



JOINT BUDGET COMMITTEE STAFF FY 2024-25 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 2023-24 appropriation represents approximately 18.0 percent of statewide operating appropriations and 30.9 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 2023-24 APPROPRIATION AND FY 2024-25 REQUEST

DEPARTMENT OF EDUCATION						
	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
TOTAL	\$5,766,335,746	\$4,404,189,409	\$1,193,810,840	\$229,255	\$168,106,242	89.6
FY 2024-25 REQUESTED APPROPRIATION:						
FY 2023-24 Appropriation	\$5,766,335,746	\$4,404,189,409	\$1,193,810,840	\$229,255	\$168,106,242	89.6
R1 State share of total program	305,455,136	75,000,000	230,455,136	0	0	0.0
R2 Categorical programs increase	24,897,895	0	24,897,895	0	0	0.0
R5 School finance system modernization	200,000	200,000	0	0	0	0.0
Annualize prior year budget actions	642,253	95,712	60,786	0	485,755	0.1
Annualize prior year legislation	(39,419,040)	(95,313)	(39,323,727)	0	0	(0.9)
TOTAL	\$6,058,111,990	\$4,479,389,808	\$1,409,900,930	\$229,255	\$168,591,997	88.8
INCREASE/(DECREASE)	\$291,776,244	\$75,200,399	\$216,090,090	\$0	\$485,755	(0.8)
Percentage Change	5.1%	1.7%	18.1%	0.0%	0.3%	(0.9%)

R1 STATE SHARE OF TOTAL PROGRAM INCREASE [REQUIRES LEGISLATION]: The request includes a net increase of \$305.5 million state funds (including \$75.0 million General Fund and \$230.5 million cash funds) for the state share of districts' total program funding in FY 2024-25. Based on the Office of State Planning and Budgeting (OSP) September 2023 Revenue Forecast, and including OSPB's projection of local revenues, the proposal would: (1) increase statewide average per pupil funding by \$705 (6.6 percent); and (2) eliminate the budget stabilization factor

(BSF), which totals 141.2 million in FY 2023-24. The Department indicates that this request is evidence-informed per S.B. 21-284.

R2 CATEGORICAL PROGRAMS INCREASE: Amendment 23 requires the General Assembly to increase total state funding for all categorical programs (in aggregate) by at least the rate of inflation in FY 2024-25. The request, based on the OSPB-projected inflation rate for CY 2023 (5.0 percent), seeks an increase of \$24.9 million cash funds from the State Education Fund to support the required increase. The following table shows the requested allocation of funds by program. See the second issue in the briefing document for a detailed discussion of the categorical programs allocation for FY 2024-25.

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	\$355,756,068	\$14,897,764	4.4%
English Language Proficiency Program	31,294,098	35,343,922	4,049,824	12.9%
Public School Transportation	68,379,237	72,024,210	3,644,973	5.3%
Career and Technical Education Programs	30,514,944	32,324,498	1,809,554	5.9%
Special Education - Gifted and Talented Children	14,677,532	15,174,351	496,819	3.4%
Expelled and At-risk Student Services Grant Program	9,499,542	9,490,831	(8,711)	-0.1%
Small Attendance Center Aid	1,599,991	1,605,338	5,347	0.3%
Comprehensive Health Education	1,134,284	1,136,611	2,327	0.2%
Total	\$497,957,932	\$522,855,829	\$24,897,897	5.0%

R5 SCHOOL FINANCE SYSTEM MODERNIZATION: The request 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 have highlighted the inadequacies of this system. The Department anticipates that the results of the feasibility will result in a FY 2025-26 budget request to implement a new system by July 2026. The request also makes reference to potentially accessing the School Finance Simulator maintained by Legislative Council Staff.

ANNUALIZE PRIOR YEAR BUDGET ACTIONS: The appropriation includes adjustments to reflect the out-year cost of FY 2023-24 R6 Personnel school support and salary survey increases.

ANNUALIZE PRIOR YEAR BUDGET ACTIONS						
	TOTAL FUNDS	GENERAL FUND	CASH FUNDS	REAPPROPRIATED FUNDS	FEDERAL FUNDS	FTE
Prior year salary survey	\$632,610	\$86,069	\$60,786	\$0	\$485,755	0.0
FY 2023-24 R6 Personnel support	9,643	9,643	0	0	0	0.1
TOTAL	\$642,253	\$95,712	\$60,786	\$0	\$485,755	0.1

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	FEDERAL FUNDS	FTE
SB 23-287 Public school finance act	(\$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)

SUMMARY OF ISSUES PRESENTED TO THE JOINT BUDGET COMMITTEE

SCHOOL FINANCE ACT FUNDING PROJECTIONS: Current law requires the General Assembly to eliminate the BSF for FY 2024-25, a reduction of \$141.2 million from FY 2023-24. Based on current Legislative Council Staff estimates of local share, revenues, and pupil counts, eliminating the BSF would require an additional \$52.0 million in state funding above the current FY 2023-24 appropriation. Legislative Council Staff projections also show a growing balance in the State Education Fund through FY 2027-28 even without the BSF, while holding General Fund appropriations for total program constant.

ALLOCATION OF THE INCREASE TO CATEGORICAL PROGRAMS FOR FY 2024-25: 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. Historically, the Committee and the General Assembly 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. In FY 2022-23 and FY 2023-24, the General Assembly passed legislation to provide additional funding for special education programs for children with disabilities in excess of the required inflationary increase. Based on discussions surrounding the passage of S.B. 23-099 (Special Education Funding), staff assumes it is the General Assembly's intent to fully fund special education programs for children with disabilities up to the statutory maximum. The maximum funding will be based on FY 2023-24 pupil counts, which are not available at this time.

NEW AT-RISK FACTOR: House Bill 22-1202 (At-risk Student Measure for School Finance) created a new at-risk measure for the school finance formula for use starting in FY 2023-24 and established a working group to determine how to calculate and implement the new measure. S.B. 23-287 (School Finance) delayed implementation of the new measure until FY 2024-25 and requires the Department of Education to conduct pre-implementation modeling and report findings to the General Assembly by January 5, 2024. The measure uses an identified student percentage (ISP) count and a neighborhood socioeconomic status (SES) index to calculate an imputed at-risk count for each district. The Department is currently working through challenges surrounding data collection for the updated measure, including working with nine pilot districts to test the upload process and determine whether actual data provided by those districts is similar to estimates provided by the Urban Institute.

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 2023.