

Joint Budget Committee



Supplemental Budget Requests FY 2024-25

Department of Education (School Finance Only)

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

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Overview of Department

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; and
- issuing school performance reports for every public school 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; 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 responsibilities related to public schools, the Department’s duties include 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: Recommended Changes for FY 2024-25						
Item	Total Funds	General Fund	Cash Funds	Reapprop. Funds	Federal Funds	FTE
FY 2024-25 Appropriation						
FY 2024-25 Long Bill	\$7,440,463,982	\$4,701,504,172	\$1,764,077,511	\$104,652,889	\$870,229,410	732.8
Other legislation	364,764,574	-174,126,551	588,111,821	-49,220,696	0	9.3
Current FY 2024-25 Appropriation	\$7,805,228,556	\$4,527,377,621	\$2,352,189,332	\$55,432,193	\$870,229,410	742.1
Recommended Changes						
Current FY 2024-25 Appropriation	\$7,805,228,556	4,527,377,621	\$2,352,189,332	\$55,432,193	\$870,229,410	742.1
S1 State share of total program adjustment	64,076,611	0	64,076,611	0	0	0.0
S2 CSI mill levy equalization	0	0	0	0	0	0.0

Department of Education: Recommended Changes for FY 2024-25

Item	Total Funds	General Fund	Cash Funds	Reapprop. Funds	Federal Funds	FTE
S3 Increased spending authority HSMA	0	0	0	0	0	0.0
S4 Increased spending authority Appropriated Sponsored Programs	0	0	0	0	0	0.0
Staff-initiated TREP footnote adjustment	0	0	0	0	0	0.0
Statewide common policy requests	-36,570	-5,332	-24,041	-7,197	0	0.0
Recommended FY 2024-25 Appropriation	\$7,869,268,597	\$4,527,372,289	\$2,416,241,902	\$55,424,996	\$870,229,410	742.1
Recommended Increase/-Decrease from 2024-25	\$64,040,041	-\$5,332	\$64,052,570	-\$7,197	\$0	0.0
Percentage Change	0.8%	0.0%	2.7%	0.0%	0.0%	0.0%
FY 2024-25 Executive Request	\$7,884,289,141	\$4,527,372,289	\$2,431,262,446	\$55,424,996	\$870,229,410	743.6
Staff Rec. Above/-Below Request	-\$15,020,544	\$0	-\$15,020,544	\$0	\$0	-1.5

FY 2024-25 Description of Incremental Changes

S1 State share of total program adjustment [legislation required]: The request proposes a net increase of \$64.1 million cash funds for the State Share of Districts’ Total Program Funding in FY 2024-25, including an increase of \$80.2 million from the State Education Fund (SEF) and a decrease of \$16.2 million from the State Public School Fund (SPSF). Total program funding is \$38.5 million higher than assumed in the original appropriation and the local share is \$25.6 million lower than anticipated. Staff recommends an increase of \$64.1 million from the State Education Fund while leaving the appropriation from the State Public School Fund unchanged.

Staff-initiated TREP footnote adjustment: The request includes an adjustment to a footnote related to the Teacher Recruitment Education and Preparation (TREP) Program to reflect actual utilization in FY 2024-25. The footnote included in H.B. 24-1430 (Long Bill) caps program usage at 250 participants and \$2,561,000. Staff recommends amending the footnote to reflect actual utilization of 210 slots at a cost of \$2,151,240.

Prioritized Supplemental Requests

S1 State Share of Total Program Adjustment [legislation required]

Item	Total Funds	General Fund	Cash Funds	Reapprop. Funds	Federal Funds	FTE
Request	\$64,076,611	\$0	\$64,076,611	\$0	\$0	0.0
Recommendation	64,076,611	0	64,076,611	0	0	0.0
Staff Recommendation Higher/-Lower than Request	\$0	\$0	\$0	\$0	\$0	0.0

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 at the time of the original appropriation.

Request

The request proposes a net increase of \$64.1 million cash funds for the State Share of Districts’ Total Program Funding in FY 2024-25, including an increase of \$80.2 million from the State Education Fund (SEF) and a decrease of \$16.2 million from the State Public School Fund (SPSF). Total program funding is \$38.5 million higher than assumed in the original appropriation and local revenues are \$25.6 million lower than anticipated.

Recommendation

Staff recommends an increase of \$64,076,611 from the State Education Fund while leaving the appropriation from the State Public School Fund unchanged. The FY 2024-25 Long Bill included a new line item to show extended high school costs separately from state share formula costs. Based on data provided by Legislative Council Staff, the Extended High School line should be increased by \$2,427,550 and the State Share of Districts’ Total Program Funding line should be increased by \$61,649,061 for a total of \$64,076,611.

The request and recommendation for total program funding require separate legislation to adjust the statutory provisions and associated appropriations detailing total program funding amounts in FY 2024-25. Staff therefore recommends that the Committee sponsor legislation as part of the supplemental package to make the necessary school finance adjustments.

Analysis

Background

The School Finance Act of 1994 (in effect through FY 2024-25) builds each school district’s total program funding based on four basic variables: (1) inflation (Amendment 23 increases

statewide base per pupil funding by the rate of inflation each year based on the change in the consumer price index from the previous calendar year); (2) funded pupil count (which is multiplied by per pupil funding for each district to generate the total program amount); (3) at-risk pupil counts for each district; and (4) local revenues (from property taxes and specific ownership taxes) available to support total program. The Department also adds a flat per pupil funding amount for two groups of students: multi-district on-line students and extended high school program participants (including the Accelerating Students through Concurrent Enrollment (ASCENT) Program, Pathways in Technology Early College High Schools (P-TECH), and the Teacher Recruitment Education and Preparation (TREP) Program).

Of these variables, only the applicable inflation rate is available when the General Assembly establishes the appropriation for school finance. The General Assembly uses estimates of pupil counts, at-risk pupil counts, multi-district on-line and extended high school pupil counts, and local revenues to set the initial school finance appropriation each year through the Long Bill and the school finance bill. Subsequently:

- School districts conduct an annual pupil count (on or near October 1) and then work with the Department to finalize pupil counts by mid-December.
- County assessors certify to the Department of Education the total valuation for assessment of all taxable property (by August 25) and the State Board of Equalization certifies assessors' abstracts of assessments (by December 20).
- School district boards, with the assistance of the Department, certify to their respective boards of county commissioners and inform their county treasurers of the district's mill levy for school finance (by December 15).

By early January of each fiscal year, school districts and the Department know the actual funded pupil count, at-risk pupil count, and local revenues available to support school finance. Section 22-54-106 (4) (b), C.R.S., requires the Department to submit a request for a supplemental appropriation in an amount that would fully fund the state share of districts' total program funding.¹ Statute does not require the General Assembly to fund the requested supplemental appropriation. If existing appropriations are insufficient and the General Assembly does not provide additional funds or reduces the existing appropriation, Section 22-54-106 (4) (c), C.R.S., requires the Department to reduce state aid for each school district and each Institute charter school on a pro rata basis.

Total Program Funding Summary

The General Assembly makes mid-year adjustments to total program funding each year to align with the actual data. The adjustments vary based on the magnitude of differences from the estimates assumed in the original appropriation. Major changes relative to the assumptions in the original FY 2024-25 appropriation are show below.

¹ Since the implementation of the BSF in 2010, there has been more flexibility in this requirement as the formula has not been "fully funded."

Changes to School Finance Based on Actual FY 2024-25 Data

Fiscal Year	FY 2023-24		FY 2024-25		Mid-year Change
	Final Appropriation	Data Used for Initial Appropriation	Revised Data for Staff Recommendation		
Funded Pupil Count	859,783	850,310	853,384	3,074	
<i>Annual Percent Change</i>	-2.2%	-1.1%	-0.7%		
At-risk Pupil Count	395,536	393,212	387,772	-5,440	
<i>Annual Percent Change</i>	12.3%	-0.6%	-2.0%		
Statewide Base Per Pupil Funding	\$8,076	\$8,496	\$8,496	\$0	
<i>Annual Percent Change</i>	8.0%	5.2%	5.2%		
Total Program Funding prior to Budget Stabilization Factor	\$9,315,274,917	\$9,734,685,667	\$9,773,152,749	\$38,467,082	
Less: Budget Stabilization Factor	-\$141,243,484	\$0	\$0	\$0	
<i>BSF as % of Total program</i>	1.5%	0.0%	0.0%		
Equals: Adjusted Total Program Funding	\$9,174,031,433	\$9,734,685,667	\$9,773,152,749	\$38,467,082	
Statewide Average Per Pupil Funding	\$10,670	\$11,448	\$11,452	\$4	
Local Share of Districts' Total Program Funding	\$4,177,967,863	\$4,212,348,402	\$4,186,738,872	-\$25,609,529	
<i>Annual Percent Change</i>	21.1%	0.8%	0.2%		
State Share of Districts' Total Program Funding	\$4,996,063,570	\$5,522,337,265	\$5,586,413,876	\$64,076,611	
<i>Annual Percent Change</i>	0.1%	10.5%	11.8%		

Fund Source Adjustments

The request proposes a net increase of \$64.1 million cash funds, including an increase of \$80.2 million from the SEF and a decrease of \$16.2 million from the SPSF. Staff recommends leaving the SPSF appropriation unchanged. JBC and LCS staff projections of the SPSF estimate an FY 2024-25 ending balance of \$15.5 million if the appropriation is unchanged. Although this is lower than the ending balance staff targets when determining fund sources each year during figure setting, it is staff's opinion that \$15.5 million is still safe cushion and adjusting the FY 2024-25 appropriation now will cause unnecessary complexity. The request and recommendation leave the General Fund contribution for FY 2024-25 unchanged.

FY 2025-26 – Governor's January R1/BA1 Request

In addition to revisions to current year appropriations for school finance, the Governor's January 15, 2025 budget submission also includes an FY 2025-26 budget amendment (BA1) that incorporates updated enrollment and local share estimates and revises policy changes requested in the Department of Education R1.

The November 1st R1 request proposed the following policy changes related to the school finance formula:

- Eliminate student averaging in the new (H.B. 24-1448) formula;
- Eliminate student averaging and the extra 0.5% in the old formula for the hold harmless calculation;
- Extend the phase-in period by one year and change annual implementation percentages (including a decrease from 18 percent to 10 percent in the first year); and

- Cap Building Excellent Schools Today (BEST) cash grants and use the savings for school finance.

The January 15th BA1 (revised R1) request includes the following changes compared to November 1st:

- *Policy Changes:* The revised request proposes a six-year implementation of H.B. 24-1448 with 18 percent implemented in the first year, as included in current law, with changes to implementation percentages in later years to align with the property tax reassessment cycle. BA1 maintains the elimination of student average and changes to the hold harmless calculation, as well as the BEST cash grant cap.
- *Pupil Counts and Inflation:* The revised request anticipates a higher funded pupil count than the November 2024 request (an increase of 3,264 pupils) and a slightly lower inflation rate (using the actual 2024 inflation rate of 2.3 percent as compared to 2.5 percent).
- *Local Revenues:* The revised estimates for FY 2025-26 anticipate an overall increase of \$38.0 million in local revenues relative to the amounts assumed in the November request.
- BA1 increases the General Fund contribution for the state share of total program by \$35.0 million compared to the November 1st request (for a total requested increase of \$150.0 from FY 2024-25).

The FY 2025-26 R1/BA1 proposal will be discussed at length during FY 2025-26 figure setting. At the time of this writing, JBC staff and LCS staff have not yet been able to reconcile OSPB's numbers to the LCS model and fully analyze BA1.

State Education Fund Projections

During the FY 2025-26 JBC staff briefing for school finance and categorical programs, staff presented a set of multi-year projections for school finance obligations for FY 2024-25 through FY 2028-29.² Since that presentation, both LCS and OSPB have presented new revenue forecasts and received updated pupil count and local share data that significantly changes the State Education Fund projections. Legislative Council Staff is required to conduct a review of the model used to forecast revenue to and expenditures from the State Education Fund by February 1st each year. This report will incorporate the most current data available and include a scenario of the State Education Fund balance through FY 2028-29 using the Governor's Department of Education R1/BA1 request. The report will be posted on the School Finance section of the [Legislative Council Staff website](#).

Under OSPB's revised projections and request, the State Education Fund will end FY 2024-25 with a balance of \$1.1 billion and gradually decline to a targeted ending balance of \$150.0 million by the end of FY 2028-29.

² The projections in the issue brief begin on page 25 of the briefing document available at: https://leg.colorado.gov/sites/default/files/fy2025-26_edubrf2.pdf

Staff-initiated Supplemental Requests

Staff-initiated TREP Footnote Adjustment

Request

The Department did not submit a request for this item. This is a staff-initiated recommendation for a footnote that is adjusted annually during the supplemental process.

Recommendation

Staff recommends that the Committee amend the Long Bill footnote related to TREP to reflect the actual cost and utilization of the program in FY 2024-25.

Analysis

The Committee added the Teacher Recruitment Education and Preparation (TREP) footnote to the FY 2022-23 Long Bill 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. TREP participants remain students in their Local Education Provider (LEP) for up to two years following their 12th grade year. The LEP receives TREP specific per-pupil state funding that it uses to pay their college tuition at the resident community college rate. Students receive their high-school diplomas at the end of their TREP 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.

S.B. 21-285 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 approved 250 slots for FY 2024-25; actual usage in the current year is 210. TREP participants are funded at the flat extended high school rate of \$10,244. Therefore, staff recommends that the footnote be amended to reflect a cost of \$2,151,240 in the current fiscal year.

16 Department of Education, Assistance to Public Schools, Public School Finance, Extended High School -- Pursuant to Section 22-35-108.5 (2)(b)(II), C.R.S., the purpose of this footnote is to specify what portion of this appropriation is intended to be available for the Teacher Recruitment Education and Preparation (TREP) Program for FY 2024-25. It is the General Assembly's intent that the Department of Education be authorized to utilize up to ~~\$2,51,000~~ \$2,151,240 of this appropriation to fund qualified students identified as TREP Program participants. This amount is calculated based on an estimated ~~250~~ 210 FTE TREP Program participants funded at a rate of \$10,244 per FTE pursuant to Section 22-54-104 (4.7), C.R.S.

JBC Staff Supplemental Recommendations - FY 2024-25
Staff Working Document - Does Not Represent Committee Decision

Appendix A: Numbers Pages

	FY 2023-24 Actual	FY 2024-25 Appropriation	FY 2024-25 Requested Change	FY 2024-25 Rec'd Change	FY 2024-25 Total w/Rec'd Change
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Department of Education
Susana Cordova, Commissioner

S1 State share of total program

(3) School District Operations

(A) Public School Finance

State Share of Districts' Total Program Funding	<u>4,996,063,570</u>	<u>5,502,388,095</u>	<u>64,076,611</u>	<u>61,649,061</u>	<u>5,564,037,156</u>
General Fund	4,238,686,861	2,991,406,528	0	0	2,991,406,528
General Fund Exempt	0	1,247,280,333	0	0	1,247,280,333
Cash Funds	757,376,709	1,263,701,234	64,076,611	61,649,061	1,325,350,295
Extended High School	<u>0</u>	<u>19,949,170</u>	<u>0</u>	<u>2,427,550</u>	<u>22,376,720</u>
Cash Funds	0	19,949,170	0	2,427,550	22,376,720

Total for S1 State share of total program	4,996,063,570	5,522,337,265	64,076,611	64,076,611	5,586,413,876
<i>FTE</i>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>
General Fund	4,238,686,861	2,991,406,528	0	0	2,991,406,528
General Fund Exempt	0	1,247,280,333	0	0	1,247,280,333
Cash Funds	757,376,709	1,283,650,404	64,076,611	64,076,611	1,347,727,015

JBC Staff Supplemental Recommendations - FY 2024-25
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	FY 2023-24 Actual	FY 2024-25 Appropriation	FY 2024-25 Requested Change	FY 2024-25 Rec'd Change	FY 2024-25 Total w/Rec'd Change
Totals Excluding Pending Items					
EDUCATION					
TOTALS for ALL Departmental line items	7,659,883,045	7,805,228,556	64,076,611	64,076,611	7,869,305,167
<i>FTE</i>	<u>640.3</u>	<u>742.1</u>	<u>0.0</u>	<u>0.0</u>	<u>742.1</u>
General Fund	4,526,142,893	3,280,097,288	0	0	3,280,097,288
General Fund Exempt	155,845,958	1,247,280,333	0	0	1,247,280,333
Cash Funds	1,617,446,797	2,352,189,332	64,076,611	64,076,611	2,416,265,943
Reappropriated Funds	62,769,916	55,432,193	0	0	55,432,193
Federal Funds	1,297,677,481	870,229,410	0	0	870,229,410