



**Joint Budget Committee**

# **Supplemental Budget Requests FY 2025-26**

**Department of Education  
School Finance and Categorical Programs**

Prepared by:  
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# Overview of Education

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. 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; and (3) the Public School Capital Construction Assistance Board.

Most of the Department's funding is distributed on a formula basis through the school finance formula and categorical programs. The supplemental requests addressed in this packet are for the Public School Finance and Categorical Programs subdivisions only.

# Summary of Staff Recommendations

## Department of Education: Recommended Changes for FY 2025-26

Item	Total Funds	General Fund [1]	Cash Funds	Reapprop. Funds	Federal Funds	FTE
<b>FY 2025-26 Appropriation</b>						
SB25-206 (Long Bill)	\$7,756,003,663	\$4,711,597,574	\$2,139,481,573	\$55,664,660	\$849,259,856	742.3
Other legislation	-66,599,874	-41,603,376	-25,246,498	250,000	0	9.1
Current FY 2025-26 Appropriation	\$7,689,403,789	\$4,669,994,198	\$2,114,235,075	\$55,914,660	\$849,259,856	751.4
<b>Recommended Changes</b>						
Current FY 2025-26 Appropriation	\$7,689,403,789	4,669,994,198	\$2,114,235,075	\$55,914,660	\$849,259,856	751.4
S1 State share of total program	-104,115,511	0	-104,115,511	0	0	0.0
S1/BA1 Total program addendum	0	0	0	0	0	0.0
S2 CSI Mill levy equalization	1,034,115	0	1,034,115	0	0	0.0
S3 HSMA Program balancing	27,530,031	0	27,530,031	0	0	0.0
S4 Temp project manager IT capital	0	0	0	0	0	0.0
S5 Fourth Year Innov Pilot Program	0	0	0	0	0	0.0
S6 HB25-1278 roll forward	0	0	0	0	0	0.0
Staff-initiated TREP footnote adj	0	0	0	0	0	0.0
Impacts driven by other agencies [2]	-158,055	-278,179	3,303	22,270	94,551	0.0
Recommended FY 2025-26 Appropriation	\$7,613,694,369	\$4,669,716,019	\$2,038,687,013	\$55,936,930	\$849,354,407	751.4
Recommended Increase/-Decrease from 2025-26	-75,709,420	-278,179	-75,548,062	22,270	94,551	0.0
Percentage Change	-1.0%	0.0%	-3.6%	0.0%	0.0%	0.0%
FY 2025-26 Executive Request	\$7,613,447,025	\$4,669,947,740	\$2,038,207,948	\$55,936,930	\$849,354,407	751.4
Staff Rec. Above/-Below Request	\$247,344	-\$231,721	\$479,065	\$0	\$0	0.0

[1] Includes General Fund Exempt.

[2] These requests will be discussed in presentations for requesting agency.

Changes are assumed to be one-time unless otherwise noted.

**S1 State share of total program [legislation]:** Staff recommends a decrease of \$104.1 million from the State Education Fund to adjust the state share of districts' total program funding for final FY 2025-26 data.

**S1/BA1 Total program addendum [legislation]:** OSPB provided an addendum to the January 15<sup>th</sup> request asking for statutory clarification on how to interpret a certain part of the total program calculation that was modified by H.B. 25-1320 (School Finance Act). The calculation in question relates to the phase-in percentage of the new formula and hold harmless provisions.

**S4 Temporary project manager IT capital:** The Executive Branch withdrew this request for a temporary project manager to implement the CDE School Finance Modernization IT Capital project. They asked that the request instead be considered as an FY 2026-27 IT Capital request.

**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 2025-26. The

footnote included in S.B. 25-206 (Long Bill) caps program usage at 250 participants and \$2,620,000. Staff recommends amending the footnote to reflect actual utilization of 216 slots at a cost of \$2,263,680.

# Department Supplemental Requests

## → S1 State share of total program [legislation]

Item	Total Funds	General Fund	Cash Funds	Reapprop. Funds	Federal Funds	FTE
Request	-\$104,603,423	\$0	-\$104,603,423	\$0	\$0	0.0
Recommendation	-104,115,511	0	-104,115,511	0	0	0.0
Staff Recommendation Higher/-Lower than Request	487,912	0	487,912	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 Office of State Planning and Budgeting (OSPB) requested a decrease of \$104.6 million from the State Education Fund for the state share of districts' total program funding to adjust the current year appropriation for finalized data. There were slight changes to the data after OSPB prepared its January 15<sup>th</sup> submission; staff will therefore use figures provided by Legislative Council Staff (LCS) and verified by the Colorado Department of Education (CDE) for the remainder of this discussion.

## Recommendation

Staff recommends a decrease of \$104,115,511 from the State Education Fund. This change is the result of a \$69.6 million increase in local share combined with a \$34.5 decrease in total program costs. The Long Bill includes a line item to show extended high school costs separately from the rest of the state share formula cost. Based on data provided by LCS, the Extended High School line should be decreased by \$3,493,232 and the State Share of Districts' Total Program Funding line should be decreased by \$100,622,279.

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 2025-26. 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 formula 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. 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. The Department is required to submit a request for a supplemental appropriation in an amount that would fully fund the state share of districts' total program funding.<sup>1</sup> 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, statute<sup>2</sup> 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 2025-26 appropriation are show below.

### Changes to School Finance Based on Actual Enrollment and Local Share

Item	FY 2024-25 Final Appropriation	Data Used for Initial FY 2025-26 Appropriation	Revised Data for FY 2025-26 Appropriation	Mid-year Change
Funded Pupil Count	853,934	845,943	841,862	-4,081
<i>Annual Percent Change</i>	-0.7%	-0.9%	-1.4%	

<sup>1</sup> Section 22-54-106 (4) (b), C.R.S.

<sup>2</sup> Section 22-54-106 (4)(c), C.R.S

Item	FY 2024-25 Final Appropriation	Data Used for Initial FY 2025-26 Appropriation	Revised Data for FY 2025-26 Appropriation	Mid-year Change
At-risk Pupil Count	387,772	387,431	384,013	-3,418
<i>Annual Percent Change</i>	-2.0%	-0.1%	-1.0%	
Statewide Base Per Pupil Funding	\$8,496	\$8,692	\$8,692	\$0
<i>Annual Percent Change</i>	5.2%	2.3%	2.3%	
<b>Total Program Funding</b>	<b>\$9,778,950,899</b>	<b>\$10,031,606,091</b>	<b>\$9,997,069,472</b>	<b>-\$34,536,619</b>
Statewide Average Per Pupil Funding	\$11,452	\$11,858	\$11,875	\$16
<b>Local Share of Districts' Total Program Funding</b>	<b>\$4,186,738,872</b>	<b>\$4,563,359,211</b>	<b>\$4,632,938,103</b>	<b>\$69,578,892</b>
<i>Annual Percent Change</i>	0.2%	9.0%	10.7%	
<b>State Share of Districts' Total Program Funding</b>	<b>\$5,592,212,027</b>	<b>\$5,468,246,880</b>	<b>\$5,364,131,369</b>	<b>-\$104,115,511</b>
<i>Annual Percent Change</i>	11.9%	-2.2%	-4.1%	

## FY 2026-27 – Governor’s January R1/BA1 Request

In addition to revisions to current year appropriations for school finance, the Governor’s January 15, 2026 budget submission also includes an FY 2026-27 budget amendment (BA1) that incorporates updated enrollment and local share estimates and revises policy changes requested in the Department of Education R1.

The November 1<sup>st</sup> R1 request did not propose policy changes related to the school finance formula, but suggested an implementation pause may be necessary in FY 2027-28. The January 15<sup>th</sup> BA1 (revised R1) request includes the following changes compared to November 1st:

- *Policy Changes:* The revised request proposes a statutory change that would require all specific ownership tax revenue received by districts to be counted towards local share (half phased-in for FY 2027-28 and fully in effect for FY 2028-29). BA1 also proposes switching back to a six-year implementation timeline for the new formula while assuming two-year averaging will be used starting in FY 2027-28.
- *Pupil Counts and Inflation:* The revised request anticipates a significantly lower funded pupil count than the November 2025 request (a decrease of 12,359 pupils) and a slightly lower inflation rate (using the actual 2025 inflation rate of 2.3 percent as compared to 2.6 percent).
- *Local Revenues:* The revised estimates for FY 2026-27 anticipate an overall decrease of \$58.6 million in local revenues relative to the amounts assumed in the November request.
- *General Fund:* BA1 does not change the requested \$50.0 million General Fund increase for FY 2026-27 or the \$275.0 million General Fund placeholder for FY 2027-28.

The FY 2026-27 R1/BA1 proposal will be discussed at length during FY 2026-27 figure setting and presentation of the school finance sustainability plan. 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 2026-27 JBC staff briefing for school finance and categorical programs, staff presented a set of multi-year projections for school finance obligations for FY 2025-26 through FY 2029-30. 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. LCS 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 2029-30 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:

[content.leg.colorado.gov/agencies/legislative-council-staff/school-finance](https://content.leg.colorado.gov/agencies/legislative-council-staff/school-finance)

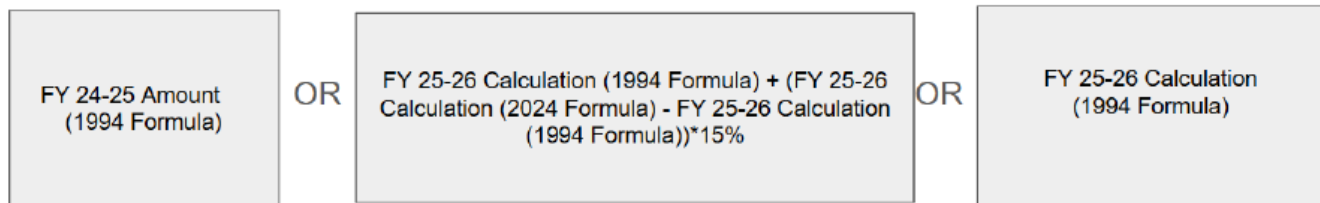
Under OSPB's revised projections and request, the State Education Fund will end FY 2026-27 and FY 2027-28 with balances of \$411.0 million and \$269.6 million, respectively. The balance is then projected to slowly increase in later years.

## → S1/BA1 Total program addendum [legislation]

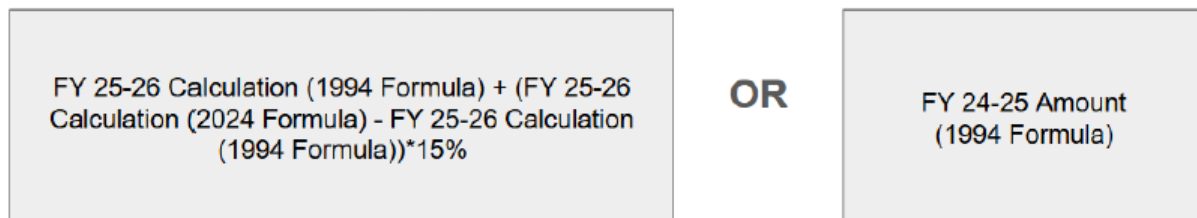
### Request

OSPB provided an addendum to the January 15<sup>th</sup> request asking for statutory clarification on how to interpret a certain part of the total program calculation that was modified by H.B. 25-1320 (School Finance Act). The calculation in question relates to the phase-in percentage of the new formula and hold harmless provisions.

The first diagram demonstrates the interpretation that LCS and CDE were operating under based on how the hold harmless provisions had been calculated since the passage of H.B. 24-1448 (New Public School Finance Formula). In this scenario, a district can be held harmless to its FY 2025-26 calculation under the old formula. This would occur when the calculation of the 15 percent phased-in increment results in a negative number added to the FY 2025-26 calculation under the old formula, but still exceeds the FY 2024-25 actual amount.



The second diagram demonstrates CDE's current understanding of statute, which was used by staff to formulate the recommendation in S1. This scenario allows an outcome where a district's total program can be the negative phased-in increment added to its FY 2025-26 calculation under the old formula, which still exceeds the district's FY 2024-25 actual amount used for the hold harmless.



### Recommendation

Staff agrees with the Department's current interpretation of statute<sup>3</sup>, which allows for a negative phase-in increment. Staff does not have an opinion on whether the negative phase-in should be allowed or not, but **recommends the JBC include clarifying language in the mid-year adjustment bill either way**. LCS and CDE staff agree that clarifying language is preferable even if the General Assembly wishes to continue with CDE's current interpretation of current statute (to allow a negative phase-in).

The numbers presented in recommendation S1 above use the interpretation of statute that allows a negative phase-in. If the JBC wishes to amend statute to allow the scenario where districts can be held harmless to their

<sup>3</sup> Section 22-54-103.3 (3)(a), C.R.S.

FY 2025-26 calculation under the old formula, staff will adjust the numbers presented in S1 by the amounts detailed below for inclusion in the mid-year adjustment bill.

Analysis

Statute requires the full usage of the 1994 (old) formula first, then a calculation of the phased-in difference (15 percent in FY 2025-26) between the 2024 (new) and old formulas. If the calculation of the old formula is larger than the new formula, this creates a scenario where the phased-in percentage reduces the district’s total program instead of adds.

The relevant statute is Section 22-54-103.3 (3)(a), C.R.S., which reads:

*“For the 2025-26 budget year, a district’s total program is the greater of the district’s total program determination for the 2024-25 budget year, or the amount calculated pursuant to section 22-54-104 plus an amount equal to fifteen percent of the difference between the district’s total program calculation pursuant to section 22-54-103.5 and the district’s total program calculation pursuant to section 22-54-104.”*

Under H.B. 24-1448 (New School Finance Formula), LCS and CDE were under the impression that districts would not receive a negative phased-in increment, as districts were held harmless to the old formula plus 0.5 percent. Detailed district information shared prior to early January 2026 was calculated as such, as that interpretation continued after H.B. 25-1320 changed the hold harmless provision to FY 2024-25 levels. After taking a closer look at the statute in preparation for the January 15<sup>th</sup> submission, CDE determined that a plain reading of statute would allow a negative phase-in and not hold affected districts harmless to their FY 2025-26 calculation under the old formula.

The following districts are impacted by this situation in FY 2025-26:

Districts Impacted by Negative Phase-in Increment

District	Total Program	State Share	Local Share
Mesa	-\$635,140	-\$635,140	\$0
Aspen	-345,587	0	-345,587
Liberty	-6,427	-6,427	0
Hinsdale	-1,436	-1,436	0
Statewide	-\$988,591	-\$643,003	-\$345,587

The cumulative impact of this interpretation is a state share reduction of \$643,003, most of which is from Mesa. The negative phase-in pushes Aspen into the FY 2024-25 hold harmless, and the entire reduction is through the district’s local share. Telluride and Edison also receive a negative phase-in, but are held harmless to FY 2024-25 under either interpretation of statute. The same four districts above plus Cheraw are expected to be impacted by this provision in FY 2026-27.

**If the General Assembly makes a statutory change to specify districts can be held harmless to their FY 2025-26 old formula amount rather than having a negative phased-in increment added, state share would increase by \$643,003 in the current year compared to the numbers presented in S1 above.** The estimated FY 2026-27 impact is a \$1.9 million state share increase. The Department and LCS request the JBC include statutory clarification for either scenario as part of the FY 2025-26 school finance mid-year adjustment legislation.

## → S4 Temporary project manager IT capital

### Request

The Executive Branch asked to withdraw this request for a temporary project manager to implement the CDE School Finance Modernization IT Capital project. They have asked that the request instead be considered as part of FY 2026-27 IT Capital. Staff agrees that because this position is directly tied to the implementation of the IT project and could/should have been submitted as part of the project cost initially, it is more appropriately considered as an IT Capital request.

# Staff Initiated Supplemental Requests

## → Staff initiated TREP footnote adjustment

Item	Total Funds	General Fund	Cash Funds	Reapprop. Funds	Federal Funds	FTE
Request	\$0	\$0	\$0	\$0	\$0	0.0
Recommendation	0	0	0	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 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 2025-26.

## 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. 21-185 (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 2025-

26; actual usage in the current year is 216. TREP participants are funded at the flat extended high school rate of \$10,480. Therefore, staff recommends that the footnote be amended to reflect a cost of \$2,263,680 in the current fiscal year. Staff also requests permission to correct an error in the statutory citation below that references the extended high school rate.

- 11 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 2025-26. It is the General Assembly's intent that the Department of Education be authorized to utilize up to ~~\$2,620,000~~ 2,263,680 of this appropriation to fund qualified students identified as TREP Program participants. This amount is calculated based on an estimated ~~250~~ 216 FTE TREP Program participants funded at a rate of \$10,480 per FTE pursuant to Section ~~22-54-204 (4.7),~~ C.R.S. 22-54-104 (4.7), C.R.S.

## Appendix A: Numbers Pages

Appendix A details the supplemental changes recommended by staff, including the actual expenditures for the previous state fiscal year, the appropriation for the current fiscal year, and the requested and recommended appropriation changes for the current fiscal year. Appendix A organizes this information by line item and fund source.

**JBC Staff Supplemental Recommendations - FY 2025-26**  
**Staff Working Document - Does Not Represent Committee Decision**

**Appendix A: Numbers Pages**

	FY 2024-25 Actual	FY 2025-26 Appropriation	FY 2025-26 Requested Change	FY 2025-26 Rec'd Change	FY 2025-26 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	5,569,835,306	5,450,390,048	-104,603,423	-100,622,279	5,349,767,769
General Fund	4,238,686,861	3,095,718,552	0	0	3,095,718,552
General Fund Exempt	0	1,292,968,309	0	0	1,292,968,309
Cash Funds	1,331,148,445	1,061,703,187	(104,603,423)	(100,622,279)	961,080,908
Extended High School	22,376,720	17,856,832	0	-3,493,232	14,363,600
General Fund	0	0	0	0	0
Cash Funds	22,376,720	17,856,832	0	(3,493,232)	14,363,600
<b>Total for S1 State share of total program</b>	5,592,212,026	5,468,246,880	(104,603,423)	(104,115,511)	5,364,131,369
FTE	0.0	0.0	0.0	0.0	0.0
General Fund	4,238,686,861	3,095,718,552	0	0	3,095,718,552
General Fund Exempt	0	1,292,968,309	0	0	1,292,968,309
Cash Funds	1,353,525,165	1,079,560,019	(104,603,423)	(104,115,511)	975,444,508



**JBC Staff Supplemental Recommendations - FY 2025-26**  
**Staff Working Document - Does Not Represent Committee Decision**

	FY 2024-25 Actual	FY 2025-26 Appropriation	FY 2025-26 Requested Change	FY 2025-26 Rec'd Change	FY 2025-26 Total w/Rec'd Change
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**S4 School finance modernization project manager**

**(3) School District Operations**

**(A) Public School Finance**

Administration	<u>4,000,222</u>	<u>2,471,809</u>	0	0	<u>2,471,809</u>
FTE	17.5	17.5	0.0	0.0	17.5
General Fund	2,105,942	2,210,618	0	0	2,210,618
Cash Funds	1,894,280	261,191	0	0	261,191

<b>Total for S4 School finance modernization project manager</b>	4,000,222	2,471,809	0	0	2,471,809
<i>FTE</i>	<u>17.5</u>	<u>17.5</u>	<u>0.0</u>	<u>0.0</u>	<u>17.5</u>
General Fund	2,105,942	2,210,618	0	0	2,210,618
Cash Funds	1,894,280	261,191	0	0	261,191

<b>Totals Excluding Pending Items</b>					
<b>EDUCATION</b>					
<b>TOTALS for ALL Departmental line items</b>	7,971,113,393	7,689,403,789	-104,603,423	-104,115,511	7,585,288,278
<i>FTE</i>	<u>741.1</u>	<u>751.4</u>	<u>0.0</u>	<u>0.0</u>	<u>751.4</u>
General Fund	4,523,688,296	3,377,025,889	0	0	3,377,025,889
General Fund Exempt	0	1,292,968,309	0	0	1,292,968,309
Cash Funds	2,335,371,697	2,114,235,075	(104,603,423)	(104,115,511)	2,010,119,564
Reappropriated Funds	35,900,883	55,914,660	0	0	55,914,660
Federal Funds	1,076,152,517	849,259,856	0	0	849,259,856