

Joint Budget Committee



Supplemental Budget Requests FY 2024-25

Department of Education (Charter School Institute)

JBC Working Document - Subject to Change
Staff Recommendation Does Not Represent Committee Decision

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Overview of Department

Prioritized Supplemental Requests

S2 CSI Mill Levy Equalization

Item	Total Funds	General Fund	Cash Funds	Reapprop. Funds	Federal Funds	FTE
Request	\$2,704,702	\$0	\$2,704,702	\$0	\$0	0.0
Recommendation	Pending					

Staff Recommendation Higher/-Lower than Request

Does JBC staff believe the request meets the Joint Budget Committee's supplemental criteria? YES

[An emergency or act of God; a technical error in calculating the original appropriation; data that was not available when the original appropriation was made; or an unforeseen contingency.]

Explanation: JBC staff and the Department agree that this request is the result of data that was not available when the original appropriation was made.

Request

The Department requests an increase of \$2,704,702 cash funds from the State Education Fund for FY 2024-25, based on the latest estimates provided by CSI in FY 2024-25 for the cost of CSI Mill Levy Equalization in FY 2024-25. The required amount to continue to fully fund mill levy equalization for all institute charter schools in the state is now estimated to be \$51,925,398 for FY 2024-25.¹

The request also describes an additional legislative proposal. It indicates that the Colorado Charter School Institute has found that certain school districts have been able to raise more funds by including CSI students in their MLO calculations without subsequently sharing the revenue benefits. Based on this, it states that Governor's Office in consultation with CSI proposes statutory changes to require the following:

“Should a school district choose to include CSI students in a MLO ballot initiative and share resulting funding from passed MLOs with CSI schools, the district can continue to include CSI total program in the calculation of its Total Maximum Allowable Override.

Should a school district choose to exclude CSI students in a MLO ballot initiative, the ballot language must explicitly list each CSI school that would not benefit by name, and the district would not be able to include CSI total program in the calculation of its Total Maximum Allowable Override.”

¹ For FY 2025-26, the request has been amended to \$55,789,108, which is a \$4,829,657 increase over the November 2024 submission.

Recommendation

The staff recommendation on a dollar amount is pending and will be addressed as part of staff's figure setting presentation.

If the JBC would like to sponsor legislation consistent with the proposal outlined above, it could provide bill drafting authority at this time so that staff could begin to explore this proposal with the Office of Legislative Legal Services. Alternatively, staff will return during figure setting for the Department of Education to provide a more complete analysis of the legislative proposal, including the potential fiscal impact. In general, staff is supportive of any effort that might encourage school districts to cover the costs of mill levy equalization for CSI schools. However, staff does not yet have sufficient information to speak to details, including when this change could be implemented or the anticipated fiscal impact.

Analysis

Supplemental Adjustments – Current Law: The FY 2023-24 School Finance Act (S.B. 23-287) required that “beginning in the 2024-25 budget year and each budget year thereafter, the general assembly shall appropriate from the general fund the amount necessary each budget year to fund full mill levy equalization for all institute charter schools for the applicable budget year.” Based on this, the FY 2024-25 Long Bill included an appropriation of \$49,220,696 for CSI Mill Levy Equalization (excluding double counts), representing an increase of \$22.2 million. Based on further changes in H.B. 24-1394, \$22.0 million of the appropriation, which had been General Fund, was refinanced to State Education Fund, and double counts and informational interest-earnings appropriations were removed.

As discussed during FY 2024-25 figure setting, JBC Staff anticipated that under current law annual appropriations would be subject to mid-year adjustments based on updated information on district and CSI enrollment figures, as well as updated information on assessed values and mill levy override earnings. Staff expects to make a related recommendation, but this will require some additional time. For purposes of making a calculation, two issues require further investigation:

- How should revenue from *new* district MLOs be treated? There are five new MLOs that were adopted by voters in the November 2024 election. The request submitted by the Governor's Office assumes that 50.0 percent of revenue to be generated by these new MLOs will be available for school districts—and thus subject to mill levy equalization—for FY 2024-25, because of variations in how districts included or did not include related revenue in their submissions to the Department of Education. This seems a reasonable model, but upon further investigation, staff has learned that the variations among districts may be due to the ways the various MLO measures were written. In some cases, these measures may provide a full year's worth of new revenue for the district in FY 2024-25. In other cases, there could be a part-year impact or no impact until FY 2025-26. If the intent is to “equalize” funding for CSI schools, staff assumes that funding for CSI schools should be calculated on no more and no less than revenue realized by the district.

- There is one district (Durango) in which the district is already sharing part of its MLO with CSI schools. CSI schools were included in a 2016 MLO, although they were not included in two other MLO measures. To ensure that these schools are not “double-dipping” on revenue from the state versus revenue from the district, staff needs further information to clarify how much of the district’s MLO revenue will be shared with CSI schools.

Potential Legislation: Staff would also like to explore the implications of the bill described in the Governor’s letter. It seems unlikely that adoption of this measure will affect FY 2024-25 mill levy equalization, but it may be helpful to have additional information on this before the Committee votes on the mid-year funding adjustment.

Staff does not believe there will be an obstacle to a forward-looking bill. However, it is not clear what action might be viable with respect to districts that may have already exceeded their statutorily-allowed MLO caps due to the way CSI students have been included in their calculations. CSI’s research indicates that, in FY 2023-24, 5 districts collected over \$10.1 million in aggregate in MLO revenue that they would not have been able to access if CSI students had not been included in their per-pupil counts for this purpose. With the exception of some revenue that is shared by Durango school district, this additional revenue was not shared with CSI schools.