



JOINT BUDGET COMMITTEE STAFF FY 2023-24 BUDGET BRIEFING SUMMARY

Colorado General Assembly
Joint Budget Committee

Department of Education
Public School Finance and Categorical Programs

The Department of Education supports the State Board of Education in its duty to exercise general supervision over public schools, including accrediting public schools and school districts. The Department distributes state and federal funds to school districts, and it administers a variety of education-related programs, including educator licensure, education programs for children with special needs, English language proficiency programs, the Colorado Preschool Program, and a variety of grant programs. The Department develops and maintains state model content standards, and administers associated assessments. The Department also includes three independent agencies: (1) the Board of Trustees for the Colorado School for the Deaf and the Blind; (2) the State Charter School Institute Board, which is responsible for authorizing and monitoring institute charter schools; 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 of state financial assistance for school construction projects. The Department's FY 2022-23 appropriation represents approximately 18.4 percent of statewide operating appropriations and 32.4 percent of statewide General Fund appropriations. Most of this funding is distributed on a formula basis for the school finance and categorical programs addressed in this document.

FY 2022-23 APPROPRIATION AND FY 2023-24 REQUEST

DEPARTMENT OF EDUCATION – PUBLIC SCHOOL FINANCE AND CATEGORICAL PROGRAMS ONLY						
	TOTAL FUNDS	GENERAL FUND	CASH FUNDS	REAPPROPRIATED FUNDS	FEDERAL FUNDS	FTE
FY 2022-23 APPROPRIATION:						
FY 2022-23 Long Bill	\$5,459,203,280	\$4,401,359,881	\$889,807,402	\$191,090	\$167,844,907	91.5
Other legislation	275,079,693	3,011,413	272,023,915	44,365	0	0.6
TOTAL	\$5,734,282,973	\$4,404,371,294	\$1,161,831,317	\$235,455	\$167,844,907	92.1
FY 2023-24 REQUESTED APPROPRIATION:						
FY 2022-23 Appropriation	\$5,734,282,973	\$4,404,371,294	\$1,161,831,317	\$235,455	\$167,844,907	92.1
R1 State share of total program increase	473,489,816	150,000,000	323,489,816	0	0	0.0
R2 Categorical programs increase	36,633,116	0	36,633,116	0	0	0.0
R5 Gifted and talented DMS	250,000	0	250,000	0	0	0.0
R6 Personnel for school support - school finance only	85,851	85,851	0	0	0	0.9
Annualize prior year budget actions	339,655	53,848	24,472	0	261,335	0.0
Annualize prior year legislation	289,638	320,838	(25,000)	(6,200)	0	(4.6)
TOTAL	\$6,245,371,049	\$4,554,831,831	\$1,522,203,721	\$229,255	\$168,106,242	88.4
INCREASE/(DECREASE)	\$511,088,076	\$150,460,537	\$360,372,404	(\$6,200)	\$261,335	(3.7)
Percentage Change	8.9%	3.4%	31.0%	(2.6%)	0.2%	(4.0%)

R1 STATE SHARE OF TOTAL PROGRAM INCREASE (REQUIRES LEGISLATION): The request includes a net increase of \$473.5 million state funds (including \$150.0 million General Fund \$323.5 million cash funds) for the state share of

districts’ total program funding in FY 2023-24. Based on the Office of State Planning and Budgeting (OSPB) September 2022 Revenue Forecast, and including OSPB’s projection of local revenues, the proposal would: (1) increase statewide average per pupil funding by \$861 (9.0 percent); and (2) decrease the dollar value of the BSF by \$35.0 million (from \$321.3 million in FY 2022-23 to \$286.3 million in FY 2023-24). The request proposes/assumes an additional \$37.0 million reduction to the BSF for FY 2025-26. The Department identified this request as evidence-informed.

R2 CATEGORICAL PROGRAMS INCREASE (REQUIRES LEGISLATION): Amendment 23 requires the General Assembly to increase total state funding for all categorical programs (in aggregate) by at least the rate of inflation in FY 2023-24. The request, based on the OSPB-projected inflation rate for CY 2022 (8.3 percent), seeks an increase of \$36.6 million cash funds from the State Education Fund to support the required increase. The request proposes to allocate the increase among seven programs, with \$29.0 million directed toward special education programs for children with disabilities. The request includes a legislative proposal to increase the statutory per pupil amount for students in Tier A of the special education program. The following table shows the requested allocation of additional funds by program. See the second issue brief in this document for a more detailed discussion of the categorical programs allocation for FY 2023-24 and Appendix C for a discussion of the Department’s responses to two requests for information associated with categorical funding.

R2 REQUESTED INCREASES IN STATE FUNDING FOR CATEGORICAL PROGRAMS				
LONG BILL LINE ITEM	FY 2022-23 APPROPRIATION	FY 2023-24 REQUEST	CHANGE IN STATE FUNDING	PERCENT CHANGE
Special Education - Children with Disabilities	\$300,154,633	\$329,174,785	\$29,020,152	9.7%
English Language Proficiency Program	25,257,742	28,416,760	3,159,018	12.5%
Public School Transportation	62,771,962	65,706,428	2,934,466	4.7%
Career and Technical Education Programs	28,244,361	29,432,629	1,188,268	4.2%
Special Education - Gifted and Talented Children	12,994,942	13,321,750	326,808	2.5%
Expelled and At-risk Student Services Grant Program	9,493,560	9,493,560	0	0.0%
Small Attendance Center Aid	1,314,250	1,317,707	3,457	0.3%
Comprehensive Health Education	1,131,396	1,132,343	947	0.1%
Total	\$441,362,846	\$477,995,962	\$36,633,116	8.3%

R5 GIFTED AND TALENTED DMS: The request includes a one-time increase of \$250,000 cash funds from the State Education Fund for FY 2023-24 (with no ongoing increase) to support the development of a new gifted education data management system (DMS). The Department uses the DMS to securely transfer data and files related to gifted education identification and programming between CDE and local administrative units, and the Department reports that the contract for the previous system terminated in FY 2021-22. The Department is using a “stopgap” system in FY 2022-23 and is requesting the one-time increase in funding for FY 2023-24 to develop a new system that will meet the needs of both the Department and administrative units.

- Staff notes that the request would allocate the increase to the Special Education Programs for Gifted and Talented Children categorical program line item.
- However, one-time increases in state funding are not feasible for the categorical programs (as they become part of the base building appropriations for Amendment 23). Thus, if the Committee elects to fund the system, staff expects to recommend that the increase be assumed as part of the inflationary allocation under R2 or that the General Assembly appropriate the money to a separate line item such as the Information Technology Services line item in the Management and Administration section.

R6 PERSONNEL FOR SCHOOL SUPPORT: The request includes an increase of \$103,439 General Fund and 0.9 FTE in FY 2023-24, increasing to \$110,260 General Fund and 1.0 FTE in FY 2024-25, to support an additional position managing data and distributions to school districts under the school finance formula. The Department reports that the request responds, in part, to increasing workload associated with recent legislation such as H.B. 20-1418 (School Finance) and S.B. 22-202 (State Match for Mill Levy Override Revenue). In response to that increasing workload, the Department posted and filled this position in the summer of 2022 with available funds associated with vacancy savings and one-time appropriations in S.B. 22-202. The request seeks ongoing funding to support the position.

ANNUALIZE PRIOR YEAR BUDGET ACTIONS: The appropriation includes adjustments to reflect the FY 2023-24 impact of salary survey increases provided for FY 2022-23.

ANNUALIZE PRIOR YEAR LEGISLATION: The appropriation includes adjustments for the out-year impacts of prior year legislation.

ANNUALIZE PRIOR YEAR LEGISLATION					
	TOTAL FUNDS	GENERAL FUND	CASH FUNDS	REAPPROPRIATED FUNDS	FTE
HB22-1390 Public School Finance	\$735,695	\$735,695	\$0	\$0	0.0
HB22-1295 Dept. Early Childhood universal PK	(338,621)	(338,621)	0	0	(4.0)
SB22-202 State match mill levy override	(41,238)	(41,238)	0	0	(0.5)
HB22-1202 At-risk student measure school finance	(34,998)	(34,998)	0	0	(0.1)
SB22-127 Special education funding	(25,000)	0	(25,000)	0	0.0
SB22-193 Air quality improvements	(6,200)	0	0	(6,200)	0.0
TOTAL	\$289,638	\$320,838	(\$25,000)	(\$6,200)	(4.6)

SUMMARY OF ISSUES PRESENTED TO THE JOINT BUDGET COMMITTEE

SCHOOL FINANCE ACT FUNDING PROJECTIONS: Current law requires the General Assembly to provide at least enough funding for school finance in FY 2023-24 to prevent any increase in the budget stabilization factor (BSF) above the dollar amount from FY 2022-23 (\$321.2 million based on the current FY 2022-23 appropriation). Based on current Legislative Council Staff estimates of revenues and pupil counts, maintaining the BSF at \$321.2 million in FY 2022-23 would require an additional \$379.3 million in state funding above the current FY 2022-23 appropriation. Based on those estimates, any state funding provided above that amount in FY 2022-23 would reduce the BSF. The December 2022 revenue forecast(s) will adjust many of the underlying assumptions related to state and local revenues as well as pupil counts.

ALLOCATION OF THE INCREASE TO CATEGORICAL PROGRAMS FOR FY 2023-24: Amendment 23 requires the total amount of state funding appropriated to support categorical programs to increase by at least the rate of inflation, and the General Assembly has the authority to allocate the mandatory increase among the various categorical programs. For years, the Committee and the General Assembly have generally allocated that increase based on a formula that considers the difference between state and federal funding provided for each program and the total amount that school districts actually spend on the program/services. Given the magnitude of the mandatory increase for FY 2023-24 (based on projections of the 2022 inflation rate) and recent changes in two of the larger programs, the Committee may wish to consider a different allocation method for FY 2023-24.

STATE MATCH FOR MILL LEVY OVERRIDE REVENUES: Senate Bill 22-202 (State Match for Mill Levy Override Revenue) establishes a program and formula to provide state matching revenues for certain school districts with mill

levy overrides. The bill appropriated \$10.0 million General Fund to support the matching program in FY 2022-23, with matching payments scheduled for distribution on June 1, 2023. This issue brief: (1) proposes potential adjustments to the bill to target the funds and (2) offers points to consider as the Committee looks toward FY 2023-24 and beyond.

FOR MORE INFORMATION

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TO READ THE ENTIRE BRIEFING: Go to <http://leg.colorado.gov/content/budget/budget-documents> to use the budget document search tool. Select this department's name under *Department/Topic*, "Briefing" under *Type*, and select a *Start date* and *End date* to show documents released in November and December of 2022.