Legislative Council Staff
Nonpartisan Services for Colorado's Legislature

Memorandum

January 31, 2025

TO: Joint Budget Committee
House and Senate Education Committees
Office of State Planning and Budgeting

FROM: Marc Carey, Chief School Finance Officer, 303-866-4102

SUBJECT: State Education Fund Report

Summary

Pursuant to Section 22-55-104, C.R.S., Legislative Council Staff, in consultation with the State Auditor, the State Treasurer, the Department of Education (CDE), the Office of State Planning and Budgeting, and the Joint Budget Committee (JBC), is required to conduct a review of the model used to forecast revenue to and expenditures from the State Education Fund and the spending requirements for the Public School Finance Act of 1994 by February 1 of each year. This report provides a forecast of the State Education Fund revenue and expenditures within the budgetary framework for school finance for FY 2024-25. It also provides three scenarios and associated projections for the upcoming budget year and three years following. Scenario presentations begin on page 12.

The forecast for the State Education Fund and the level of General Fund appropriations needed to pay for school finance have changed since the General Assembly adjourned in May 2024. Pupil enrollment both in terms of the overall count and the number of English language learner (ELL) pupils increased, while the number of at-risk pupils declined from expectations. Property values recorded for the 2024 tax year declined from the expectations of the December 2023 Legislative Council Staff forecast, largely due to the passage of Senate Bill 24–233 and House Bill 24B-1001 in the 2024 special session. In addition, expectations for income taxes have slightly declined, decreasing projected deposits into the State Education Fund and the General Fund for FY 2024-25 and FY 2025-26.

This report assumes that the 2025 supplemental school finance bill, as approved by the Joint Budget Committee, will be adopted, that the budget stabilization factor is eliminated in FY 2024-25 and beyond, and that the initial appropriation from the General Fund for FY 2024-25

will remain at its current level, while the appropriation from the State Education Fund will increase by $64.0 million due to enrollment and property value changes.

The model used to project the State Education Fund balance was updated to reflect actual data for the current budget year, the December 2024 Legislative Council Staff revenue and economic forecast, and the recent release of the 2024 inflation rate by the federal Bureau of Labor Statistics. Increases in school finance and categorical funding are based on the actual inflation rate of 2.3 percent applicable for FY 2025-26. The income tax diversion to the State Education Fund is projected to decline at an average annual rate of 1.6 percent from FY 2023-24 through FY 2025-26, although the FY 2023-24 diversion includes a one-time $135.1 million correction made by Legislative Council Staff.[1] Without the correction, the average annual growth rate for the diversion would be 4.3 percent.

Amendment 23 and the State Education Fund

Article IX, Section 17, of the Colorado Constitution, enacted by the voters in the November 2000 election as Amendment 23, created the State Education Fund (SEF). It diverts an amount equal to one third of one percent of taxable income to the fund. It also requires the General Assembly to increase the statewide base per pupil funding amount under the School Finance Act and total state funding for categorical programs by at least the rate of inflation in the current budget year and subsequent years. Money in the SEF may be used to meet these minimum education funding requirements. In addition, the General Assembly may appropriate money from the SEF for a variety of other education-related purposes as specified in the state constitution.

Study Requirements

Following voter approval of Amendment 23, the Legislative Audit Committee contracted with Pacey Economics to develop a model (SEF model) to predict the impact of policy decisions and economic conditions on the balance of the SEF and on General Fund appropriations for public elementary and secondary education. The balance of the State Education Fund is integrally tied to the level of General Fund appropriations, as the greater the level of increase in General Fund appropriations, the greater the SEF balance and the greater the amount of money available for public education programs. Appropriations for public education affect the amount of money available for other state programs because they compete for the same pool of money.

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[1] For more information, see the June 20, 2024, Legislative Council Staff memorandum titled "Correction of Prior-Year Transfers to the State Education Fund."

The SEF model provides a method to project school finance and categorical program spending under the requirements of Amendment 23. Legislative Council Staff also predicts the amount of income tax revenue diverted to the fund. Given the projections for revenue and spending, the SEF model is used to estimate the impact of different General Fund appropriations on the SEF balance, based on different scenarios for changing overall school finance funding.

Annual Report

State law anticipates an annual updating of the SEF model to accommodate actual data and changes in policy or economic conditions. Section 22-55-104 (3), C.R.S., requires a yearly report on the SEF that addresses the following:

- the reasonableness of the assumptions used to forecast SEF revenue and expenditures and revisions to the assumptions;
- revenue projections for the SEF;
- projections of the total amount of state money necessary to increase the statewide base per pupil funding amount and total categorical program funding by the rate of inflation in FY 2025-26;
- projections of the amount of money available from sources of revenue other than the General Fund and the SEF to meet the funding requirements of Amendment 23;
- the stability of the SEF;
- an estimate of the maximum amount of money that can be appropriated from the SEF and the minimum amount of money that can be appropriated from the General Fund for FY 2024-25 to meet the Amendment 23 funding requirements without adversely impacting the solvency of the SEF or the ability of the General Assembly to provide the Amendment 23 minimum funding increases in the future; and
- estimates of various General Fund appropriation levels above the minimum level and their impact on the amount of money available in the SEF to provide funding in FY 2025-26 for additional programs that are consistent with the provisions of Amendment 23.

This year's report assumes passage of the 2025 supplemental budget bill for school finance, as approved by the Joint Budget Committee. This bill makes mid-year adjustments for education funding in FY 2024-25. The JBC, the Governor's Office, and the General Assembly will analyze in greater detail the FY 2025-26 appropriations from the General Fund and the SEF — and the laws that drive these appropriations — in the coming weeks. Thus, much will change during the 2025 legislative session that will affect the analysis presented in this report.

Updated Revenue and Expenditure Forecasts

The General Assembly is able to allocate funding for public schools between the General Fund, the SEF, and other cash funds as it chooses. In the 2025 legislative session, the General Assembly will confront policy questions regarding the overall amount of state funding to allocate for school finance and other education-related programs in FY 2025-26, and how much money to retain in the SEF to pay for future increases in school finance. Under current law, the projected balance in the SEF is forecast to be nearly $1.1 billion at the end of FY 2024-25.

SEF Model Updates

The basic framework of the SEF model is retained for this report; there are no major changes in the structure of the model since this report was last published in 2024. Inputs to the model have been updated to incorporate legislation enacted by the General Assembly, actual school funding data for FY 2024-25, revisions to forecasts of economic indicators, and the most recent Legislative Council Staff forecast of pupil counts and assessed values. The budget stabilization factor was eliminated and rural funding added to the school finance formula in Senate Bill 24-188 and House Bill 24-1448 created a new school finance formula that is scheduled to begin implementation in FY 2025-26. This report assumes that the General Assembly will approve the 2025 supplemental funding bill and phase in the new formula according to current law.

Property Tax Projections

Property and specific ownership taxes provide the local contribution for school district funding under the School Finance Act. When these local revenue sources produce more revenue, requirements for state aid decrease for a given level of education funding. In FY 2024-25, the local share totaled nearly $4.2 billion.

In FY 2025-26, the total local share for school finance is projected to increase by $377.1 million compared with FY 2024-25, and total nearly $4.6 billion. The 9.0 percent increase results from an expected increase in assessed values in the 2025 reassessment year largely attributable to the expiration of temporary residential property tax policy changes enacted by the General Assembly, which reduced the local share for FY 2024-25 relative to what would have been collected otherwise. Other contributors are value increases from the 2025 reassessment year, new construction, and the end of tax increment financing diversions for the Stapleton Urban Renewal Plan.

Assessment Rates

The Gallagher Amendment in the Colorado Constitution was repealed by Amendment B in the 2020 general election. As a result, the residential assessment rate is no longer required to adjust in order to maintain a constant relationship between the statewide share of residential taxable value and the statewide share of nonresidential taxable value. During the 2020 legislative session, the General Assembly passed Senate Bill 20-223, which fixed the residential assessment rate at 7.15 percent and the nonresidential assessment rate at 29 percent indefinitely. In the years since, the General Assembly has adjusted assessment rates for residential and nonresidential property several times, and has passed several pieces of legislation, creating new subclasses of property and tweaking assessment rates.

For example, during the 2022 legislative session, the General Assembly passed Senate Bill 22-238, which temporarily reduced residential and nonresidential assessment rates in property tax years 2023 and 2024 and implemented one-time value reductions in order to reduce property tax revenue by $700 million over these two years. During the November 2023 special session, the General Assembly passed Senate Bill 23B-001, which, for the 2023 property tax year only, reduced the residential assessment rate for single and multifamily properties to 6.7 percent and expanded the specified value reduction of these properties to $55,000.

During the 2024 session, the General Assembly passed Senate Bill 24-233, which carried over the 2023 assessment rates and value reductions to 2024, and notably created a residential assessed value to apply to school district mill levies, and a separate residential assessed value to apply to other local government mill levies.

In addition, during the 2024 special session, the General Assembly passed HB24B-1001, which further modified residential and nonresidential assessment rates and valuation. While the bill steps down nonresidential assessment rates over the next few years, it also set a permanent residential assessment rate for school districts at a projected 7.05 percent, unless statewide actual value growth for property tax year 2025 exceeds 5 percent year-over-year, in which case the rate is 6.95 percent. The bill also implemented a school district property tax revenue limit that may temporarily lower the residential assessment rate for school districts below 7.05 percent if needed to meet this limitation.

Assessed Value and Property Tax Growth

Property taxes account for nearly 94 percent of the local contribution to the School Finance Act. Yearly changes in property tax revenue depend upon changes in both the tax base, or assessed value, and changes in the tax rate, or mill levy, of school districts. After jumping 24.7 percent in 2023, assessed values declined 2.9 percent in 2024. This resulted in nearly $19 million less in property taxes for school finance in FY 2024-25 than the prior year.

School Finance Costs

Expenditures for school finance are a function of pupil counts and inflation. Lower inflation reduces overall funding requirements for school finance and categorical programs. The statewide base per pupil funding level must increase by inflation each year, as specified by Amendment 23.

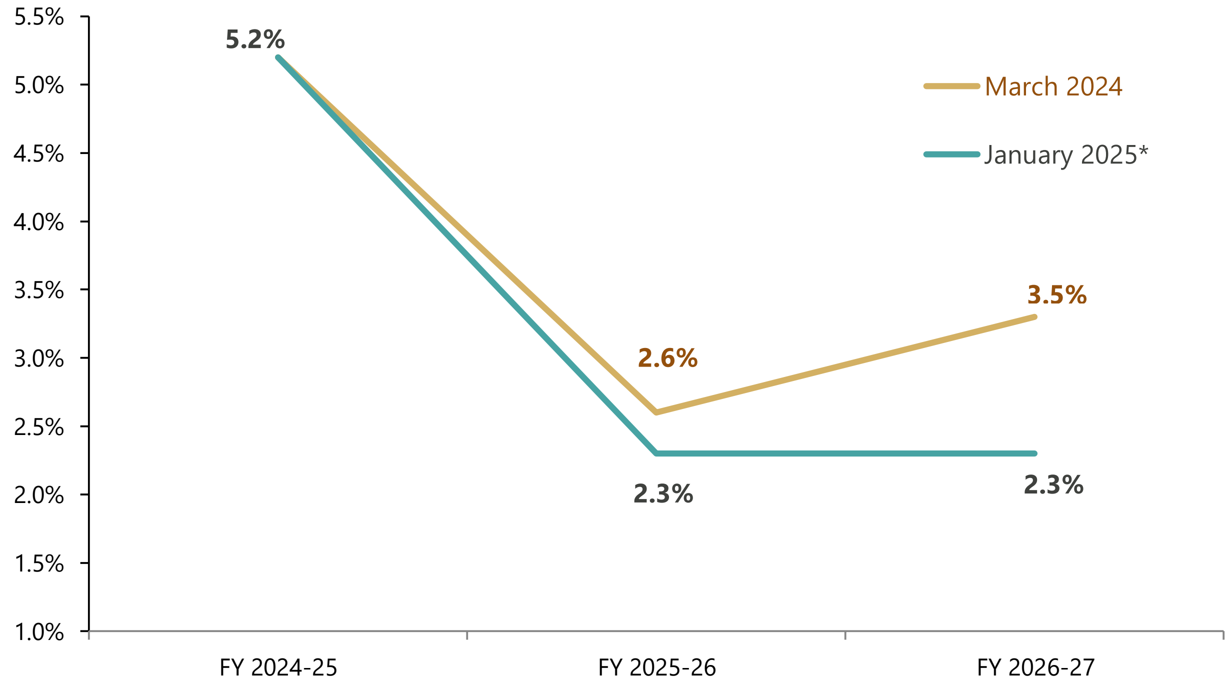
Under the new formula enacted in HB 24-1448, the base per pupil amount multiplied by the funded pupil count constitutes foundation funding. This is augmented by student adjustments including at-risk funding, ELL funding, Special Education funding and funding for online and extended high school students. The formula also specifies district-specific adjustments including cost-of-living factor funding, size factor funding and locale factor funding. All student and district adjustments are also based in part on base per pupil funding, with the exception of online and extended high school funding.

The new formula is phased in over six years, with districts receiving the greater of either:

- total program funding under the old formula, plus 0.5 percent ("hold harmless"); or
- total program funding under the old formula, plus a percentage of the difference between the old and new formulas. This percentage is 18 percent in FY 2025-26 and increases annually through FY 2030-31, when the formula is fully implemented.

As described in detail later in this report, a lower inflation forecast decreases the overall cost of school finance and total state funding for categorical programs. For FY 2025-26, the inflation rate decreased from the 2.6 percent forecast in March 2024 to the recently released actual rate of 2.3 percent. This decreased total program funding by nearly $30 million. Figure 1 illustrates the change in projected inflation rates.

Figure 1
Comparison of Inflation Rate Projections from Legislative Council Staff Forecasts



Source: U.S. Bureau of Labor Statistics and Legislative Council Staff Forecasts.
*Reflects actual 2024 inflation and 2025 projections from the LCS December 2024 forecast.

State Education Fund Revenue Projections

One-third of one percent of taxable income of state income tax returns is deposited in the SEF. This amount translates to about 8.1 percent of state income tax revenue. Money is diverted to the fund monthly, based on quarterly estimates of taxable income. Errors in the amount deposited in the fund in any fiscal year are corrected in the following fiscal year by adjusting the amount of the transfer. Any money remaining in the fund at the end of a fiscal year stays in the fund.

The projections of revenue to the fund in this report are based on the December 2024 Legislative Council Staff revenue forecast. The income tax revenue deposited in the fund is expected to decrease at an average annual growth rate of 1.6 percent between FY 2023-24 and FY 2025-26, as illustrated in Table 1. As previously noted, the diversion for FY 2023-24 includes a one-time true up of $135.1 million for historical under-transfers.[2] Without this true up, the annual average growth rate in diversions would be 4.3 percent.

Table 1 also compares the current projections of income tax revenue to the SEF with those from the March 2024 forecast. Actual income tax diversions to the fund for FY 2023-24 were $133.9 million higher than projected last March, nearly the exact amount of the true up made in June. Expected income tax diversions over the next two years have decreased by $54.8 million compared with projections from March 2024. For FY 2025-26, income tax revenue to the SEF is expected to total $1,171.4 million.

Table 1
Projections of Income Tax Revenue to State Education Fund
Dollars in Millions

Fiscal Year	Dec. 2024 Forecast **Income Tax**	Dec. 2024 Forecast **Year-to-Year % Change**	March 2024 Forecast **Income Tax**	March 2024 Forecast **Year-to-Year % Change**	**Change in Projected SEF Revenue**
FY 2023-24	$1,209.0*	13.4%	$1,075.1	0.8%	+$133.9
FY 2024-25	$1,089.4	-9.9%	$1,127.5	4.9%	-$38.1
FY 2025-26	$1,171.4	7.5%	$1,188.1	5.4%	-$16.7
Total	**$3,469.8**		**$3,390.7**		**+$79.1**

* Includes a $135 million one-time true-up for historical under transfers made in June 2024 by Legislative Council Staff.

Interest Earnings

In addition to the income tax diversion, the SEF also earns interest. Amendment 23 requires that all interest earned on money in the fund be retained in the fund and be used before any principal is depleted. The fund is currently invested in all short-term investments, called the treasury pool. As of September 2024, the treasury pool was earning interest of about 3.7 percent annually.

The modest rate of return is attributed to the types and timing of investments, as much of the treasury pool is invested in fixed income securities. These securities provide a guaranteed rate of return for the duration of the investment. As these securities mature, the rate of return will depend on available investment options and market conditions. Under the current practice of

[2] For more information, see the June 20, 2024, Legislative Council Staff memorandum titled "Correction of Prior-Year Transfers to the State Education Fund."

disbursing the school finance appropriation as late in the fiscal year as possible, the balance of the SEF stays higher in the first part of the fiscal year, earning more interest than it otherwise would, then drops precipitously in the second half of the fiscal year when the more significant portion of school finance expenses are paid.

State Money Available to Meet Amendment 23 Funding Requirements in FY 2024-25

Amendment 23 requires the statewide base per pupil funding amount for preschool through twelfth grade education to increase annually by the inflation rate. The same requirement applies to state funding for categorical programs. Under current law, meeting these two obligations are expected to cost the state just over $3.3 billion in FY 2025-26, as illustrated in line 10 of Table 2. This represents a decrease of about $255.5 million from the Amendment 23 requirements in FY 2024-25. Note that the school finance and categorical program dollar amounts in Table 2 are based on the recently released actual inflation rate of 2.3 percent for 2024.

School Finance Funding

Under current law, the projected statewide base per pupil funding amount for FY 2025-26 is $8,691.80, an increase of $195.42 over the current budget year. When combined with a 0.8 percent decrease in the funded pupil count, total funding for school finance is projected to be $10,051.9 million (line 3). Local property and specific ownership taxes are expected to increase by $377.2 million, resulting in a net decrease in state aid of $98.5 million (line 5). Assuming passage of the 2025 supplemental school finance bill, state aid for school finance will decrease by $98.5 million (line 5).

Categorical Programs

Total state funding for categorical programs is estimated at $553.9 million for FY 2025-26, an increase of 2.3 percent over the prior year, or $12.5 million (line 7). Total state funding for categorical programs and school finance will therefore decrease by $86.1 million, as reflected in the last row of Table 2.

Table 2
State Money Required to Meet School Finance Act Funding Requirements
FY 2024-25 Under Current Law
Assuming passage of 2024 supplemental school finance bill
Millions of Dollars

Row	Calculation of Funding Amounts	Estimated FY 2025-26	Change from FY 2024-25
1	Total funding under the School Finance Act for base increase of inflation	$7,359.9	$109.2
2	Plus other factors in school finance formula	$2,692.0	$169.5
3	Total program	$10,051.9	$278.7
4	Minus property and specific ownership taxes for school finance	$4,563.9	$377.2
5	Equals state aid for school finance funding	$5,488.0	-$98.5
6	**Total school finance funding (lines 4+5)**	$10,051.9	$278.7
7	Total funding for **categorical programs** with inflationary increase	$553.9	$12.5
8	Total state funding required for school finance base and categorical programs (sum of lines 1 and 7) minus local funding (line 4)	$3,349.5	-$255.5
9	**Total state funding for school finance and categorical programs** (sum of lines 5 and 7)	$6,041.8	-$86.1

Other Revenue to Meet State Funding Requirements under Amendment 23: State Public School Fund

In addition to General Fund and SEF revenue, other revenue from federal mineral leases and state school trust lands is available to meet the funding requirements of Amendment 23 and the School Finance Act. These revenue sources are deposited in and appropriated from the State Public School Fund. In addition, 12.5 percent of marijuana sales tax revenue is annually appropriated to the fund. Tables 3A and 3B shows expected sources of revenue to and obligations from the State Public School Fund in FY 2025-26.

Table 3A

Expected Revenue to the State Public School Fund

Millions of Dollars

Row	Revenue Sources	Estimated FY 2025-26
1	Beginning Balance	$15.5
2	Federal Mineral Lease Revenue	$56.5
3	Permanent Trust Fund Interest	$5.0
4	State Audit Recoveries	$1.0
5	Marijuana Sales Tax Revenue	$22.4
6	**Total Revenue to State Public School Fund (sum lines 1-5)**	**$100.4**

Table 3B

Expected Expenditures from the State Public School Fund

Millions of Dollars

Row	Expenditures	Estimated FY 2025-26
7	School Finance Payments	$61.2
8	Other Appropriations	$11.7
9	Targeted Ending Balance	$27.4
10	**State Public School Fund Total Obligations (sum lines 7- 9)**	**$100.3**

Note: Assumes December 2024 Legislative Council Staff Forecast. Totals may not sum due to rounding.

The estimated amount from the State Public School Fund available in FY 2025-26 for school finance is $61.2 million (line 7). This amount is based on a beginning balance of $15.5 million, federal mineral lease deposits of $56.5 million, Permanent Trust Fund interest of $5.0 million, $1.0 million in district audit recoveries, and current expectations of $22.4 million for marijuana sales tax revenue. This amount also assumes $11.7 million in other appropriations from the fund, and a targeted ending balance of $27.4 million to account for actual marijuana collections. HB 24-1448 also contained a provision phasing out the amount of Permanent Fund interest paid to the State Public School Fund. The amount projected for FY 2025-26 is thus significantly lower than in past reports.

These assumptions have implications for the required appropriations from the General Fund and the State Education Fund. As Table 4 shows, the total state funding requirement for school finance and categorical programs in FY 2025-26 is $6,041.8 million, a decrease of $86.1 million over the prior year. Netting out the available contribution from the State Public School Fund leaves $5,980.6 million for FY 2025-26 to be paid from a combination of the General Fund and the SEF, a decrease of $72.9 million compared with the prior year.

Table 4
Other Revenue for School Finance Act Funding Requirements under Current Law
Millions of Dollars

Row	Other Revenue Amounts	Estimated FY 2025-26	Change from FY 2024-25
1	Total state funding required for school finance and categorical programs (Table 2, line 11)	$6,041.8	$86.1
2	Minus State Public School Fund revenue for school finance	$61.2	-$13.2
3	Equals General Fund and State Education Fund for school finance and categorical programs (line 1 minus line 2)	$5,980.6	-$72.9

Three Scenarios: General Fund, SEF Appropriations and SEF Balance

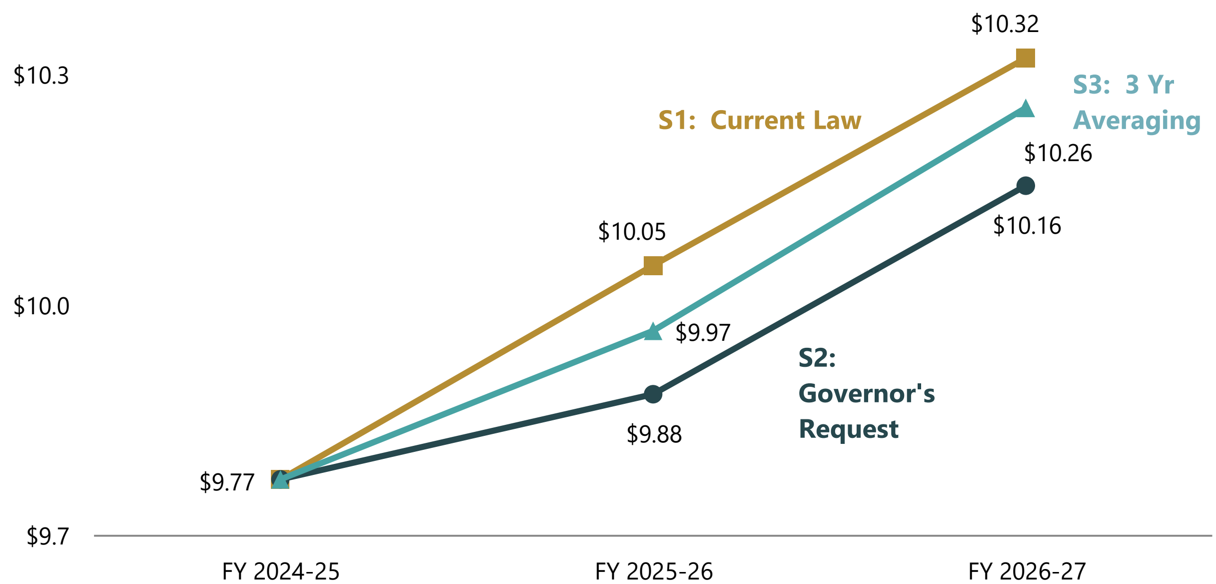
This portion of the report presents three different funding scenarios for school finance, how they impact the projected balance of the SEF in the coming years, and what each scenario entails for General Fund support for school finance. These scenarios are intended to address the statutory requirement for an estimate of the maximum amount of money that can be appropriated from the SEF and the minimum amount of money that can be appropriated from the General Fund without adversely affecting the solvency of the SEF. For purposes of this report, solvency of the SEF is defined as an ending balance of $750 million in FY 2025-26, $400 million in FY 2026-27 and $200 million in FY 2027-28. These amounts are used to estimate the General Fund and SEF appropriations needed to fund overall increases in school finance.

The scenarios are as follows:

- The first scenario is based on current law and projects total program, assuming the new school finance formula is implemented as specified in current law.
- The second scenario assumes that the new formula is implemented according to the specifications of the Governor’s January 15, 2025, revised budget request.
- The third scenario contemplates a mid-range version of Scenario 1 with a constant three-year averaging allowance.

Figure 2 illustrates projected total program funding under each of these funding scenarios.

Figure 2
Total Program Funding Scenarios
Billions of Dollars



Source: Legislative Council Staff State Education Fund Model.

Scenario 1: Current Law

This scenario assumes that the supplemental school finance bill is adopted, the new school finance formula is implemented as specified in current law (including a hold-harmless provision for districts of the old formula total program plus 0.5 percent and four-year pupil averaging allowance), and targeted ending balances for the SEF of $750 million in FY 2025-26, $400 million in FY 2026-27, $200 million in FY 2027-28 and $100 million in FY 2028-29. Table 5 shows total school finance funding, total state aid, appropriations from the SEF and General Fund, and the corresponding balance of the SEF under this scenario.

Table 5
Scenario 1: SEF Balances under Current Law
Millions of Dollars

Fiscal Year	Total School Finance Funding	Total State Aid*	SEF Appropriation	General Fund Appropriation	General Fund Change from Prior Year	SEF Balance
2024-25	$9,773	$5,586	$1,273	$4,239	-	$1,081
2025-26	$10,052	$5,488	$942	$4,485	$246	$750
2026-27	$10,322	$5,800	$1,010	$4,728	$243	$400
2027-28	$10,601	$5,905	$896	$4,948	$219	$200
2028-29	$10,901	$6,147	$843	$5,243	$295	$100

*Includes appropriations from the State Public School Fund.

Scenario 2: Governor's Revised Request

If the Governor's revised request is adopted, the new formula will be implemented according to the current schedule but with slight changes to the phase-in percentages in non-reassessment years, and without the 0.5 percent hold-harmless increase from total program under the old formula. In addition, beginning in FY 2025-26, the Governor's proposal eliminates averaging, including in both the new and old formulas for purposes of calculating the hold-harmless amount, and transfers nearly $42 million into the State Public School Fund available from capping cash grants made through the Building Excellent Schools Today (BEST) program. Assuming the same targeted ending balances specified in Scenario 1 above, General Fund appropriations need to grow by $40 million in FY 2025-26, $243 million in FY 2026-27, and $256 million in FY 2027-28.

Scenario 3: Constant 3-Year Averaging

This scenario mirrors Scenario 1, except that, beginning in FY 2025-26, it assumes a constant three-year averaging allowance, both in the new formula and in the old formula for purposes of calculating the hold-harmless amount. As seen in Figure 2, this scenario produces the middle trajectory for total program funding. Assuming the SEF ending balances specified in Scenario 1, General Fund appropriations would need to increase $163 million in FY 2025-26, $263 million in FY 2026-27, and nearly $231 million in FY 2027-28.

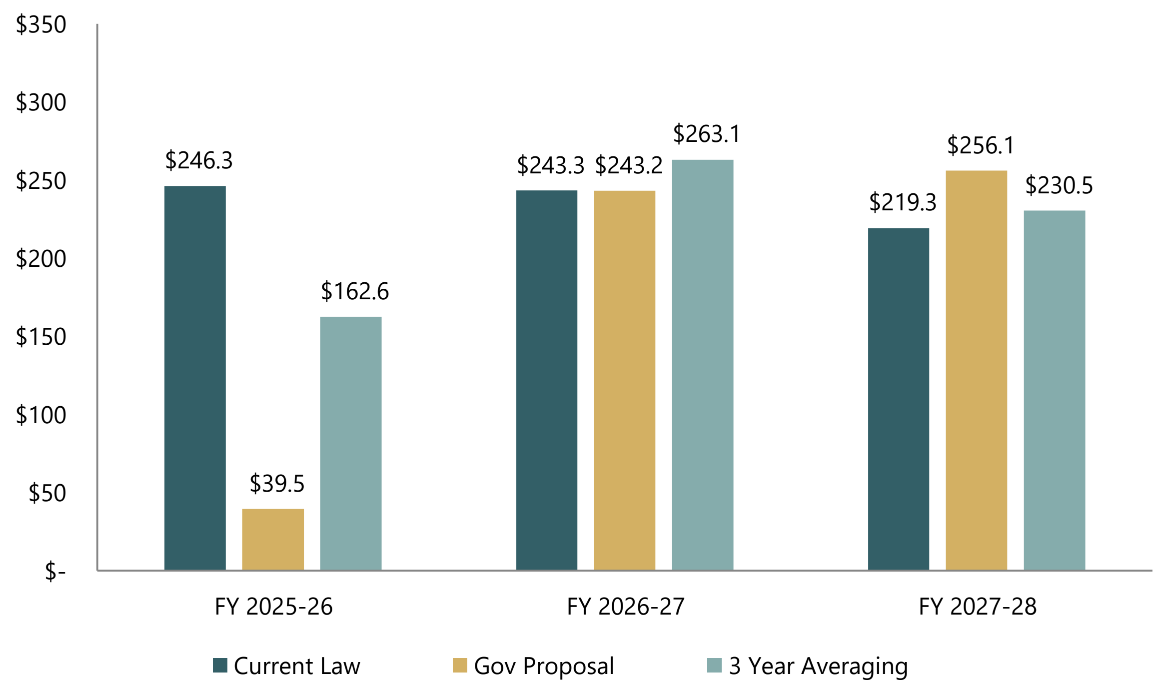
Change in General Fund Appropriations Under Each Scenario

Figure 3 illustrates year over year change in General Fund appropriations required under current law and the two alternate scenarios in order to achieve the targeted ending balances.

Figure 3

Year-Over-Year Change in General Fund Appropriations Required for School Finance

Millions of Dollars



To provide context for the level of these increases, it is instructive to look at historical appropriations. During the last two fiscal years, General Fund appropriations have been held constant due to the relatively large balances available in the SEF. In the ten years prior to that, General Fund appropriations increased every year (other than the FY 2020-21 pandemic year), with year-over-year increases ranging from $29 million to just over $300 million, and averaging nearly $200 million. The annual increases contemplated under these three scenarios are thus within, although at the upper end, of the range of increases occurring during this period.

Funding for Additional Programs

The final requirement for this report is an estimate of the impact that various levels of General Fund appropriations above the minimum have on the amount of money in the SEF. The purpose of this requirement is to determine whether funding can be provided in FY 2025-26 from the SEF for programs that are permitted but not required by Amendment 23. Given projections for General Fund revenue and SEF balances, it is possible that additional funding could be provided from either source to expand programs, although this may adversely affect school finance funding.

Appendices

Appendix A contains historical data on school finance funding; SEF revenue, appropriations, and fund balances; and General Fund appropriations for school finance. It also shows projected SEF revenue, appropriations, and fund balances along with General Fund contributions to school finance for the period from FY 2025-26 through FY 2027-28. These projections are based on current law requirements for total school finance funding as reflected in the 2025 supplemental school finance bill, and assume the new formula is implemented as specified in current law, with the target ending balances for the SEF as described in Scenario 1 above after that. Appendix B is the text of Amendment 23.

Appendix A
Estimated Balance of State Education Fund under Current Law
Dollars in Millions

Assumes passage of 2025 supplemental school finance bill, implementation of the new school finance formula as required under current law, and the SEF balances described in Scenario 1.

Fiscal Year	Revenue to the SEF	Spending for School Finance	Spending for Categorical Programs	Total SEF Spending	Change in SEF from Prior Year	SEF Balance	GF Approp for School Finance	Change in GF Approp from Prior Year	Percent Change in GF Approp from Prior Year	Total School Finance Act Funding	Change in Spending from Prior Year
2010-11	$592.90	$284.00	$89.30	$427.20	-$54.80	$363.40	$2,797.70	-$278.60	-9.1%	$5,442	-$146
2011-12	$416.70	$511.10	$93.70	$654.30	$227.10	$133.80	$2,671.80	-$125.90	-4.5%	$5,232	-$210
2012-13	$545.30	$345.50	$102.50	$511.20	-$143.10	$183.40	$2,852.30	$180.50	6.8%	$5,298	$66
2013-14	$1,597.60	$527.40	$127.10	$740.90	$229.70	$1,048.90	$2,985.30	$133.00	4.7%	$5,527	$229
2014-15	$583.70	$668.40	$136.50	$960.20	$219.30	$691.40	$3,184.00	$198.70	6.7%	$5,933	$406
2015-16	$547.90	$630.30	$144.30	$947.60	-$12.60	$302.30	$3,299.30	$115.30	3.6%	$6,240	$307
2016-17	$565.30	$467.20	$147.80	$774.00	-$173.60	$102.20	$3,591.20	$291.90	8.8%	$6,373	$133
2017-18	$642.80	$228.10	$155.90	$541.40	-$232.60	$208.70	$3,892.40	$301.20	8.4%	$6,628	$255
2018-19	$718.30	$404.00	$166.00	$760.50	$219.10	$176.00	$3,921.90	$29.50	0.8%	$7,067	$439
2019-20	$687.50	$406.70	$173.70	$726.00	-$34.50	$166.70	$4,166.40	$244.50	6.2%	$7,606	$539
2020-21	$1,036.30	$297.90	$180.70	$614.90	-$111.10	$541.40	$3,752.90	-$413.50	-9.9%	$7,238	-$368
2021-22	$1,268.10	$474.80	$197.60	$783.80	$168.90	$930.90	$4,040.80	$287.90	7.7%	$7,989	$751
2022-23	$1,495.70	$638.40	$277.60	$1,041.20	$257.40	$1,454.30	$4,238.70	$197.90	4.9%	$8,439	$450
2023-24	$1,209.00	$460.80	$334.20	$1,060.10	$3.90	$1,674.10	$4,238.70	$0.00	0.0%	$9,174	$735
2024-25	$1,235.40	$1,273.30	$377.70	$1,878.60	$818.50	$1,081.40	$4,238.70	$0.00	0.0%	$9,773	$599
2025-26f	$1,171.40	$941.70	$390.10	$1,552.30	-$326.30	$750.00	$4,485.00	$246.30	5.8%	$10,052	$279
2026-27f	$1,224.20	$1,010.00	$402.90	$1,611.50	$59.20	$400.00	$4,728.30	$243.30	5.4%	$10,322	$270
2027-28f	$1,280.70	$895.90	$414.80	$1,510.10	-$101.40	$200.00	$4,947.60	$219.30	4.6%	$10,601	$279

Appendix B

Colorado Constitution

Section 17. Education - Funding.

(1) Purpose. In state fiscal year 2001-2002 through state fiscal year 2010-2011, the statewide base per pupil funding, as defined by the Public School Finance Act of 1994, article 54 of title 22, Colorado Revised Statutes on the effective date of this section, for public education from preschool through the twelfth grade and total state funding for all categorical programs shall grow annually at least by the rate of inflation plus an additional one percentage point. In state fiscal year 2011-2012, and each fiscal year thereafter, the statewide base per pupil funding for public education from preschool through the twelfth grade and total state funding for all categorical programs shall grow annually at a rate set by the general assembly that is at least equal to the rate of inflation.

(2) Definitions. For purposes of this section: (a) "Categorical programs" include transportation programs, English language proficiency programs, expelled and at-risk student programs, special education programs (including gifted and talented programs), suspended student programs, vocational education programs, small attendance centers, comprehensive health education programs, and other current and future accountable programs specifically identified in statute as a categorical program.

(b) "Inflation" has the same meaning as defined in article X, section 20, subsection (2), paragraph (f) of the Colorado constitution.

(3) Implementation. In state fiscal year 2001-2002 and each fiscal year thereafter, the general assembly may annually appropriate, and school districts may annually expend, monies from the state education fund created in subsection (4) of this section. Such appropriations and expenditures shall not be subject to the statutory limitation on general fund appropriations growth, the limitation on fiscal year spending set forth in article X, section 20 of the Colorado constitution, or any other spending limitation existing in law.

(4) State Education Fund Created. (a) There is hereby created in the department of the treasury the state education fund. Beginning on the effective date of this measure, all state revenues collected from a tax of one third of one percent on federal taxable income, as modified by law, of every individual, estate, trust and corporation, as defined in law, shall be deposited in the state education fund. Revenues generated from a tax of one third of one percent on federal taxable income, as modified by law, of every individual, estate, trust and corporation, as defined in law, shall not be subject to the limitation on fiscal year spending set forth in article X, section 20 of the Colorado constitution. All interest earned on monies in the state education fund shall be deposited in the state education fund and shall be used before any principal is depleted. Monies remaining in the state education fund at the end of any fiscal year shall remain in the fund and not revert to the general fund.

(b) In state fiscal year 2001-2002, and each fiscal year thereafter, the general assembly may annually appropriate monies from the state education fund. Monies in the state education fund may only be used to comply with subsection (1) of this section and for accountable education reform, for accountable programs to meet state academic standards, for class size reduction, for expanding technology education, for improving student safety, for expanding the availability of preschool and kindergarten programs, for performance incentives for teachers, for accountability reporting, or for public school building capital construction.

(5) Maintenance of Effort. Monies appropriated from the state education fund shall not be used to supplant the level of general fund appropriations existing on the effective date of this section for total program education funding under the Public School Finance Act of 1994, article 54 of title 22, Colorado Revised Statutes, and for categorical programs as defined in subsection (2) of this section. In state fiscal year 2001-2002 through state fiscal year 2010-2011, the general assembly shall, at a minimum, annually increase the general fund appropriation for total program under the "Public School Finance Act of 1994," or any successor act, by an amount not below five percent of the prior year general fund appropriation for total program under the "Public School Finance Act of 1994," or any successor act. This general fund growth requirement shall not apply in any fiscal year in which Colorado personal income grows less than four and one half percent between the two previous calendar years.