.3 million from the FY 2023-24 appropriation would be required to fully fund special education. Staff therefore recommends putting the entire \$25.9 million Amendment 23 increase toward this purpose; this would result in an estimated \$4.4 million shortfall if the General Assembly does not appropriate funds in excess of the required Amendment 23 increase. The Department expects to have the final data for FY 2024-25 available prior to Long Bill introduction.

The following pages include three tables associated with categorical funding.

- Table A shows the gap between state and federal funding and actual local expenditures in FY 2021-22 (the most recent year for which the necessary data are available).
- Table B shows the gap between FY 2021-22 funding levels and "full funding" for the programs with statutory formulas for that year.
- Table C shows the "standard" allocation model, the allocation requested by the Department, the recommendation, and an alternate option.

TABLE A: CATEGORICAL PROGRAM REVENUES AND EXPENDITURES: FY 2021-22

Long Bill Line Item	(a) State Funds	(b) Federal Funds	(c) = (a) + (b) Total State and Federal Funds	(d) Total District Expenditures	(e) = (c)/(d) State/Federal Share of Expenditures	(f) = (d) - (c) Local Share of Expenditures
District Programs Required by Statute						
Special Education - Children with Disabilities ^a	\$261,860,118	\$160,427,989	\$422,288,108	\$1,218,403,808	34.7%	\$796,115,701
English Language Proficiency Program ^b	66,104,752	9,566,793	75,671,545	292,088,445	25.9%	216,416,900
Other Categorical Programs						
Public School Transportation	63,390,893	0	63,390,893	258,173,127	24.6%	194,782,233
Career and Technical Education	28,244,361	6,820,588	35,064,949	131,764,984	26.6%	96,700,035
Special Education - Gifted and Talented Children	12,386,862	0	12,386,862	38,936,186	31.8%	26,549,324
TOTAL	\$431,986,986	\$176,815,371	\$608,802,357	\$1,939,366,551		\$1,330,564,193

^a State funding includes Public School Finance Act funding for preschool children with disabilities.

^b State funds include funding through the English Language Learner factor included in the total program calculation (net of the budget stabilization factor).

TABLE B: MAXIMUM AMOUNT OF STATE FUNDS DISTRICTS WERE STATUTORILY ELIGIBLE TO RECEIVE FOR FY 2022-23

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 Statute					
Special Education - Children With Disabilities ^a	Driven by the number of children requiring special education services, characteristics of the children eligible for such services, and the cost of such services	\$300,518,566	\$334,306,500	89.9%	\$33,787,934
English Language Proficiency Program ^b	Driven by the number of eligible students and statewide average per pupil operating revenue	25,257,335	112,955,663	22.4%	87,698,328
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)	66,864,800	109,279,153	61.2%	42,414,352
Colorado Vocational Distributions Act	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	28,644,361	33,306,946	86.0%	4,662,585
Small Attendance Center Aid	Driven by the number of eligible schools, such schools' enrollment, and eligible districts' per pupil funding	1,314,250	1,599,991	82.1%	285,741
TOTAL					\$168,848,939

^a The estimated increase to fund the statutory maximum for special education for children with disabilities in FY 2022-23 is based on the following: \$189,533,750 for Tier A (\$1,750 for each student with disabilities); \$143,888,000 for Tier B (assuming districts received \$6,000 per student for 100 percent of the 23,898 students with specified disabilities, rather than for 72.0 percent for these students); \$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.

^b The State funds provided for the English Language Proficiency Program in FY 2021-22 only reflect categorical program funding amounts. They do *not* include amounts in the school finance formula associated with the English language learners (ELL) factor added to the formula through S.B. 21-268 (School Finance).

TABLE C: OPTIONS FOR THE ALLOCATION OF THE INCREASE IN STATE FUNDING FOR CATEGORICAL PROGRAMS IN FY 2024-25

Long Bill Line Item	FY 23-24 Appropriation	EXAMPLES OF OPTIONS FOR ALLOCATING REQUIRED INCREASE							
		A: Standard Model	%	B: Dept. Request	%	C: Other	%	D: Staff Rec	%
Special education programs for children with disabilities	\$340,858,304	\$15,493,029	4.5%	\$17,724,632	5.2%	\$17,724,632	5.2%	\$25,893,812	7.6%
English language proficiency programs	31,294,098	4,211,641	13.5%	3,308,330	10.6%	1,764,717	5.6%	0	0.0%
Public school transportation	68,379,237	3,790,613	5.5%	2,977,604	4.4%	3,855,998	5.6%	0	0.0%
Career and technical education	30,514,944	1,881,858	6.2%	1,478,238	4.8%	1,720,779	5.6%	0	0.0%
Special education programs for gifted & talented children	14,677,532	516,670	3.5%	405,855	2.8%	827,686	5.6%	0	0.0%
Expelled and at-risk student services grant program	9,499,542	0	0.0%	(7,116)	-0.1%	0	0.0%	0	0.0%
Small attendance center aid	1,599,991	0	0.0%	4,368	0.3%	0	0.0%	0	0.0%
Comprehensive health education	1,134,284	0	0.0%	1,901	0.2%	0	0.0%	0	0.0%
Totals	\$497,957,932	\$25,893,812	5.2%	\$25,893,812	5.2%	\$25,893,812	5.2%	\$25,893,812	5.2%

Description of Potential Allocation Options

A: Standard model based on state and federal funding compared to actual district expenditures in FY 2021-22.

B: Department request.

C: Increase special education programs for children with disabilities by 5.2 percent and provide an equal percentage increase to English language proficiency programs, public school transportation, career and technical education, and special education programs for gifted and talented children.

D: Staff recommendation; allocate the entire required inflationary increase to special education.

→ R5 SCHOOL FINANCE SYSTEM MODERNIZATION

REQUEST:

The Department requests a one-time increase of \$200,000 General Fund to hire an independent contractor to evaluate the feasibility and estimate the cost of modernizing the State Equal and Audit modules of the Department's School Finance System. The Department anticipates that the results of the study will result in a FY 2025-26 IT capital request to develop a new system.

RECOMMENDATION:

Staff recommends approving the request.

ANALYSIS:

The Department's School Finance System has been in place since 2014 and includes three modules:

- 1) State Equal, to calculate funding by district;
- 2) Audit, to determine funding adjustments identified through pupil count audits; and
- 3) Transportation, to perform basic calculations of transportation funding.

The State Equal and Audit modules rely heavily on spreadsheet uploads rather than database querying and are extremely prone to human error. Recent changes to school finance funding such as the transition to full-day kindergarten, inclusion of the English language learner factor, and changes to extended high school programs have highlighted the inadequacies of this system. Transportation funding has not been altered in recent years and this portion of the system is stable for the time being.

The School Finance System is essentially functioning as a reporting system, as the majority of the calculations are being done in spreadsheets and uploaded into the system. In addition to exposure to human error, the expertise to maintain and work within the System is concentrated among three specific employees. The departure of any one of those employees would be catastrophic to school finance operations at the Department.

The State Equal system is inflexible and does not allow for simple changes such as adjusting the amount of funding received by a district to-date or calculating payments in anything other than twelve equal installments. Adjustments made within the State Equal module to account for formula and other policy changes don't automatically flow through to the Audit portion of the system. The Audit system is plagued with issues comparing across years with major policy changes, such as the switch to full-day kindergarten. Additionally, the system does not connect to Data Pipeline, which is what districts use to upload count data and send it to the Department's data storage warehouse. The count data is downloaded by a CDE employee, put into another system that performs a series of crosswalks, and then uploaded to the School Finance System.

The School Finance System is not functioning as originally envisioned and has resulted in a precarious situation for accurately calculating school finance payments and auditing prior years. The implementation of the new at-risk measure or formula recommendations from the Public School Finance Task Force are certain to pose significant challenges for the Department. Given the complexity of the school finance formula and the sheer amount of money being accounted for, JBC staff recommends approval of this request and strongly supports the Department receiving future funding for a state of the art system that can be developed and implemented as quickly as possible.

→ BA3 AT-RISK SUPPLEMENTAL AID

REQUEST:

The request includes an increase of \$1.0 million cash funds from the State Public School Fund to support an estimated increase in at-risk supplemental aid payments due to a correction in the way the Department has historically calculated the payments. The Committee approved an FY 2023-24 supplemental increase of the same amount.

RECOMMENDATION:

Staff recommends approving the request, bringing the total appropriation for At-risk Supplemental Aid to \$5,844,358 cash funds from the State Public School Fund.

ANALYSIS:

The requested increase stems from an error in the way the Department has historically calculated the payments. House Bill 12-1345 created a program to provide supplemental aid to qualifying school districts and charter schools in three specific sets of circumstances:

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.

After being contacted by the Adams 12 district concerning a specific charter school, the Department discovered it had been erroneously excluding some districts and charter schools from the calculations since FY 2013-14 due to districts/schools crossing back-and-forth over the 40 percent threshold. After consulting with the Attorney General's Office, the Department determined that affected districts should be compensated for errors in the previous four years at a cost of \$1.6 million, which was approved as a supplemental request.

The supplemental request and corresponding budget amendment estimate that an increase of \$1.0 million in the At-risk Supplemental Aid line would be sufficient to cover the accurately calculated payments in FY 2023-24 and later years. The appropriation for this line item has been set at \$4.8 million since FY 2021-22, and the Department spent 96.7 percent and 84.2 percent of the appropriation in FY 2021-22 and FY 2022-23, respectively. The General Assembly is required to appropriate funds for this purpose, but Section 22-30.5-112.2 (3) allows the Department to prorate the payments if the appropriation is insufficient. It has been the General Assembly's intent to fully fund the statutory calculations through this appropriation since FY 2014-15, therefore, staff does not recommend allowing a potential proration scenario to occur.

LINE ITEM DETAIL - ASSISTANCE TO PUBLIC SCHOOLS

(A) PUBLIC SCHOOL FINANCE

ADMINISTRATION

This line item includes funding to support Department staff who administer the School Finance Act, the Colorado Preschool Program, and full-day kindergarten programs. This unit oversees the Financial Policy and Procedures Advisory Committee, and provides technical assistance to school districts related to preschool and full-day kindergarten programs, as well as statutory and regulatory budgetary, accounting, and reporting requirements. This unit works with the State Treasurer's Office to intercept charter school debt payments, and with the Department of Human Services to withhold School to Work Alliance Program matching funds for vocational rehabilitation. This unit also distributes funding for other programs, including facility school funding, transportation reimbursements, small attendance center aid, grant writing funds for boards of cooperative services, and concurrent enrollment funding.

This line item also supports an audit team to ensure compliance related to funds that districts receive for school finance, public school transportation, and English language proficiency programs, as well as funds that facility schools and state agencies receive for education programs.

As authorized by S.B. 09-215, this line item was funded with "off-the-top" funding from the State Share of Districts' Total Program Funding from FY 2009-10 through FY 2020-21. This funding mechanism was reinstated in 2009 to reduce General Fund expenditures and maintain critical Department functions. However, for FY 2021-22, the General Assembly transitioned back to supporting the line item with direct appropriations from the General Fund, in addition to a smaller appropriation from the State Education Fund. As a result, school finance administration is no longer holding funds back from distribution to school districts through the school finance formula.

STATUTORY AUTHORITY: Sections 22-2-112, 22-2-113, and 22-54-114 (2.3), C.R.S.

REQUEST: The Department requests an appropriation of \$2,071,835 total funds, including \$1.9 million General Fund and \$134,362 cash funds from the State Education Fund, and 14.7 FTE for FY 2024-25. The request includes an increase for R5 School Finance Modernization System, as discussed earlier in this document, and the annualization of prior year legislation and budget actions.

RECOMMENDATION: **Staff recommends approving the request.**

SCHOOL DISTRICT OPERATIONS, PUBLIC SCHOOL FINANCE, ADMINISTRATION						
	TOTAL FUNDS	GENERAL FUND	CASH FUNDS	REAPPROPRIATED FUNDS	FEDERAL FUNDS	FTE
FY 2023-24 APPROPRIATION						
SB 23-214 (Long Bill)	\$1,739,953	\$1,641,761	\$98,192	\$0	\$0	14.3
Other legislation	10,503,938	95,313	10,408,625	0	0	1.2
HB 24-1183 (Supplemental)	2,800,000	0	2,800,000	0	0	0.0
TOTAL	\$15,043,891	\$1,737,074	\$13,306,817	\$0	\$0	15.5
FY 2024-25 RECOMMENDED APPROPRIATION						
FY 2023-24 Appropriation	\$15,043,891	\$1,737,074	\$13,306,817	\$0	\$0	15.5
R5 School finance system modernization	200,000	200,000	0	0	0	0.0

SCHOOL DISTRICT OPERATIONS, PUBLIC SCHOOL FINANCE, ADMINISTRATION						
	TOTAL FUNDS	GENERAL FUND	CASH FUNDS	REAPPROPRIATED FUNDS	FEDERAL FUNDS	FTE
Annualize prior year legislation	(10,477,155)	(95,313)	(10,381,842)	0	0	(0.9)
Annualize prior year budget actions	(2,694,901)	95,712	(2,790,613)	0	0	0.1
TOTAL	\$2,071,835	\$1,937,473	\$134,362	\$0	\$0	14.7
INCREASE/(DECREASE)	(\$12,972,056)	\$200,399	(\$13,172,455)	\$0	\$0	(0.8)
Percentage Change	(86.2%)	11.5%	(99.0%)	n/a	n/a	(5.2%)
FY 2024-25 EXECUTIVE REQUEST	\$2,071,835	\$1,937,473	\$134,362	\$0	\$0	14.7
Request Above/(Below) Recommendation	\$0	\$0	\$0	\$0	\$0	(0.0)

FINANCIAL TRANSPARENCY SYSTEM MAINTENANCE

The General Assembly added this line item to the FY 2018-19 Long Bill to support the ongoing maintenance of the financial transparency system authorized in H.B. 14-1292 (Student Success Act). The original legislation transferred \$3.0 million cash funds from the State Education Fund to the newly created Financial Reporting Fund and continuously appropriated those funds to the Department for FY 2014-15 through FY 2017-18 to create a financial transparency system allowing for the comparison of expenditures across schools, districts, and other local education providers. Money remaining in the Financial Reporting Fund (\$1.1 million at the end of FY 2017-18 and an estimated \$492,507 at the end of FY 2018-19) is subject to legislative appropriation in FY 2018-19 and subsequent years. The Final Fiscal Note for H.B. 14-1292 assumes ongoing expenses of \$600,000 per year to maintain the system. For FY 2020-21, the General Assembly reduced the appropriation to \$462,000 total funds based on revised contract information.

For FY 2021-22, the General Assembly approved the Department’s request to reduce funding for this line item and operate and maintain the system “in house” rather than contracting for the operation and maintenance of the system. The appropriation has only changed to account for salary increases since FY 2021-22.

STATUTORY AUTHORITY: Sections 22-44-105, C.R.S.

REQUEST: The Department requests \$92,786 cash funds from the State Education Fund for FY 2024-25, including an increase of \$3,614 to annualize FY 2023-24 salary increases.

RECOMMENDATION: **Staff recommends approving the request.**

SCHOOL DISTRICT OPERATIONS, PUBLIC SCHOOL FINANCE, FINANCIAL TRANSPARENCY SYSTEM MAINTENANCE						
	TOTAL FUNDS	GENERAL FUND	CASH FUNDS	REAPPROPRIATED FUNDS	FEDERAL FUNDS	FTE
FY 2023-24 APPROPRIATION						
SB 23-214 (Long Bill)	\$89,172	\$0	\$89,172	\$0	\$0	1.0
TOTAL	\$89,172	\$0	\$89,172	\$0	\$0	1.0
FY 2024-25 RECOMMENDED APPROPRIATION						
FY 2023-24 Appropriation	\$89,172	\$0	\$89,172	\$0	\$0	1.0
Annualize prior year budget actions	3,614	0	3,614	0	0	0.0
TOTAL	\$92,786	\$0	\$92,786	\$0	\$0	1.0

INCREASE/(DECREASE)	\$3,614	\$0	\$3,614	\$0	\$0	0.0
Percentage Change	4.1%	n/a	4.1%	n/a	n/a	n/a
FY 2024-25 EXECUTIVE REQUEST	\$92,786	\$0	\$92,786	\$0	\$0	1.0
Request Above/(Below) Recommendation	\$0	\$0	\$0	\$0	\$0	0.0

STATE SHARE OF DISTRICTS' TOTAL PROGRAM FUNDING

The State Share of Districts' Total Program Funding line item provides for the State's share of funding under the statutory school finance formula; the appropriation does not reflect the local share of funding. The recommendation for this line item is discussed in R1/BA1 (State Share of Total Program) beginning on page 5 of this document.

STATUTORY AUTHORITY: Section 22-54-101, et seq., C.R.S.

REQUEST: The Department's request for the state share of districts' total program funding for FY 2024-25 eliminates the budget stabilization factor pursuant to Section 22-54-104 (5)(g)(II.7), C.R.S. The following table shows the FY 2023-24 appropriation (as adjusted by the mid-year school finance bill), the Governor's proposed fund sources for FY 2024-25, and the requested change from the FY 2023-24 appropriation. The numbers below are based on OSPB's 2023 December forecast and updated from the S1/BA1 January 16th request to include final 2023 assessed value data and incorporate changes made in H.B. 24-1207 (Adjustments to School Funding Budget Year 2023-24).

OSPB REQUESTED FUND SOURCES FOR STATE SHARE OF DISTRICTS' TOTAL PROGRAM			
	FY 2023-24 APPROPRIATION (ADJUSTED)	FY 2024-25 REQUEST	ANNUAL CHANGE
Local Share	\$4,177,967,864	\$4,335,644,693	\$157,676,829
State Share	\$4,996,063,570	\$5,356,843,858	\$360,780,288
General Fund	4,238,686,861	4,263,686,861	25,000,000
Cash Funds - State Education Fund	461,598,845	1,001,404,153	539,805,308
Cash Funds - State Public School Fund	295,777,864	91,752,844	(204,025,020)
Total Program	\$9,174,031,434	\$9,692,488,551	\$518,457,117

RECOMMENDATION: Because current law requires the elimination of the budget stabilization factor for FY 2024-25, the entire appropriation for the state share of district's total program funding can be allocated in the Long Bill. Staff recommendation compared to FY 2023-24 appropriations and by fund source is shown below.

STAFF RECOMMENDED FUND SOURCES FOR STATE SHARE OF DISTRICTS' TOTAL PROGRAM			
	FY 2023-24 APPROPRIATION (ADJUSTED)	FY 2024-25 REQUEST	ANNUAL CHANGE
Local Share	\$4,177,967,864	\$4,587,747,207	\$409,779,343
State Share	\$4,996,063,570	\$5,108,010,039	\$111,946,469
General Fund	4,238,686,861	4,238,686,861	0
Cash Funds - State Education Fund	461,598,845	775,963,724	314,364,879
Cash Funds - State Public School Fund	295,777,864	93,359,454	(202,418,410)
Total Program	\$9,174,031,434	\$9,695,757,246	\$521,725,812

SCHOOL DISTRICT OPERATIONS, PUBLIC SCHOOL FINANCE, STATE SHARE OF DISTRICTS' TOTAL PROGRAM FUNDING						
	TOTAL FUNDS	GENERAL FUND	CASH FUNDS	REAPPROPRIATED FUNDS	FEDERAL FUNDS	FTE
FY 2023-24 APPROPRIATION						
SB 23-214 (Long Bill)	\$4,831,538,341	\$4,238,686,861	\$592,851,480	\$0	\$0	0.0
Other legislation	164,525,229	0	164,525,229	0	0	0.0
TOTAL	\$4,996,063,570	\$4,238,686,861	\$757,376,709	\$0	\$0	0.0
FY 2024-25 RECOMMENDED APPROPRIATION						
FY 2023-24 Appropriation	\$4,996,063,570	\$4,238,686,861	\$757,376,709	\$0	\$0	0.0
R1/BA1 State share of total program	111,946,468	0	111,946,468	0	0	0.0
TOTAL	\$5,108,010,038	\$4,238,686,861	\$869,323,177	\$0	\$0	0.0
INCREASE/(DECREASE)	\$111,946,468	\$0	\$111,946,468	\$0	\$0	0.0
Percentage Change	2.2%	0.0%	14.8%	n/a	n/a	n/a
FY 2024-25 EXECUTIVE REQUEST	\$5,370,809,149	\$4,263,686,861	\$1,107,122,288	\$0	\$0	0.0
Request Above/(Below) Recommendation	\$262,799,111	\$25,000,000	\$237,799,111	\$0	\$0	0.0

SCHOOL FINANCE AUDIT PAYMENTS

The General Assembly added this line item to the FY 2021-22 Long Bill to support audit payments to school districts pursuant to Sec. 22-2-113 (1)(j), C.R.S. The Department makes these payments to make up for previous underpayments to school districts and schools that are discovered through the audit process. Prior to FY 2020-21, the Department had made audit payments *to* districts from audit revenues collected *from* districts and deposited to the State Public School Fund. The payments out to districts were not specifically appropriated and were effectively off budget. However, in FY 2020-21, the anticipated payments exceeded anticipated revenues, requiring an additional appropriation which the General Assembly included in the annual school finance bill (H.B. 20-1418). The Department requested the creation of the new Long Bill line item for FY 2021-22 to reflect anticipated audit payments on a more transparent basis.

STATUTORY AUTHORITY: Section 22-2-113 (1)(j), C.R.S.

REQUEST: The Department requests an appropriation of \$3.0 million cash funds from the State Public School Fund.

RECOMMENDATION: **Staff recommends approving the request.** Staff notes that the Department has reported significant fluctuations in audit payments in recent years, including a one-time increase of \$3.7 million above the existing appropriation provided through the FY 2023-24 supplemental process.

SCHOOL DISTRICT OPERATIONS, PUBLIC SCHOOL FINANCE, SCHOOL FINANCE AUDIT PAYMENTS						
	TOTAL FUNDS	GENERAL FUND	CASH FUNDS	REAPPROPRIATED FUNDS	FEDERAL FUNDS	FTE
FY 2023-24 APPROPRIATION						
SB 23-214 (Long Bill)	\$3,000,000	\$0	\$3,000,000	\$0	\$0	0.0
HB 24-1183 (Supplemental)	3,653,150	0	3,653,150	0	0	0.0

SCHOOL DISTRICT OPERATIONS, PUBLIC SCHOOL FINANCE, SCHOOL FINANCE AUDIT PAYMENTS						
	TOTAL FUNDS	GENERAL FUND	CASH FUNDS	REAPPROPRIATED FUNDS	FEDERAL FUNDS	FTE
TOTAL	\$6,653,150	\$0	\$6,653,150	\$0	\$0	0.0
FY 2024-25 RECOMMENDED APPROPRIATION						
FY 2023-24 Appropriation	\$6,653,150	\$0	\$6,653,150	\$0	\$0	0.0
Annualize prior year budget actions	(3,653,150)	0	(3,653,150)	0	0	0.0
TOTAL	\$3,000,000	\$0	\$3,000,000	\$0	\$0	0.0
INCREASE/(DECREASE)	(\$3,653,150)	\$0	(\$3,653,150)	\$0	\$0	0.0
Percentage Change	(54.9%)	n/a	(54.9%)	n/a	n/a	n/a
FY 2024-25 EXECUTIVE REQUEST	\$3,000,000	\$0	\$3,000,000	\$0	\$0	0.0
Request Above/(Below) Recommendation	\$0	\$0	\$0	\$0	\$0	0.0

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 (see Section 22-41-102 (3) (e), C.R.S.) and dedicated that funding to the At-risk Per Pupil Additional Funding program beginning in FY 2015-16. The bill sets the \$5.0 million level of funding in statute and directs the General Assembly to appropriate that amount of funding for the program each year beginning in FY 2015-16.

STATUTORY AUTHORITY: Section 22-54-136, C.R.S.

REQUEST: The Department requests a continuation appropriation of \$5.0 million cash funds from the State Public School Fund (from interest and income earned on the Permanent Fund that is transferred to the State Public School Fund), with no change from the FY 2023-24 appropriation and as required by current statute.

RECOMMENDATION: **Staff recommends approving the request**, which is consistent with current law as enacted in S.B. 15-267. That bill permanently increased transfers of interest and income earned on the Permanent Fund to the State Public School Fund and directs that the funds be used for this program.

AT-RISK SUPPLEMENTAL AID

House Bill 12-1345 created a program to provide supplemental aid to qualifying school districts and charter schools. The bill provided an appropriation of \$3,839,627 cash funds from the State Education Fund in FY 2012-13. The Committee added this line item to the FY 2013-14 Long Bill and appropriated the same amount as in FY 2012-13. In FY 2014-15, the General Assembly increased the appropriation to \$5,094,358 cash funds from the State Education Fund 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 by \$1.0 million in FY 2023-24.

STATUTORY AUTHORITY: Section 22-30.5-112.2, C.R.S.

REQUEST: The Department requests \$5,844,358 cash funds from the State Public School Fund, including an increase of \$1.0 million as described in BA3 earlier in this document.

RECOMMENDATION: **Staff recommends approving the request, including the increase discussed in BA3.**

SCHOOL DISTRICT OPERATIONS, PUBLIC SCHOOL FINANCE, AT-RISK SUPPLEMENTAL AID						
	TOTAL FUNDS	GENERAL FUND	CASH FUNDS	REAPPROPRIATED FUNDS	FEDERAL FUNDS	FTE
FY 2023-24 APPROPRIATION						
SB 23-214 (Long Bill)	\$4,844,358	\$0	\$4,844,358	\$0	\$0	0.0
HB 24-1183 (Supplemental)	1,000,000	0	1,000,000	0	0	0.0
TOTAL	\$5,844,358	\$0	\$5,844,358	\$0	\$0	0.0
FY 2024-25 RECOMMENDED APPROPRIATION						
FY 2023-24 Appropriation	\$5,844,358	\$0	\$5,844,358	\$0	\$0	0.0
BA3 At-risk aid and audit payments	1,000,000	0	1,000,000	0	0	0.0
Annualize prior year budget actions	(1,000,000)	0	(1,000,000)	0	0	0.0
TOTAL	\$5,844,358	\$0	\$5,844,358	\$0	\$0	0.0
INCREASE/(DECREASE)	\$0	\$0	\$0	\$0	\$0	0.0
Percentage Change	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
FY 2024-25 EXECUTIVE REQUEST	\$5,844,358	\$0	\$5,844,358	\$0	\$0	0.0
Request Above/(Below) Recommendation	\$0	n/a	\$0	n/a	n/a	n/a

DISTRICT PER PUPIL REIMBURSEMENT FOR JUVENILES HELD IN JAIL

Section 22-32-141, C.R.S., enacted as S.B. 10-054, requires the General Assembly to appropriate moneys to reimburse school districts for educational services provided to juveniles held in jails. This act authorized the appropriation of moneys from the Read-to-Achieve Cash Fund for such purpose. The enactment of H.B. 12-1238 (Early Literacy) eliminated the Read-to-Achieve Cash Fund and supported this line item with cash funds from the State Education Fund in FY 2012-13 and subsequent years.

This line item has historically provided funding for two types of expenses:

- Funding for all juveniles receiving educational services in jail (whether or not they were included in a district's pupil enrollment): The district providing educational services receives the daily rate established for facility schools for each day of service (recognizing that they are only required to provide four hours of educational services per week).

- Funding for juveniles who were not included in a district's pupil enrollment: The district providing educational services can receive reimbursement for costs incurred up to state average per pupil revenue, prorated for the period services are provided.

STATUTORY AUTHORITY: Section 22-32-141, C.R.S.

REQUEST: The Department requests a continuation appropriation of \$10,000 cash funds from the State Education Fund, with no change from the FY 2023-24 appropriation.

RECOMMENDATION: **Staff recommends approving the request.** Staff notes that the appropriation has not been used in recent years and may well not be necessary. However, current law requires the Department to provide reimbursement if requested and the General Assembly has maintained the appropriation for that reason.

ADDITIONAL FUNDING FOR RURAL DISTRICTS AND INSTITUTE CHARTER SCHOOLS

The General Assembly added this line item to the FY 2021-22 Long Bill to support additional per pupil payments to rural school districts and institute charter schools pursuant to H.B. 20-1427 (Cigarette Tobacco & Nicotine Products Tax) and Proposition EE (adopted by the voters at the November 2020 election). H.B. 20-1427 required distributions of \$25.0 million, \$30.0 million, and \$35.0 million in FY 2020-21, FY 2021-22, and FY 2022-23, respectively. S.B. 23-287 (Public School Finance) appropriated \$30.0 million from the State Education Fund for this purpose.

Similar to “one-time” distributions provided in FY 2018-19 and FY 2019-20, the H.B. 20-1427 and S.B. 23-287 directed per pupil distributions to rural school districts and institute charter schools on the following basis:

- 55.0 percent of the total funding is distributed to large rural districts (districts that the Department has identified as rural that have between 1,000 and 6,500 pupils in kindergarten through 12th grade) and to institute charter schools located in those districts.
- 45.0 percent of the total funding is distributed to small rural districts (districts that the Department has identified as rural that have less than 1,000 pupils in kindergarten through 12th grade). Although it is less than half of the total funds, the per pupil distributions for these districts are higher because that amount of funding is applied to a smaller number of pupils.

STATUTORY AUTHORITY: Section 22-54-145, C.R.S.

REQUEST: The Department did not request any funds for this purpose.

RECOMMENDATION: **Staff recommends approving the request.** If the General Assembly wishes to continue to provide this funding in FY 2024-25 then staff recommends doing so through separate legislation.

MILL LEVY OVERRIDE MATCHING PURSUANT TO SEC. 22-54-107.9, C.R.S.

The request includes a line item to support the mill levy override matching program created in S.B. 22-202 (State Match for Mill Levy Override Revenue), which transferred \$10.0 million from the General Fund to the Mill Levy Override Match Fund and made a corresponding appropriation. S.B.

23-287 (Public School Finance) transferred \$23.4 million (the estimated cost to fully fund the program) from the State Education Fund to the Mill Levy Override Match Fund and made a corresponding appropriation for FY 2023-24.

STATUTORY AUTHORITY: Section 22-54-107.9, C.R.S.

REQUEST: The request includes a continuation appropriation of \$23.4 million cash funds from the Mill Levy Override Match Fund for FY 2024-25, with no change from the FY 2023-24 appropriation. The request is for an appropriation from the Mill Levy Override Match Fund with no source of revenue into the Fund identified.

RECOMMENDATION: As discussed in the “Major Changes from the Request” section, **staff does not recommend funding** the mill levy override matching program in the Long Bill. Current forecasts from Legislative Council Staff estimate the cost to fully fund the program in FY 2024-25 at \$15.7 million. The actual cost of the program in FY 2023-24 is \$2.2 million lower than appropriated, which will remain in the Fund at the close FY 2023-24. Therefore, a \$13.5 million transfer from the General Fund or State Education Fund would be needed to fully fund the program in FY 2024-25, which would need to occur through separate legislation along with any other changes to the program that the General Assembly may wish to implement.

(B) CATEGORICAL PROGRAMS

(I) DISTRICT PROGRAMS REQUIRED BY STATUTE

SPECIAL EDUCATION PROGRAMS FOR CHILDREN WITH DISABILITIES

The federal *Individuals with Disabilities Education Act (IDEA)* and the state *Exceptional Children's Educational Act* [Article 20 of Title 22, C.R.S.] require school districts to provide free educational services to children, ages three to 21, who by reason of one or more conditions are unable to receive reasonable benefit from ordinary educational services. Districts are also required to provide free educational services to children "whose presence in the ordinary educational program is detrimental to the education of others and who must therefore receive modified or supplementary assistance and services in order to function and learn". Services provided must be individualized and appropriate for the specific needs of the child, and, to the extent possible, be provided in the least restrictive environment. Federal and state law require administrative units (usually a school district or a board of cooperative service) to provide all necessary services to children identified as having a disability regardless of the cost or other district needs and priorities.

In addition to total program funds districts receive to provide educational services to children with disabilities, districts are statutorily eligible to receive reimbursement for additional costs incurred in providing educational services to school-age children with disabilities. These reimbursements include federal funding and state funding (subject to available appropriations). Federal funds are generally allocated based on the total number of elementary and secondary students within the boundaries of each administrative unit, with a portion of the funding allocated based on the number of children living in poverty.

Pursuant to Sections 22-20-114 and 114.5, C.R.S., the Department allocates *state funds* among units as follows:

- **"Tier A":** Administrative units receive \$1,750 for each child with a disability who was reported on the prior year special education count. Senate Bill 22-127 (Special Education Funding) increased Tier A funding from \$1,250 to \$1,750 per student beginning in FY 2022-23. In addition, that bill requires Tier A funding to increase annually based on inflation beginning in FY 2024-25. Thus, for FY 2024-25, districts will receive \$1,841 per identified student.
- **"Tier B":** Administrative units receive an additional \$6,000 per student for a percentage of the children reported on the prior year special education count with the following disabilities: intellectual disability; serious emotional disability; hearing impairment, including deafness; vision impairment, including blindness; deaf-blindness; autism spectrum disorders; traumatic brain injury, and multiple disabilities. S.B. 22-127 (Special Education Funding) added statutory language stating the General Assembly's intent to fully fund special education services beginning with the FY 2023-24 budget year, which would result in an appropriation sufficient to provide \$6,000 per "Tier B" student.
- **"Tier C":** Administrative units receive grants for reimbursement of high costs incurred in providing special education services to a child in the preceding fiscal year. These grants are distributed based on recommendations from the Colorado Special Education Fiscal Advisory Committee, taking into consideration the magnitude of the high costs incurred by a unit in relation to its budget. A total of \$4.0 million is allocated for this purpose, including \$2 million for costs incurred to serve students within the school district, and \$2 million for costs incurred to serve students outside the district.
- **"Educational Orphans":** Up to \$500,000 is used to reimburse administrative units for excess costs paid to eligible facilities within the unit's boundaries for "educational orphans", those students with disabilities: (a) for whom parental rights have been relinquished or terminated; (b) the parents of whom are incarcerated or cannot be located; (c) the parents of whom reside out of the state but the Department of Human Services has placed such children within the administrative unit; or (d) who are legally emancipated.

STATUTORY AUTHORITY: Sections 22-20-114 and 114.5, C.R.S.

REQUEST: The request includes a total of \$516.1 million, including \$358.6 million in state funds (\$93.6 million General Fund and \$265.0 million cash funds from the State Education Fund). The request includes an increase of \$17.7 million (5.2 percent) in state funding associated with request R2/BA2. The Department's request also reflects a continuation appropriation of \$191,090 reappropriated funds and 1.0 FTE from funds transferred from the Department of Labor and Employment, Division of Vocational Rehabilitation, and \$157.3 million in federal funds that are anticipated to be available to reimburse administrative units and support 62.0 federally-funded Department FTE. The request includes the following changes from the FY 2023-24 appropriation:

- An increase of \$17.7 million cash funds from the State Education Fund) as part of the requested inflationary increase required by Amendment 23 (request R2/BA2, discussed above); and
- An increase of \$469,034 *federal funds* to annualize FY 2023-24 salary survey appropriations.

RECOMMENDATION: Staff recommends an appropriation of \$524.2 million total funds, **including an increase of \$25.9 million cash funds from the State Education Fund as previously discussed in R2/BA2** and an increase of \$469,034 federal funds for FY 2023-24 salary survey.

SCHOOL DISTRICT OPERATIONS, CATEGORICAL PROGRAMS, SPECIAL EDUCATION - CHILDREN WITH DISABILITIES						
	TOTAL FUNDS	GENERAL FUND	CASH FUNDS	REAPPROPRIATED FUNDS	FEDERAL FUNDS	FTE
FY 2023-24 APPROPRIATION						
SB 23-214 (Long Bill)	\$457,168,562	\$93,572,347	\$206,582,286	\$191,090	\$156,822,839	63.0
Other legislation	\$40,703,671	\$0	\$40,703,671	\$0	\$0	0.0
TOTAL	\$497,872,233	\$93,572,347	\$247,285,957	\$191,090	\$156,822,839	63.0
FY 2024-25 RECOMMENDED APPROPRIATION						
FY 2023-24 Appropriation	\$497,872,233	\$93,572,347	\$247,285,957	\$191,090	\$156,822,839	63.0
R2/BA2 Categorical programs increase	25,893,812	0	25,893,812	0	0	0.0
Annualize prior year budget actions	469,034	0	0	0	469,034	0.0
TOTAL	\$524,235,079	\$93,572,347	\$273,179,769	\$191,090	\$157,291,873	63.0
INCREASE/(DECREASE)	\$26,362,846	\$0	\$25,893,812	\$0	\$469,034	0.0
Percentage Change	5.3%	0.0%	10.5%	0.0%	0.3%	0.0%
FY 2024-25 EXECUTIVE REQUEST	\$516,065,899	\$93,572,347	\$265,010,589	\$191,090	\$157,291,873	63.0
Request Above/(Below) Recommendation	(\$8,169,180)	\$0	(\$8,169,180)	\$0	\$0	0.0

ENGLISH LANGUAGE PROFICIENCY PROGRAM

Pursuant to the federal *No Child Left Behind Act* [Title III - Language Instruction for Limited English Proficient and Immigrant Students], the federal *Civil Rights Act of 1964* [Title VI], and the English Language Proficiency Act [Article 24 of Title 22, C.R.S.], districts are required to identify and provide programs for students with limited English proficiency.

Some federal funding is available for such programs, and, with the enactment of H.B. 14-1298 (School Finance), the State now provides assistance to districts through three mechanisms. First, districts receive "at-risk" funding through the School Finance Act for some students with limited English proficiency. Second, districts receive funding through the English Language Proficiency Act (ELPA) categorical program for students with limited English proficiency. As enacted in H.B. 14-1298, Section 22-24-104 (2) (a), C.R.S., limits state ELPA funding to a maximum of five years per student (prior to FY 2014-15, statute limited payments to no more than two years per student). Third, beginning in FY 2014-15, districts receive additional funding (a total of \$27.0 million per year since FY 2014-15) through the English Language Learners Professional Development and Student Support Program created in H.B. 14-1298.

It is important to note that it often takes more than five years for students to progress out of English language services and that state and federal law require school districts to continue to provide services beyond the five-year window based on the needs of the student. School districts must absorb those costs within their operating budgets, increasing the gap between state and federal funds available for ELL services and the school districts' total costs for those services. In FY 2021-22, school districts spent \$216.4 million more on ELL services than was available in state and federal funding. That gap

between available funds and district costs drives the standard JBC Staff recommendation for the Committee's allocation of the constitutionally required increases in categorical funding.

House Bill 18-1379 (School Finance) adjusted the allocation of the categorical funding.

- Prior law had required the Department to allocate three-quarters of the total appropriation to districts serving students considered non-English proficient (NEP), defined as students who: (a) speak languages other than English and do not comprehend or speak English; or (b) students who comprehend or speak some English, but whose primary comprehension or speech is in a language other than English. The remaining 25 percent of the amount appropriated was distributed to districts serving students considered limited-English proficient (LEP), defined as students who comprehend and speak English and one or more other languages but whose English language development and comprehension is either (1) at or below the district mean or below the mean or equivalent on a nationally standardized test; or (2) below the acceptable proficiency level based on the instrument or technique developed and approved by the Department.
- House Bill 18-1379 adjusted the allocation so that the Department distributes funds based on the proportion of eligible students in each category. As under prior law, the statute limits per pupil funding for each classification of students (the greater of \$400 or 20.0 percent of statewide average per pupil funding for NEP students and \$200 or 10.0 percent of statewide average per pupil funding for LEP students).

STATUTORY AUTHORITY: Section 22-24-106, C.R.S.

REQUEST: The Department's FY 2024-25 request seeks \$45.9 million total funds, including \$28.4 million state funds (\$3.1 million General Fund and \$31.5 million cash funds from the State Education Fund) and \$11.3 million federal funds. The request reflects continuation of 4.6 federally funded FTE. The request includes the following increases above the FY 2023-24 appropriation:

- \$3,308,330 cash funds from the State Education Fund associated with request R2/BA2 to provide the inflationary increase required by Amendment 23. The request represents a 10.6 percent increase in state funding.
- \$16,721 federal funds to reflect the annualization of FY 2023-24 salary increases.

RECOMMENDATION: **Staff recommends a total appropriation of \$42.6 million**, as shown below. The recommendation holds the appropriation flat from FY 2023-24 except for \$16,721 federal funds for salary increases awarded in FY 2023-24.

SCHOOL DISTRICT OPERATIONS, CATEGORICAL PROGRAMS, ENGLISH LANGUAGE PROFICIENCY PROGRAM						
	TOTAL FUNDS	GENERAL FUND	CASH FUNDS	REAPPROPRIATED FUNDS	FEDERAL FUNDS	FTE
FY 2023-24 APPROPRIATION						
SB 23-214 (Long Bill)	\$42,577,501	\$3,101,598	\$28,192,500	\$0	\$11,283,403	4.6
TOTAL	\$42,577,501	\$3,101,598	\$28,192,500	\$0	\$11,283,403	4.6
FY 2024-25 RECOMMENDED APPROPRIATION						
FY 2023-24 Appropriation	\$42,577,501	\$3,101,598	\$28,192,500	\$0	\$11,283,403	4.6
Annualize prior year budget actions	16,721	0	0	0	16,721	0.0
R2/BA2 Categorical programs increase	0	0	0	0	0	0.0
TOTAL	\$42,594,222	\$3,101,598	\$28,192,500	\$0	\$11,300,124	4.6
INCREASE/(DECREASE)	\$16,721	\$0	\$0	\$0	\$16,721	0.0

SCHOOL DISTRICT OPERATIONS, CATEGORICAL PROGRAMS, ENGLISH LANGUAGE PROFICIENCY PROGRAM						
	TOTAL FUNDS	GENERAL FUND	CASH FUNDS	REAPPROPRIATED FUNDS	FEDERAL FUNDS	FTE
Percentage Change	0.0%	0.0%	0.0%	0.0%	0.1%	0.0%
FY 2024-25 EXECUTIVE REQUEST	\$45,902,552	\$3,101,598	\$31,500,830	\$0	\$11,300,124	4.6
Request Above/(Below) Recommendation	\$3,308,330	\$0	\$3,308,330	\$0	\$0	0.0

(II) OTHER CATEGORICAL PROGRAMS

PUBLIC SCHOOL TRANSPORTATION

Pursuant to Section 22-32-113, C.R.S., a school district may provide transportation for students to and from school. However, a school district must provide transportation for students who fall under the federal *Individuals with Disabilities Education Act* or Section 504 of the federal *Rehabilitation Act of 1973*, as well as homeless students.

This line item provides state funding to reimburse school districts for a portion of the costs incurred to transport students. Pursuant to Section 22-51-104, C.R.S., and subject to available appropriations, each district is eligible to receive reimbursement equal to \$0.3787 per-mile-traveled plus 33.87 percent of its total transportation-related costs (excluding capital outlay expenses) in excess of the per-mile-traveled reimbursement. Districts are authorized to generate additional local revenues to support their transportation programs via an additional mill levy or a transportation user fee. While voter approval is required to levy additional taxes, as of FY 2005-06, a district is allowed to impose a user fee without prior voter approval.

This line item also supports 2.0 FTE who provide oversight of student transportation programs in school districts. This unit administers regulations related to safe transportation of students, and provides extensive training, technical assistance, and monitoring to assist districts in providing safe, efficient, and effective transportation of children.

STATUTORY AUTHORITY: Section 22-51-104, C.R.S.

REQUEST: The Department's FY 2024-25 request includes a total of \$71.9 million, including \$71.4 million in state funding and 2.0 FTE and a continuation appropriation of \$450,000 cash funds from the State Public School Transportation Fund, which consists of money recovered by the Department when it identifies a transportation-related overpayment to a district. The requested appropriation from the State Public School Transportation Fund would allow the Department to re-distribute money recovered in the current fiscal year in FY 2024-25. The request also includes \$38,165 reappropriated funds originating from the Department of Public Health and Environment associated with S.B. 22-193 (Air Quality Improvement Investments). The request includes the following changes from the FY 2023-24 appropriation (which are requested from the State Education Fund):

- An increase of \$2,977,604 cash funds from the State Education Fund to provide inflationary the inflationary increase required by Amendment 23 (request R2/BA2); and
- An increase of \$7,676 cash funds from the State Education Fund to annualize FY 2023-24 salary survey appropriations.

RECOMMENDATION: Staff recommends leaving the appropriation unchanged from FY 2023-24, as discussed previously in R2/BA2.

SCHOOL DISTRICT OPERATIONS, CATEGORICAL PROGRAMS, PUBLIC SCHOOL TRANSPORTATION						
	TOTAL FUNDS	GENERAL FUND	CASH FUNDS	REAPPROPRIATED FUNDS	FEDERAL FUNDS	FTE
FY 2023-24 APPROPRIATION						
SB 23-214 (Long Bill)	\$68,867,402	\$36,922,227	\$31,907,010	\$38,165	\$0	2.0
TOTAL	\$68,867,402	\$36,922,227	\$31,907,010	\$38,165	\$0	2.0
FY 2024-25 RECOMMENDED APPROPRIATION						
FY 2023-24 Appropriation	\$68,867,402	\$36,922,227	\$31,907,010	\$38,165	\$0	2.0
Annualize prior year budget actions	0	0	0	0	0	0.0
R2/BA2 Categorical programs increase	0	0	0	0	0	0.0
TOTAL	\$68,867,402	\$36,922,227	\$31,907,010	\$38,165	\$0	2.0
INCREASE/(DECREASE)	\$0	\$0	\$0	\$0	\$0	0.0
Percentage Change	0.0%	0.0%	0.0%	0.0%	n/a	0.0%
FY 2024-25 EXECUTIVE REQUEST						
Request Above/(Below) Recommendation	\$2,985,279	\$0	\$2,985,279	\$0	\$0	0.0

TRANSFER TO THE DEPARTMENT OF HIGHER EDUCATION FOR DISTRIBUTION OF STATE ASSISTANCE FOR CAREER AND TECHNICAL EDUCATION

The State Board for Community Colleges and Occupational Education is responsible for approving career and technical education programs, as well as distributing state funds to school districts with students enrolled in approved programs [see Article 8 of Title 23, C.R.S.]. The state funds are distributed to school districts to partially reimburse costs related to personnel, books and supplies, and equipment for approved programs. Specifically, state funding is available to a district if its approved program cost per full-time equivalent student exceeds 70 percent of the district's per pupil operating revenues for the same fiscal year. A district is eligible to receive reimbursement for 80 percent of the first \$1,250 in "excess costs" incurred, and 50 percent of any excess costs above \$1,250.

The program requires each participating district to estimate program costs and enrollments at the beginning of each school year and provide actual cost data at the end of the school year. Districts receive funding quarterly based on such estimated figures. Any difference between a district's estimated and actual costs is added or subtracted from the first quarterly payment in the following fiscal year. If the appropriation is insufficient to fully fund the amount districts are eligible to receive, the Department of Higher Education prorates distributions accordingly.

STATUTORY AUTHORITY: Section 23-8-102, C.R.S.

REQUEST: The Department requests a total of \$32.0 million in state funding, including \$17.8 million General Fund and \$14.2 million cash funds from the State Education Fund. The request includes an increase of \$1,478,238 cash funds from the State Education Fund (a 4.8 percent increase in state funding) associated with request R2/BA2.

RECOMMENDATION: Staff recommends leaving the appropriation unchanged from FY 2023-24, as discussed previously in R2/BA2 Categorical Programs Increase.

SCHOOL DISTRICT OPERATIONS, CATEGORICAL PROGRAMS, TRANSFER TO THE DEPARTMENT OF HIGHER EDUCATION FOR DISTRIBUTION OF STATE ASSISTANCE FOR CAREER AND TECHNICAL EDUCATION						
	TOTAL FUNDS	GENERAL FUND	CASH FUNDS	REAPPROPRIATED FUNDS	FEDERAL FUNDS	FTE
FY 2023-24 APPROPRIATION						
SB 23-214 (Long Bill)	\$30,514,944	\$17,792,850	\$12,722,094	\$0	\$0	0.0
TOTAL	\$30,514,944	\$17,792,850	\$12,722,094	\$0	\$0	0.0
FY 2024-25 RECOMMENDED APPROPRIATION						
FY 2023-24 Appropriation	\$30,514,944	\$17,792,850	\$12,722,094	\$0	\$0	0.0
R2/BA2 Categorical programs increase	0	0	0	0	0	0.0
TOTAL	\$30,514,944	\$17,792,850	\$12,722,094	\$0	\$0	0.0
INCREASE/(DECREASE)	\$0	\$0	\$0	\$0	\$0	0.0
Percentage Change	0.0%	0.0%	0.0%	n/a	n/a	n/a
FY 2024-25 EXECUTIVE REQUEST	\$31,993,182	\$17,792,850	\$14,200,332	\$0	\$0	0.0
Request Above/(Below) Recommendation	\$1,478,238	\$0	\$1,478,238	\$0	\$0	0.0

SPECIAL EDUCATION PROGRAMS FOR GIFTED AND TALENTED CHILDREN

The state *Exceptional Children's Educational Act* defines a gifted child as one whose "aptitude or competence in abilities and talents and potential for accomplishments in one or more domains, as defined by state board rule, are so outstanding that he or she requires special provisions to meet his or her educational needs" [see Section 22-20-202 (11), C.R.S.]. Pursuant to Section 22-20-204, C.R.S. (as amended by H.B. 14-1102 (Gifted Education Programs)), each administrative unit is required to adopt and implement a program to identify and serve gifted children. The plan must be implementable within the local, state, and federal resources available for gifted education programs. State funding for gifted programs must supplement, not supplant, programs for students with disabilities.

State distributions may be used for universal screening of students, employing a gifted education coordinator, teacher salaries for appropriately licensed and endorsed personnel, programming options and counseling related to serving gifted children, materials used in serving gifted children, professional development for personnel who serve gifted children, and direct administrative costs incurred in implementing the gifted education program. In order to receive funding, an administrative unit (district, multi-district administrative unit, or board of cooperative service) must submit a comprehensive program plan and annual proposed budget for gifted education identification, programming, personnel, and accountability. The Department uses the appropriation: (a) for administrative unit per pupil distributions; (b) for "hold-harmless" allocations for certain rural school districts and boards of cooperative services that provide services to multiple school/rural districts; (c) to support ten regional grants for gifted education consultants and professional development; and (d) for state administration.

STATUTORY AUTHORITY: Section 22-26-101, C.R.S.

REQUEST: The Department requests a total of \$16.2 million in state funding, including \$5,500,000 General Fund and \$10,656,758 cash funds from the State Education Fund and 1.5 FTE in FY 2024-25. The request includes the following increases above the FY 2023-24 appropriation:

- An increase of \$405,855 cash funds from the State Education Fund associated with request R2/BA2 as discussed above, representing a 2.8 percent increase in state funds;
- An increase of \$1,058,115 cash funds from the State Education Fund to reflect the annualization of S.B. 23-287, which provides an increase of \$1.1 million annually from FY 2023-24 through FY 2027-28 to implement full universal screening no later than second grade and a second screening of gifted children in conjunction with the creation of each child's individual career and academic plan; and
- An increase of \$15,256 cash funds from the State Education Fund to reflect the annualizations of FY 2023-24 salary survey.

RECOMMENDATION: Staff recommends increasing funding for this line by \$1,058,115 from the State Education Fund to reflect the annualization of S.B. 23-287 for universal screening. Staff does not recommend the requested increase associated with R2/BA2 or the salary survey increase.

SCHOOL DISTRICT OPERATIONS, CATEGORICAL PROGRAMS, SPECIAL EDUCATION PROGRAMS FOR GIFTED AND TALENTED CHILDREN						
	TOTAL FUNDS	GENERAL FUND	CASH FUNDS	REAPPROPRIATED FUNDS	FEDERAL FUNDS	FTE
FY 2023-24 APPROPRIATION						
SB 23-214 (Long Bill)	\$13,619,417	\$5,500,000	\$8,119,417	\$0	\$0	1.5
Other legislation	\$1,058,115	\$0	\$1,058,115	\$0	\$0	0.0
TOTAL	\$14,677,532	\$5,500,000	\$9,177,532	\$0	\$0	1.5
FY 2024-25 RECOMMENDED APPROPRIATION						
FY 2023-24 Appropriation	\$14,677,532	\$5,500,000	\$9,177,532	\$0	\$0	1.5
Annualize prior year legislation	1,058,115	0	1,058,115	0	0	0.0
Annualize prior year budget actions	0	0	0	0	0	0.0
R2/BA2 Categorical programs increase	0	0	0	0	0	0.0
TOTAL	\$15,735,647	\$5,500,000	\$10,235,647	\$0	\$0	1.5
INCREASE/(DECREASE)	\$1,058,115	\$0	\$1,058,115	\$0	\$0	0.0
Percentage Change	7.2%	0.0%	11.5%	0.0%	0.0%	0.0%
FY 2024-25 EXECUTIVE REQUEST						
Request Above/(Below) Recommendation	\$421,111	\$0	\$421,111	\$0	\$0	0.0

EXPULSED AND AT-RISK STUDENT SERVICES GRANT PROGRAM

This program, first funded in FY 1997-98, provides grants to school districts, boards of cooperative services, and charter schools [see Section 22-38-101 et seq., C.R.S.] for the provision of educational services to expelled students and to students at risk of being suspended or expelled. The Department evaluates grant applications received, and the State Board of Education approves annual grant awards. The Department places strong emphasis on research-validated programs and strategies, and programs are required to show significant district support for program sustainability after grant funding ends. Pursuant to Section 22-33-205, C.R.S., the Board is required to award grants based on the following:

- at least 45 percent of moneys appropriated for the program shall be annually awarded to applicants that provide educational services to students from more than one school district; and
- at least one-half of any increases in the appropriation for FY 2009-10 (\$500,000) shall be annually awarded to applicants that provide services and supports designed to reduce the number of

truancy cases requiring court involvement and that also reflect the best interests of students and families.

The Department awards grants on a rolling basis (i.e., when one grant is completed, the funding is reallocated to fund a new award).

The Department is also authorized to retain: (a) up to one percent of moneys appropriated for the purpose of annually evaluating the program; and (b) up to two percent of moneys appropriated for the purpose of partnering with organizations and agencies that provide services and supports designed to reduce the number of truancy cases requiring court involvement and that also reflect the best interests of students and families.

STATUTORY AUTHORITY: Sections 22-33-205 and 22-38-101 et seq., C.R.S.

REQUEST: The Department requests an appropriation of \$9.5 million state funds (including \$5,788,807 General Fund and \$3,717,514 cash funds from the State Education Fund) and 1.0 FTE. The request includes an increase of \$13,895 cash funds to reflect the annualization of FY 2023-24 salary survey appropriation and a decrease of \$7,116 cash funds based on funding exceeding actual expenditures for FY 2021-22 (the most recent year for which data is available).

RECOMMENDATION: **Staff recommends leaving the appropriation unchanged from FY 2023-24,** as discussed previously in R2/BA2.

SCHOOL DISTRICT OPERATIONS, CATEGORICAL PROGRAMS, EXPELLED AND AT-RISK STUDENT SERVICES GRANT PROGRAM						
	TOTAL FUNDS	GENERAL FUND	CASH FUNDS	REAPPROPRIATED FUNDS	FEDERAL FUNDS	FTE
FY 2023-24 APPROPRIATION						
SB 23-214 (Long Bill)	\$9,499,542	\$5,788,807	\$3,710,735	\$0	\$0	1.0
TOTAL	\$9,499,542	\$5,788,807	\$3,710,735	\$0	\$0	1.0
FY 2024-25 RECOMMENDED APPROPRIATION						
FY 2023-24 Appropriation	\$9,499,542	\$5,788,807	\$3,710,735	\$0	\$0	1.0
Annualize prior year budget actions	0	0	0	0	0	0.0
R2/BA2 Categorical programs increase	0	0	0	0	0	0.0
TOTAL	\$9,499,542	\$5,788,807	\$3,710,735	\$0	\$0	1.0
INCREASE/(DECREASE)	\$0	\$0	\$0	\$0	\$0	0.0
Percentage Change	0.0%	0.0%	0.0%	n/a	n/a	n/a
FY 2024-25 EXECUTIVE REQUEST	\$9,506,321	\$5,788,807	\$3,717,514	\$0	\$0	1.0
Request Above/(Below) Recommendation	\$6,779	\$0	\$6,779	\$0	\$0	0.0

SMALL ATTENDANCE CENTER AID

Pursuant to Section 22-54-122, C.R.S., school districts that operate a school with fewer than 200 pupils that is located twenty or more miles from any similar school in the same district are eligible to receive additional state funding to offset the unique costs associated with operating such schools. In addition, since FY 2008-09, small attendance center aid has been limited to those districts that received the aid prior to FY 2008-09. The amount of additional state aid that a district is eligible to receive is based on

the number of eligible schools it operates, the number of pupils in each eligible school, and the district's per pupil funding.

Similar to other categorical programs, whether a school district eligible for Small Attendance Center Aid actually receives the maximum reimbursement allowable is subject to appropriation. For FY 2023-24, the General Assembly added \$285,741 based on the actual shortfall below full funding for FY 2022-23.

The following table details the allocation of small attendance center aid for FY 2023-24. As indicated in the table, the current FY 2023-24 appropriation includes \$1,599,991 total funds for this line item. However, based on the calculations directed by statute, full funding for the formula this year would require \$1,619,968 an increase of \$19,977. On average, eligible schools are receiving an additional \$1,852 per pupil in FY 2023-24.

SMALL ATTENDANCE CENTER AID: FY 2023-24 CALCULATIONS					
SCHOOL DISTRICT	SCHOOL	23-24 ENROLLMENT	FULL FUNDING PER FORMULA	AMOUNT DISTRIBUTED	DISTRIBUTION PER FTE
Gunnison	Marble Charter School	45.0	\$166,782	\$164,725	\$3,661
Huerfano	Gardner School	86.0	169,144	167,058	1,943
La Plata - Durango	Fort Lewis Mesa Elementary	106.0	193,297	190,913	1,801
Larimer - Poudre	PSD Mountain Schools / Red Feather Elementary	95.0	191,003	188,648	1,986
Logan - Valley	Caliche Elementary	127.0	151,471	149,604	1,178
Logan - Valley	Caliche Jr./Sr. High	106.0	175,295	173,133	1,633
Mesa - Mesa Valley	Gateway School	19.0	79,725	78,741	4,144
Moffat	Maybell Charter School	16.0	66,466	65,646	4,103
Park	Guffey Community Charter School	20.0	76,387	75,445	3,772
Park	Lake George Charter School	139.0	167,350	165,287	1,189
Pueblo 70	Beulah School	105.0	183,047	180,790	1,722
Totals		864.0	\$1,619,968	\$1,599,991	\$1,852

STATUTORY AUTHORITY: Section 22-54-122, C.R.S.

REQUEST: The Department requests an appropriation of \$1,604,359 state funds (including \$787,645 General Fund and \$816,714 cash funds from the State Education Fund). The request includes an increase of \$4,368 cash funds from the State Education Fund (a 0.3 percent increase) associated with request R2/BA2.

RECOMMENDATION: **Staff recommends leaving the appropriation unchanged from FY 2023-24, as discussed previously in R2/BA2.**

SCHOOL DISTRICT OPERATIONS, CATEGORICAL PROGRAMS, SMALL ATTENDANCE CENTER AID						
	TOTAL FUNDS	GENERAL FUND	CASH FUNDS	REAPPROPRIATED FUNDS	FEDERAL FUNDS	FTE
FY 2023-24 APPROPRIATION						
SB 23-214 (Long Bill)	\$1,599,991	\$787,645	\$812,346	\$0	\$0	0.0
TOTAL	\$1,599,991	\$787,645	\$812,346	\$0	\$0	0.0
FY 2024-25 RECOMMENDED APPROPRIATION						
FY 2023-24 Appropriation	\$1,599,991	\$787,645	\$812,346	\$0	\$0	0.0
R2/BA2 Categorical programs increase	0	0	0	0	0	0.0
TOTAL	\$1,599,991	\$787,645	\$812,346	\$0	\$0	0.0

SCHOOL DISTRICT OPERATIONS, CATEGORICAL PROGRAMS, SMALL ATTENDANCE CENTER AID						
	TOTAL FUNDS	GENERAL FUND	CASH FUNDS	REAPPROPRIATED FUNDS	FEDERAL FUNDS	FTE
INCREASE/(DECREASE)	\$0	\$0	\$0	\$0	\$0	0.0
Percentage Change	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
FY 2024-25 EXECUTIVE REQUEST	\$1,604,359	\$787,645	\$816,714	\$0	\$0	0.0
Request Above/(Below) Recommendation	\$4,368	\$0	\$4,368	\$0	\$0	0.0

COMPREHENSIVE HEALTH EDUCATION

The *Colorado Comprehensive Health Education Act of 1990* requires the Department of Education to promote the development and implementation of local comprehensive health education programs and local student wellness programs. The Department is to: develop recommended guidelines for implementing these local programs; develop a plan for training teachers to provide comprehensive health education and student wellness; and provide technical assistance upon the request of a school district or board of cooperative services (and within available resources).

This line item provides funding for grants to school districts, facility schools, and boards of cooperative services to implement local comprehensive health education and student wellness programs, and for 1.0 FTE to administer the program and perform the duties required by the act. The Department of Education works with the Department of Public Health and Environment to review applications for state funding, and the State Board of Education allocates available funds. The comprehensive health grant program will start a new four-year grant cycle in FY 2023-24 (which will end in FY 2026-27). The request for applications for that cycle will open in April 2023. The wellness program began a new three-year cycle in FY 2021-22, which will end in FY 2023-24. That program will also transition to a four-year cycle beginning in FY 2024-25 (with applications for the four-year cycle opening in Spring of 2024).

STATUTORY AUTHORITY: Section 22-25-101, C.R.S.

REQUEST: The Department requests an appropriation of \$1,147,143 state funds (including \$300,000 General Fund and \$847,143 cash funds from the State Education Fund) and 1.0 FTE for FY 2024-25. The request includes the following increases above the FY 2023-24 appropriation:

- \$10,958 cash funds from the State Education Fund to reflect the annualization of FY 2022-23 salary survey increases; and
- \$1,901 cash funds from the State Education Fund associated with request R2/BA2, representing a 0.2 percent increase in state funding. The request is based on districts' reported expenditures associated with the program for FY 2021-22.

RECOMMENDATION: Staff recommends leaving the appropriation unchanged from FY 2023-24, as discussed previously in R2/BA2.

SCHOOL DISTRICT OPERATIONS, CATEGORICAL PROGRAMS, COMPREHENSIVE HEALTH EDUCATION						
	TOTAL FUNDS	GENERAL FUND	CASH FUNDS	REAPPROPRIATED FUNDS	FEDERAL FUNDS	FTE
FY 2023-24 APPROPRIATION						
SB 23-214 (Long Bill)	\$1,134,284	\$300,000	\$834,284	\$0	\$0	1.0
TOTAL	\$1,134,284	\$300,000	\$834,284	\$0	\$0	1.0

SCHOOL DISTRICT OPERATIONS, CATEGORICAL PROGRAMS, COMPREHENSIVE HEALTH EDUCATION						
	TOTAL FUNDS	GENERAL FUND	CASH FUNDS	REAPPROPRIATED FUNDS	FEDERAL FUNDS	FTE
FY 2024-25 RECOMMENDED APPROPRIATION						
FY 2023-24 Appropriation	\$1,134,284	\$300,000	\$834,284	\$0	\$0	1.0
Annualize prior year budget actions	0	0	0	0	0	0.0
R2/BA2 Categorical programs increase	0	0	0	0	0	0.0
TOTAL	\$1,134,284	\$300,000	\$834,284	\$0	\$0	1.0
INCREASE/(DECREASE)	\$0	\$0	\$0	\$0	\$0	0.0
Percentage Change	0.0%	0.0%	0.0%	n/a	n/a	0.0%
FY 2024-25 EXECUTIVE REQUEST	\$1,147,143	\$300,000	\$847,143	\$0	\$0	1.0
Request Above/(Below) Recommendation	\$12,859	\$0	\$12,859	\$0	\$0	0.0

LONG BILL FOOTNOTES AND REQUESTS FOR INFORMATION

LONG BILL FOOTNOTES

Staff recommends **CONTINUING AND MODIFYING** the following footnotes:

- 10 Department of Education, Assistance to Public Schools, Public School Finance, State Share of Districts' Total Program Funding -- 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~~ 2024-25. It is the General Assembly's intent that the Department of Education be authorized to utilize up to ~~\$977,980~~ \$2,561,000 of this appropriation to fund qualified students identified as TREP Program participants. This amount is calculated based on an estimated ~~402~~ 250 FTE TREP Program participants funded at a rate of ~~\$9,588.04~~ \$10,244 per FTE pursuant to Section 22-54-104 (4.7), C.R.S.

COMMENT: The Committee added the Teacher Recruitment Education and Preparation (TREP) program 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 number of TREP participants each year through the Long Bill process (with this footnote as the mechanism). The General Assembly initially approved 250 slots for FY 2023-24 but then adjusted the limit down to 102 FTE at mid-year (with H.B. 24-1207) to reflect the actual usage in the current year. The recommendation would continue to support 102 slots from FY 2023-24 (as this is a two-year program) and add 148 "new" slots for allocation in FY 2024-25. However, the Committee could choose any number of slots for the footnote.

Staff recommends **ELIMINATING** the following footnote:

- 2 Department of Education, Assistance to Public Schools, Public School Finance, State share of Districts' Total Program Funding -- It is the General Assembly's intent that a portion of the amount appropriated for this line item, not to exceed \$250,000 for fiscal year FY 2023-24, shall be transferred to the Legislative Council for the purpose of funding the biennial cost of living analysis pursuant to Section 22-54-104 (5)(c)(III)(B), C.R.S.

COMMENT: Section 22-54-104 (5) (c) (III) (A), C.R.S., requires the Legislative Council Staff to conduct a biennial study concerning the relative cost of living in each school district. The results of the study are then to be used to adjust each school district's cost of living factor for purposes of calculating per pupil funding for the following two fiscal years. Last conducted in

FY 2021-22, statute requires another study in FY 2023-24. The results of the study conducted in FY 2023-24 will impact funding requirements for FY 2024-25 and FY 2025-26.

REQUESTS FOR INFORMATION

Staff recommends **CONTINUING AND MODIFYING** the following request for information:

- 4 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 ~~2021-22~~ 2022-23 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 ~~2021-22~~ 2022-23 and actual district expenditures for each program in fiscal year ~~2021-22~~ 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 ~~2021-22~~ 2022-23 and actual district expenditures in fiscal year ~~2021-22~~ 2022-23.

COMMENT: This request provides the Joint Budget Committee with data that is used to annually determine the allocation of the required increase in state funding for categorical programs. The data provided through this request are essential to the formulation of recommendations for categorical program funding.

NUMBERS PAGES

JBC Staff Figure Setting - FY 2024-25
Staff Working Document - Does Not Represent Committee Decision

Appendix A: Numbers Pages

	FY 2021-22 Actual	FY 2022-23 Actual	FY 2023-24 Appropriation	FY 2024-25 Request	FY 2024-25 Recommendation
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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>1,867,742</u>	<u>1,932,724</u>	<u>15,043,891</u>	<u>2,071,835</u>	<u>2,071,835</u> *
FTE	17.4	15.1	15.5	14.7	14.7
General Fund	1,775,457	1,853,111	1,737,074	1,937,473	1,937,473
Cash Funds	92,285	79,613	13,306,817	134,362	134,362
Reappropriated Funds	0	0	0	0	0
Federal Funds	0	0	0	0	0
Financial Transparency System Maintenance	<u>76,208</u>	<u>87,884</u>	<u>89,172</u>	<u>92,786</u>	<u>92,786</u>
FTE	1.0	0.8	1.0	1.0	1.0
Cash Funds	76,208	87,884	89,172	92,786	92,786
State Share of Districts' Total Program Funding	<u>4,708,971,499</u>	<u>4,990,054,616</u>	<u>4,996,063,570</u>	<u>5,370,809,149</u>	<u>5,108,010,038</u> *
General Fund	2,994,934,217	4,238,686,861	3,057,493,696	3,082,493,696	3,057,493,696
General Fund Exempt	1,045,914,612	0	1,181,193,165	1,181,193,165	1,181,193,165
Cash Funds	668,122,670	751,367,755	757,376,709	1,107,122,288	869,323,177
School Finance Audit Payments	<u>517,486</u>	<u>205,165</u>	<u>6,653,150</u>	<u>3,000,000</u>	<u>3,000,000</u>
Cash Funds	517,486	205,165	6,653,150	3,000,000	3,000,000

JBC Staff Figure Setting - FY 2024-25
Staff Working Document - Does Not Represent Committee Decision

	FY 2021-22 Actual	FY 2022-23 Actual	FY 2023-24 Appropriation	FY 2024-25 Request	FY 2024-25 Recommendation
At-risk Per Pupil Additional Funding	<u>5,000,000</u>	<u>5,000,000</u>	<u>5,000,000</u>	<u>5,000,000</u>	<u>5,000,000</u>
Cash Funds	5,000,000	5,000,000	5,000,000	5,000,000	5,000,000
At-risk Supplemental Aid	<u>4,686,853</u>	<u>4,077,711</u>	<u>5,844,358</u>	<u>5,844,358</u>	<u>5,844,358</u> *
Cash Funds	4,686,853	4,077,711	5,844,358	5,844,358	5,844,358
District Per Pupil Reimbursements for Juveniles Held in Jail	<u>0</u>	<u>0</u>	<u>10,000</u>	<u>10,000</u>	<u>10,000</u>
General Fund	0	0	0	0	0
Cash Funds	0	0	10,000	10,000	10,000
Additional Funding for Rural Districts and Institute Charter Schools	<u>29,999,974</u>	<u>34,999,962</u>	<u>30,000,000</u>	<u>0</u>	<u>0</u>
Cash Funds	29,999,974	34,999,962	30,000,000	0	0
Mill Levy Override Matching Pursuant to Sec. 22-54-107.9, C.R.S.	<u>0</u>	<u>9,999,981</u>	<u>23,376,536</u>	<u>23,376,536</u>	<u>0</u>
Cash Funds	0	9,999,981	23,376,536	23,376,536	0
Contingency Reserve Fund	<u>0</u>	<u>0</u>	<u>1,000,000</u>	<u>1,000,000</u>	<u>1,000,000</u>
Cash Funds	0	0	1,000,000	1,000,000	1,000,000
Additional At-risk Funding for FY 2021-22 (Sec. 22-54-144, C.R.S.)	<u>91,433,760</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Cash Funds	91,433,760	0	0	0	0

JBC Staff Figure Setting - FY 2024-25
Staff Working Document - Does Not Represent Committee Decision

	FY 2021-22 Actual	FY 2022-23 Actual	FY 2023-24 Appropriation	FY 2024-25 Request	FY 2024-25 Recommendation
SUBTOTAL - (A) Public School Finance	4,842,553,522	5,046,358,043	5,083,080,677	5,411,204,664	5,125,029,017
<i>FTE</i>	<u>18.4</u>	<u>15.9</u>	<u>16.5</u>	<u>15.7</u>	<u>15.7</u>
General Fund	2,996,709,674	4,240,539,972	3,059,230,770	3,084,431,169	3,059,431,169
General Fund Exempt	1,045,914,612	0	1,181,193,165	1,181,193,165	1,181,193,165
Cash Funds	799,929,236	805,818,071	842,656,742	1,145,580,330	884,404,683
Reappropriated Funds	0	0	0	0	0
Federal Funds	0	0	0	0	0

(B) Categorical Programs

(1) District Programs Required by Statute

Special Education - Children with Disabilities	<u>406,515,126</u>	<u>492,949,408</u>	<u>497,872,233</u>	<u>516,065,899</u>	<u>524,235,079</u> *
FTE	63.0	90.8	63.0	63.0	63.0
General Fund	93,572,347	93,572,347	93,572,347	93,572,347	93,572,347
Cash Funds	126,582,286	206,582,286	247,285,957	265,010,589	273,179,769
Reappropriated Funds	0	0	191,090	191,090	191,090
Federal Funds	186,360,493	192,794,775	156,822,839	157,291,873	157,291,873
English Language Proficiency Program	<u>35,421,328</u>	<u>36,082,722</u>	<u>42,577,501</u>	<u>45,902,552</u>	<u>42,594,222</u> *
FTE	4.6	3.7	4.6	4.6	4.6
General Fund	3,101,598	3,101,191	3,101,598	3,101,598	3,101,598
Cash Funds	22,156,115	22,156,144	28,192,500	31,500,830	28,192,500
Federal Funds	10,163,615	10,825,387	11,283,403	11,300,124	11,300,124

JBC Staff Figure Setting - FY 2024-25
Staff Working Document - Does Not Represent Committee Decision

	FY 2021-22 Actual	FY 2022-23 Actual	FY 2023-24 Appropriation	FY 2024-25 Request	FY 2024-25 Recommendation
SUBTOTAL - (1) District Programs Required by					
Statute	441,936,454	529,032,130	540,449,734	561,968,451	566,829,301
<i>FTE</i>	<u>67.6</u>	<u>94.5</u>	<u>67.6</u>	<u>67.6</u>	<u>67.6</u>
General Fund	96,673,945	96,673,538	96,673,945	96,673,945	96,673,945
Cash Funds	148,738,401	228,738,430	275,478,457	296,511,419	301,372,269
Reappropriated Funds	0	0	191,090	191,090	191,090
Federal Funds	196,524,108	203,620,162	168,106,242	168,591,997	168,591,997
(2) Other Categorical Programs					
Public School Transportation	<u>63,659,603</u>	<u>64,949,882</u>	<u>68,867,402</u>	<u>71,852,681</u>	<u>68,867,402</u> *
<i>FTE</i>	2.0	2.4	2.0	2.0	2.0
General Fund	36,922,227	36,922,227	36,922,227	36,922,227	36,922,227
Cash Funds	26,737,376	27,983,876	31,907,010	34,892,289	31,907,010
Reappropriated Funds	0	43,779	38,165	38,165	38,165
Transfer to the Department of Higher Education for Distribution of State Assistance for Career and Technical Education					
	<u>28,244,361</u>	<u>28,244,361</u> 2.7	<u>30,514,944</u>	<u>31,993,182</u>	<u>30,514,944</u> *
General Fund	17,792,850	17,792,850	17,792,850	17,792,850	17,792,850
Cash Funds	10,451,511	10,451,511	12,722,094	14,200,332	12,722,094
Special Education Programs for Gifted and Talented Children					
	<u>12,906,870</u>	<u>12,983,116</u>	<u>14,677,532</u>	<u>16,156,758</u>	<u>15,735,647</u> *
<i>FTE</i>	1.5	0.5	1.5	1.5	1.5
General Fund	5,500,000	5,500,000	5,500,000	5,500,000	5,500,000
Cash Funds	7,406,870	7,483,116	9,177,532	10,656,758	10,235,647

JBC Staff Figure Setting - FY 2024-25
Staff Working Document - Does Not Represent Committee Decision

	FY 2021-22 Actual	FY 2022-23 Actual	FY 2023-24 Appropriation	FY 2024-25 Request	FY 2024-25 Recommendation
Expelled and At-risk Student Services Grant Program	<u>9,491,869</u>	<u>9,464,367</u>	<u>9,499,542</u>	<u>9,506,321</u>	<u>9,499,542</u> *
FTE	1.0	3.3	1.0	1.0	1.0
General Fund	5,788,800	5,788,804	5,788,807	5,788,807	5,788,807
Cash Funds	3,703,069	3,675,563	3,710,735	3,717,514	3,710,735
Small Attendance Center Aid	<u>1,314,250</u>	<u>1,314,250</u>	<u>1,599,991</u>	<u>1,604,359</u>	<u>1,599,991</u> *
General Fund	787,645	787,645	787,645	787,645	787,645
Cash Funds	526,605	526,605	812,346	816,714	812,346
Comprehensive Health Education	<u>986,599</u>	<u>1,010,222</u>	<u>1,134,284</u>	<u>1,147,143</u>	<u>1,134,284</u> *
FTE	1.0	1.6	1.0	1.0	1.0
General Fund	300,000	300,000	300,000	300,000	300,000
Cash Funds	686,599	710,222	834,284	847,143	834,284
SUBTOTAL - (2) Other Categorical Programs	116,603,552	117,966,198	126,293,695	132,260,444	127,351,810
FTE	<u>5.5</u>	<u>10.5</u>	<u>5.5</u>	<u>5.5</u>	<u>5.5</u>
General Fund	67,091,522	67,091,526	67,091,529	67,091,529	67,091,529
Cash Funds	49,512,030	50,830,893	59,164,001	65,130,750	60,222,116
Reappropriated Funds	0	43,779	38,165	38,165	38,165
SUBTOTAL - (B) Categorical Programs	558,540,006	646,998,328	666,743,429	694,228,895	694,181,111
FTE	<u>73.1</u>	<u>105.0</u>	<u>73.1</u>	<u>73.1</u>	<u>73.1</u>
General Fund	163,765,467	163,765,064	163,765,474	163,765,474	163,765,474
Cash Funds	198,250,431	279,569,323	334,642,458	361,642,169	361,594,385
Reappropriated Funds	0	43,779	229,255	229,255	229,255
Federal Funds	196,524,108	203,620,162	168,106,242	168,591,997	168,591,997

*Indicates line is affected by one or more decision items.