



MLO Match Program

State Budget Context

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MLO Match Funding History

- FY 2022-23 S.B. 22-202 Transferred \$10.0 million from the General Fund to the MLO Match Fund
- FY 2023-24 S.B. 23-287 transferred \$23.4 million and H.B. 24-1448 transferred \$9.1 million from the State Education Fund (SEF) to the MLO Match Fund
- FY 2024-25 S.B. 24-188 transferred \$15.7 million from the SEF to the MLO Match Fund

MLO Match Funding History

- Funding was prorated to a \$10.0 million maximum in FY 2022-23; model has been fully funded since then
- At the time of transfer/appropriation, the model is using an estimate for the upcoming budget year
 - Initial FY 2023-24 appropriation was \$2.2 million higher than what was actually needed to fully fund
 - Unspent money remains in the MLO Match Fund and can be used for later years
 - No mechanism to “true-up” the cost during the supplemental process; could lead to unexpected proration if under-appropriated

MLO Match Fund Source

- General Fund or State Education Fund are the only viable sources of funding for this program
 - These two sources are interchangeable for budgetary purposes
- Current practice is to transfer money into the MLO Match Fund and make a corresponding cash fund appropriation
- For simplicity, a direct appropriation from the SEF or General Fund could be made instead (legislative change required)
- MLO Match distributions are subject to annual appropriation and may be prorated
 - Could amend statute to say “For the FY 20XX-XX budget year and each budget year thereafter, the general assembly shall appropriate...”

State Share of Districts' Total Program Funding

State Share of Total Program by Fund Source			
	FY 2022-23	FY 2023-24	FY 2024-25
General Fund	\$4,238,686,861	\$4,238,686,861	\$4,238,686,861
State Education Fund	638,436,892	461,598,845	1,189,255,466
State Public School Fund	112,930,863	295,777,864	74,445,768
Total	\$4,990,054,616	\$4,996,063,570	\$5,502,388,095

- State share is paid from a combination of the General Fund, SEF, and State Public School Fund
- General Assembly has been able to hold the General Fund appropriation constant since FY 2022-23 due to large SEF balance
- Total program costs are increasing due to elimination of the budget stabilization factor and implementation of H.B. 24-1448

State Education Fund Balance

Table 7
State Education Fund Modelling Scenarios
Based on Varying Assumptions for General Fund Contributions
 Dollars in Millions

General Fund Scenario:	Constant (0% Growth)		Based on GF Revenue Growth (~5% Growth)		Historical Growth (4.2% Growth)		Required Maintain SEF Balance (~5.3% Growth)	
	SEF Contribution	SEF End Balance	SEF Contribution	SEF End Balance	SEF Contribution	SEF End Balance	SEF Contribution	SEF End Balance
FY 2024-25	\$1,209	\$1,149	\$1,209	\$1,149	\$1,209	\$1,149	\$1,209	\$1,149
FY 2025-26	\$1,198	\$544	\$986	\$765	\$1,020	\$730	\$974	\$778
FY 2026-27	\$1,548	-\$396	\$1,114	\$261	\$1,185	\$155	\$1,087	\$301
FY 2027-28	\$1,520	-\$1,261	\$852	\$64	\$963	-\$153	\$809	\$147
FY 2028-29	\$1,746	-\$2,266	\$832	-\$27	\$988	-\$400	\$773	\$114

Source: LCS September 2024 Forecast, Page 23

- The General Fund appropriation will have to increase as the SEF balance is depleted over the next few years

Transfers and Appropriations from the State Education Fund		
	FY 2023-24	FY 2024-25
Public School Finance:		
Funding for the state share of districts' total program funding	\$485,563,635	\$1,209,204,636
Transfer to Mill Levy Override Match Fund	32,512,235	15,715,539
At-risk per pupil additional funding	0	5,000,000
Public school finance administration	13,306,817	361,038
Financial transparency maintenance system	89,172	92,786
District per pupil Reimbursements for juveniles held in jail (S.B. 10-	10,000	10,000
Additional funding for rural school districts and institute charter	30,000,000	0
New arrival student funding (H.B. 24-1389)	24,000,000	0
Mid-year appropriation adjustments	(23,964,790)	0
Subtotal: School Finance	\$561,517,069	\$1,230,383,999
	<i>Percent of Total</i>	<i>68.2%</i>
Categorical Programs	\$334,192,458	\$377,675,185
	<i>Percent of Total</i>	<i>20.9%</i>
Public School Capital Construction (BEST)	\$34,679,016	\$23,935,468
	<i>Percent of Total</i>	<i>1.3%</i>
Other Programs		
Transfer to Early Literacy Fund (S.B. 13-260)	\$34,000,000	\$34,000,000
Facility school funding	29,611,902	33,354,626
Colorado Student Assessment Program	26,000,279	24,737,797
HSMA school meal reimbursements (H.B. 24-1206)	15,439,107	22,146,226
CSI mill levy equalization	0	22,000,000
School Counselor Corps Grant Program (H.B. 08-1370)	12,016,250	12,007,490
Student Educator Stipend Program in DHE (H.B. 24-1290)	0	4,197,000
Assistance to BOCES (H.B. 12-1345)	3,322,985	3,327,275
Professional development for science teachers (H.B. 24-1446)	0	3,000,000
Early literacy assessment tool (H.B. 12-1345)	2,997,072	2,997,072
School turnaround leaders dev./school transformation (S.B. 14-124)	2,008,248	2,012,527
Ninth-grade success grant and performance reporting (H.B. 24-1282)	0	1,925,050
Other purposes	3,392,997	4,240,221
Subtotal: Other Programs	\$128,788,840	\$169,945,284
	<i>Percent of Total</i>	<i>9.4%</i>
Centrally Appropriated Line Items	\$1,769,257	\$1,566,395
	<i>Percent of Total</i>	<i>0.1%</i>
Total	\$1,060,946,640	\$1,803,506,331

- State share of total program is by far the largest use of SEF dollars, followed by Categorical Programs
- SEF is also used for a variety of other one-time and ongoing education-related programs

Budget Year 2025-26 Outlook

Table 2
FY 2025-26 Budget Scenario B
Projected Obligations Based on Current Law
Dollars in Millions

	FY 2025-26
1 Excess Reserve Under Scenario A	\$911.8
Change in Appropriations Under Scenario B	
2 Year-Over-Year Budget Impact of Rolloff of ARPA Funds	\$587.2
3 2024 Legislation Out-Year Cost Annualizations	\$5.6
4 School Finance (3% increase in General Fund appropriation)	\$127.2
5 HCPF (all decision items, primarily Medical Services Premiums)	\$367.3
6 Higher Ed. Institutions (5.3% GF increase based on 20-year CAAGR ¹)	\$82.7
7 Community Providers (2% increase with FY 2024-25 targeted rates)	\$74.2
8 Salary Survey (similar growth to FY 2024-25)	\$117.3
9 Total Change in Appropriations	\$1,361.4
Capital Construction Transfers Under Scenario B	
10 Out-Year Cost of FY 2024-25 Funded Capital Const. Projects	\$65.1
11 Out-Year Cost of FY 2024-25 IT Capital Projects	\$26.8
12 State Architect Recommendation for Controlled Maintenance	\$175.7
13 Total Change in Capital Transfers	\$267.5
14 Change in Required Reserve (15% of Line 9)	\$204.2
15 Total Change in General Fund Obligations (Line 9 plus Line 13 plus Line 14)	\$1,833.1
16 Excess Reserve Under Scenario B (Line 1 minus Line 15)	(\$921.3)

Source: September 2024 LCS Forecast and Joint Budget Committee Staff.

¹CAAGR = compound average annual growth rate.

- LCS September forecast predicts a \$921.3 million deficit
- Balancing the FY 2025-26 budget will require significant cuts
- Costs of the MLO Match Program need to be considered in the context of the overall budget outlook

Considerations

- What is the maximum amount the General Assembly should spend on the MLO Match Program each year?
- What's more important – fully funding this program for fewer districts, or including more districts and funding at a prorated amount?
- How do you prioritize this cost against the school finance formula and other uses of the State Education Fund?
- How do you prioritize this program against all other uses of the General Fund?



Questions?

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