



Joint Budget Committee

Staff Budget Briefing FY 2026-27

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

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Additional Resources

To find the online version of the briefing document search the General Assembly’s website for [budget documents](https://content.leg.colorado.gov/content/budget#budget-documents-section) (content.leg.colorado.gov/content/budget#budget-documents-section).

Overview of Department

The Commissioner of Education, who is appointed by the State Board of Education, is the chief state school officer and executive officer of the Colorado Department of Education (CDE). The Commissioner and department staff, under the direction of the elected members of the State Board of Education, have the following responsibilities:

- Supporting the State Board in its duty to exercise general supervision over public schools and K-12 educational programs operated by state agencies, including appraising and accrediting public schools, school districts, and the State Charter School Institute (Institute).
- Developing and maintaining state academic standards, and administering the associated statewide assessment program.
- Annually accrediting school districts and the Institute and making education accountability data available to the public.
- **Administering the public school finance act and distributing federal and state moneys appropriated or granted to the Department for public schools.**
- **Administering education-related programs, including services for children with special needs, services for English language learners, public school transportation, adult basic education programs, and various state and federal grant programs.**
- Administering educator licensure and professional development programs.
- Supporting the State Board in reviewing requests from school districts for waivers of state laws and regulations and in serving as the appellate body for charter schools.
- 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 and/or physically disabled.
- Maintaining the Colorado virtual library and the state publications library.

The Department also includes three “type 1” agencies:

- A seven-member Board of Trustees that is responsible for managing the Colorado School for the Deaf and the Blind, located in Colorado Springs.
- A nine-member State Charter School Institute Board that is responsible for authorizing and monitoring the operations of “institute charter schools” located within certain school districts.
- A nine-member Public School Capital Construction Assistance Board that 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.

Recent Appropriations

Department of Education

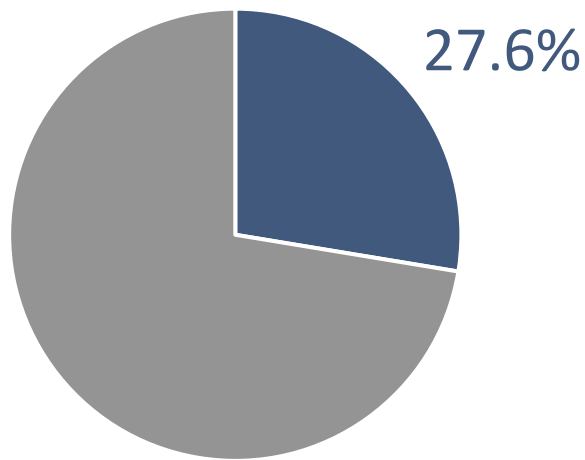
Funding Source	FY 2023-24	FY 2024-25	FY 2025-26	FY 2026-27 [1]
General Fund [2]	\$4,710,633,330	\$4,526,083,284	\$4,669,994,198	\$4,712,488,079
Cash Funds	1,719,689,563	2,421,238,393	2,114,235,075	2,250,994,372
Reappropriated Funds	82,257,878	55,424,996	55,914,660	56,776,229
Federal Funds	1,049,944,421	870,229,410	849,259,856	850,810,920
Total Funds	\$7,562,525,192	\$7,872,976,083	\$7,689,403,789	\$7,871,069,600
Full Time Equivalent Staff	661.9	742.1	751.4	750.5

[1] Requested appropriation.

[2] Includes General Fund exempt.

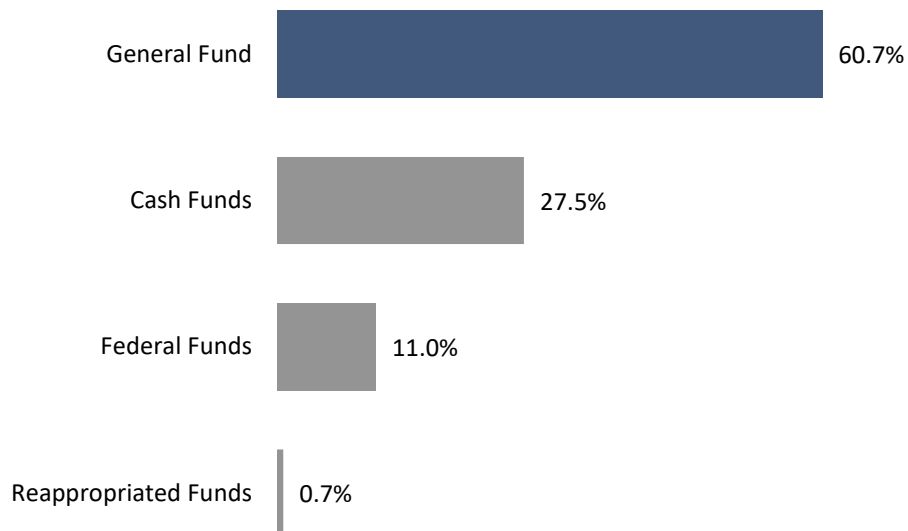
Graphic Overview

Department's Share of Statewide General Fund



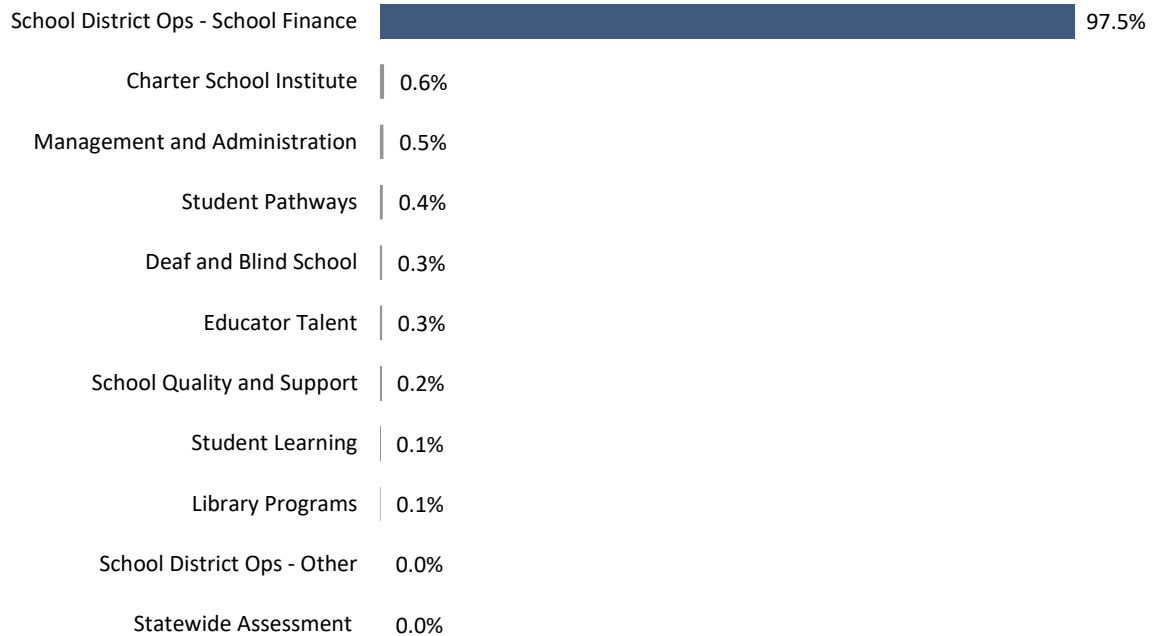
Based on the FY 2025-26 appropriation.

Department Funding Sources



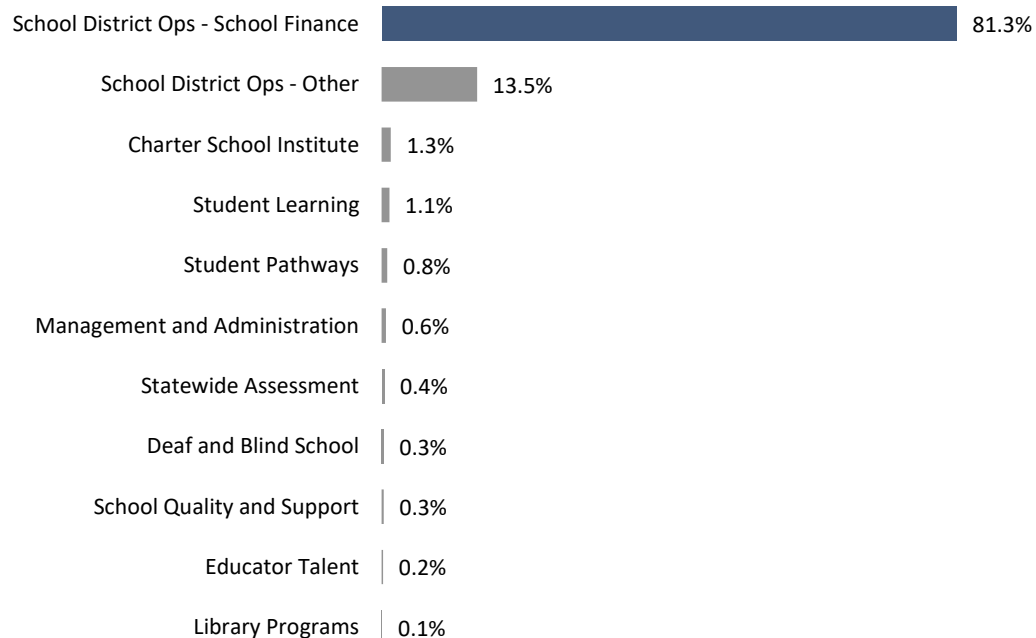
Based on the FY 2025-26 appropriation.

Distribution of General Fund by Division



Based on the FY 2025-26 appropriation.

Distribution of Total Funds by Division



Based on the FY 2025-26 appropriation.

Cash Funds Detail

Department of Education – School Finance/Categorical Programs Cash Funds Detail

Fund Name or Group	FY 2025-26 Approp.		Primary Sources of Fund Revenue	Primary Uses in This Department
State Education Fund	\$1,411,704,697	[1]	0.3% of taxable income	Used throughout Department for eligible activities under Amendment 23; majority is for state share of total program and categorical programs
State Public School Fund	73,676,932	[1]	48.3% of non-bonus federal mineral lease revenue, 12.6% of marijuana special sales tax collections, Public School Fund interest earnings, revenue above the \$150 million cap on the Public School Capital Construction Assistance Fund	State share of total program, state match for federal school lunches, supplemental online education programs
Contingency Reserve Fund	1,000,000	[1]	Transfer from General Fund	State Board can authorize payments to assist districts with specific financial emergencies
Public School Transportation Fund	450,000	[1]	Transfer from General Fund	Provide operating expenditures for transportation for eligible districts, CSI schools, and facility schools
Total	\$1,486,831,629			

[1] TABOR exempt.

Additional detail for select funds

The use of the State Education Fund (SEF) for costs related to school finance is discussed later in this document; *Appendix B* includes a complete list of appropriations and transfers from the SEF.

General Factors Driving the Budget

For school finance (the Public School Finance and Categorical Programs subdivisions of the Department's School District Operations division), the FY 2026-27 request consists of 71.7 percent General Fund, 24.9 percent cash funds, and 3.3 percent federal funds. Although local government revenues provide a significant source of funding for K-12 education in Colorado (including an estimated \$4.6 billion for total program in FY 2025-26), local funds are not reflected in the State's annual appropriations to the Department of Education. The following sections review the role of the school finance formula and categorical programs in driving the Department's annual budget.

Public School Finance

The state share of districts' total program funding for the public school finance formula is the primary driver of the Department's budget. With \$5.5 billion total funds and \$4.4 billion General Fund, the state share represents 71.1 percent of the Department's total budget and 94.0 percent of its General Fund appropriations in FY 2025-26.

Constitutional Requirements

The Colorado Constitution requires the General Assembly to provide for the "establishment and maintenance of a thorough and uniform system of free public schools throughout the state". To meet this requirement, the General Assembly has established a statutory public school finance formula that takes into consideration the individual characteristics of each school district in order to provide thorough and uniform educational opportunities. That formula produces a "total program" funding amount for each school district, which is supported by both local and state revenues, and provides the primary source of funding for public schools in Colorado. For FY 2025-26, the formula allocates a total of \$10.0 billion in state and local funds among Colorado's 178 school districts and the State Charter School Institute.

Section 17 of Article IX of the Colorado Constitution (passed by voters in 2000 as Amendment 23) requires the General Assembly to provide annual inflationary increases in the statewide base per pupil funding amount, which provides the foundation of the statutory school finance formula. For FY 2001-02 through FY 2010-11, this provision required base per pupil funding to increase annually by at least the rate of inflation plus one percent; for FY 2011-12 and subsequent fiscal years, the statewide base must increase annually by at least the rate of inflation. For example, for FY 2025-26, this provision required the General Assembly to increase the statewide base per-pupil funding amount by at least \$195.42 (from \$8,496 to \$8,692), based on the actual 2.3 percent increase in the Denver-Aurora-Lakewood consumer price index in calendar year 2024.

Public School Finance Formula

Public School Finance Act of 1994 (Old Formula)

The Public School Finance Act of 1994 established a school finance formula used to distribute state and local funding to Colorado's 178 school districts. Although the formula was modified over the years, the basic,

underlying structure of the formula was not changed until the passage of H.B. 24-1448 (New Public School Finance Formula). After accounting for the 74.2 percent of total program funding dedicated to the statewide base in FY 2024-25, the factors in the school finance formula that account for individual district characteristics drove the remaining 25.8 percent of total program. For FY 2024-25, the formula included the following factors: cost of living, size, at-risk, English language learner (ELL), and rural. From FY 2008-09 through FY 2023-24 the General Assembly used the budget stabilization factor (BSF) to reduce districts’ total program funding to a specified total amount based on available state revenues.

In addition, the old formula required a minimum level of per-pupil funding (\$10,792 per pupil for FY 2024-25 after the application of the budget stabilization factor), regardless of the impact of the above factors. Nine districts received funding based on minimum per-pupil funding in FY 2024-25.

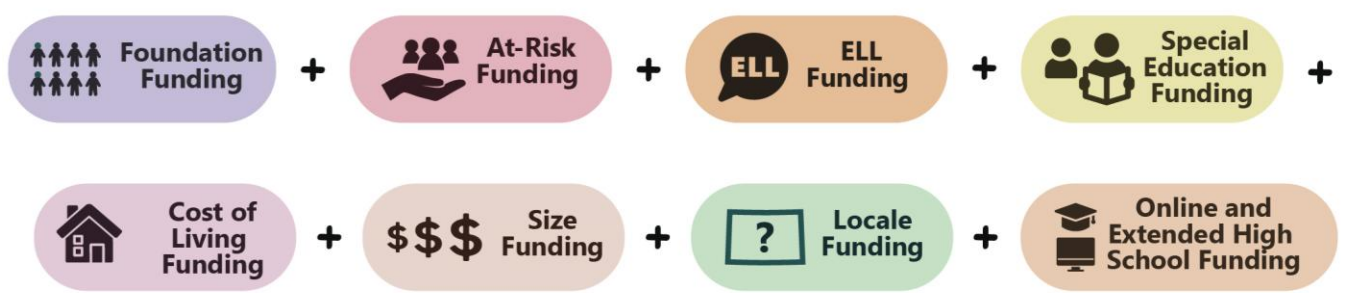
The old formula also provided a fixed amount of funding per pupil (\$10,244 in FY 2024-25) for two types of students:

- Students receiving full-time, online instruction through a *multi-district* program. (The formula funds students in *single-district* online programs at the same level as the district’s “brick and mortar” students.)
- Extended high school students in grades 13 or 14 in a Pathways in Technology Early College High School (P-TECH) program and students in their fifth and sixth year of high school participating in the Teacher Recruitment Education and Preparation (TREP) Program.

H.B. 24-1393 limited the rate for students enrolled in a fifth year of high school through the Accelerating Students through Concurrent Enrollment (ASCENT) program to \$9,588 per pupil for FY 2024-25, which was the amount of the FY 2023-24 extended high school rate.

New Public School Finance Formula (H.B. 24-1448 and H.B. 25-1320)

House Bill 24-1448 (New Public School Finance Formula) enacted a new school finance formula beginning in FY 2025-26 and phased in over several years. The biggest difference between the old and new formulas is that the 1994 formula structure is multiplicative, meaning that the district adjustments made to the base for the cost of living and size factors flow through to the amount of funding that districts receive for the other factors. The new formula is additive, meaning that each factor is calculated directly using the base per pupil amount in the new formula, and then funding for each factor is additively summed to calculate district total program funding.



The new formula changes the way the existing factors are calculated, creates two new factors (special education funding and locale), and removes the rural funding factor that existed in FY 2024-25. Components of the new formula are as follows:

Foundation funding: The base per pupil amount, which is \$8,692 for FY 2025-26 and constitutionally required to increase each year by at least the rate of inflation, is multiplied by the district’s funded pupil count to determine a district’s foundation funding.

Student factors: At-risk, ELL, and special education factors are calculated directly off the base per pupil amount. Online and extended high school are funded at a flat rate per student.

- **At-risk:** Increases from 0.12 to 0.25 for most districts.
- **ELL:** Increases the ELL factor from 0.08 to 0.25.
- **Special education:** New factor added at 0.25. This factor does not impact categorical funding for special education.
- **Online and extended high school:** H.B. 24-1448 did not change how online and extended high school funding are calculated. However, S.B. 25-315 (Postsecondary and Workforce Readiness Programs) reduces the Accelerating Students Through Concurrent Enrollment (ASCENT) rate from \$10,480 to \$7,140 in FY 2025-26 and repeals ASCENT in FY 2026-27. The Teacher Recruitment and Education Preparation (TREP), Pathways in Technology Early College High School (P-Tech), and online rate for FY 2025-26 is \$10,480.

District factors: The new formula modifies the calculation of the size and cost of living factors and creates a new locale formula for some districts. These factors are multiplied by the base per pupil x funded pupil count (excluding online and extended high school).

- **Cost of living:** Under the old formula, district cost of living factors were applied only to the portion of the base associated with personnel costs, and because of the way they were calculated, could never decrease. Under the new formula, a district’s cost of living factor is applied to the full base. In addition, factors are recalculated every two years by comparing district cost of living to the cost in the lowest cost of living district. Cost of living factors can thus increase or decrease every two years when recalculated, but cannot exceed 0.23.
- **Size:** The new formula utilizes the same size factor calculation structure as the old formula, except that only districts with a funded pupil count of 6,500 or less receive size factor funding. The new formula does not include size factor smoothing or charter school subtraction provisions.
- **Locale funding:** New factor based on a district’s locale designation, as determined by the federal National Center for Education Statistics. Only districts with the following locale designations receive funding, at the weight in parenthesis, and districts classified as rural remote or town remote receive their locale factor calculation, plus \$100,000.
 - Rural fringe (0.15), rural distant (0.2), rural remote (0.25), town fringe (0.025), town distant (0.05), town remote (0.1)

Due to budget constraints, certain components of H.B. 24-1448 were subsequently amended by H.B. 25-1320 (School Finance Act). The structure of the new formula was left unchanged, but the phase-in, student averaging, and hold harmless provisions were amended as shown below.

New Formula Phase-In

Year	H.B. 24-1448	H.B. 25-1320
FY 2025-26	18%	15%

Year	H.B. 24-1448	H.B. 25-1320
FY 2026-27	34%	30%
FY 2027-28	50%	45%
FY 2028-29	66%	60%
FY 2029-30	82%	75%
FY 2030-31	100%	90%
FY 2031-32	100%	100%

The old formula allowed districts to use up to five-year averaging to calculate their funded pupil count. Averaging was reduced to a maximum of four years by H.B. 24-1448 and further reduced by H.B. 25-1320.

Student Averaging

Year	H.B. 24-1448	H.B. 25-1320
FY 2025-26	Four-year	Four-year
FY 2026-27	Four-year	Three-year, except use four-year if formula not phased-in at 30% in FY 2026-27
FY 2027-28	Four-year	Three-year, except drop to two-year or smoothing if SEF balance projected below \$200 million at end of FY 2026-27
FY 2028-29	Four-year	Averaging or smoothing provision determined in FY 2027-28
FY 2029-30	Four-year	Averaging or smoothing provision determined in FY 2027-28
FY 2030-31	Four-year	Averaging or smoothing provision determined in FY 2027-28
FY 2031-32	Four-year	Averaging or smoothing provision determined in FY 2027-28

H.B. 25-1320 also changed the hold harmless provisions established by H.B. 24-1448:

- For FY 2025-26 and FY 2026-27, districts receive the greater of their actual FY 2024-25 total program or their phased-in total program under the new formula. Twenty-one districts are being held harmless in FY 2025-26.
- For FY 2027-28 through FY 2030-31, districts receive the greater of the old formula + 1% or their phased-in total program under the new formula.
- Beginning in FY 2027-28, the averaging used to calculate the new formula is also used for calculating the old formula for hold harmless purposes.

State and Local Share

The formula's calculations of each district's per pupil allocation do not account for or determine whether the funding comes from state or local sources. After determining each district's allocation, Legislative Council Staff (LCS) and the Department determine the state and local shares for each district based on the local revenues available.

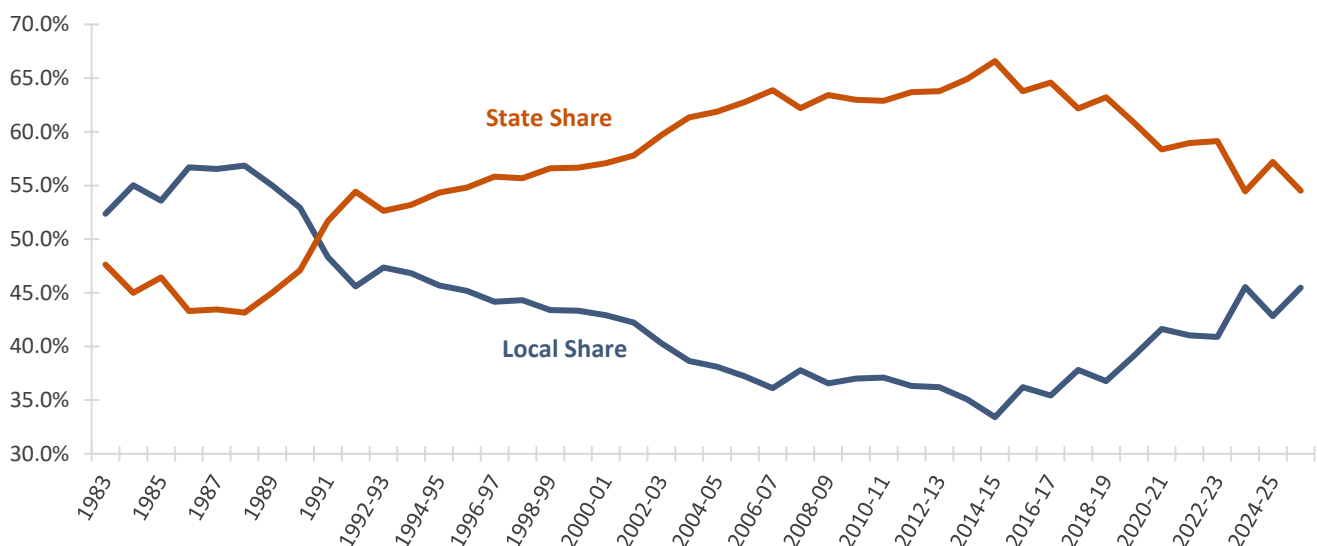
Local property and specific ownership taxes provide the first source of revenue for each district's total program funding. Property taxes are based on each district's tax rate (the mill levy) and the portion of property value that is taxable (the assessment rate). Specific ownership taxes are paid when registering a motor vehicle. These local tax revenues are collected and expended by each school district, and thus are not reflected in the state budget. The FY 2025-26 appropriation anticipates a total of \$4.6 billion in local tax revenues will be available to support public schools pursuant to the statutory school finance formula - this amount does not include any bond or override mills, as those are outside of the school finance formula. State appropriations fill the gap between local tax revenues and total program funding for each district.

Two constitutional provisions have historically limited property tax revenues available for public school operations:

- In 1982, voters approved a property tax reform measure that included a provision (generally called the "Gallagher amendment") that initially reduced the residential assessment rate from 30.0 percent to 21.0 percent, and then capped the residential share of property taxes at approximately 45 percent, which forced continued reductions in the residential assessment rate to maintain the residential share of property taxes as residential property values rose faster than overall property values. As a result of the Gallagher amendment, the residential assessment rate declined from 30.00 percent to 7.15 percent. Voters repealed the Gallagher amendment through approval of Amendment B in the 2020 election, which resulted in the residential assessment rate remaining at 7.15 percent rather than continuing to decline based on the Gallagher formula. Assessment rates have since been altered by several different property tax related bills.
- In 1992, voters approved the Taxpayer's Bill of Rights (TABOR). Prior to TABOR, local governments could generally collect and spend the same amount of property tax revenue each year by periodically increasing or decreasing mill levies. With respect to school district property taxes, TABOR: (1) imposes a property tax revenue limit based on inflation and changes in student enrollment; (2) prohibits districts from increasing a mill levy without voter approval; and (3) requires voter approval for any increase in assessment rates (which are set statewide). TABOR reduced local revenues as a share of total program funding by reducing school district mill levies from the uniform mill of 40.080 (established by the General Assembly in 1988) to disparate mill levies ranging from 1.680 to 27.000. Senate Bill 07-199 (School Finance Act) froze total program mill levies in most school districts starting in FY 2007-08 and stopped most districts' levies from continuing to decline. Two more recent bills (H.B. 20-1418 (School Finance) and H.B. 21-1164 (Total Program Mill Levy Tax Credit)) require certain school districts to increase mill levies that had been reduced in error in previous years. House Bill 20-1418 required the mill levy collections but also instituted a system of mill levy credits in affected districts that prevented any change in property taxes paid for FY 2020-21. However, with the enactment of H.B. 21-1164, affected districts began phasing out the mill levy credits at a rate of 1.0 mill per year in FY 2021-22, increasing the local revenues available for school finance.

As a result of the aforementioned circumstances, the State's share of total program funding increased from 43.2 percent in CY 1988 to 66.6 percent in FY 2014-15, while the local share fell from 56.8 percent to 33.4 percent. The mill levy changes instituted by H.B. 20-1418 and H.B. 21-1164 are increasing local revenues compared to what they would have been absent those statutory changes.

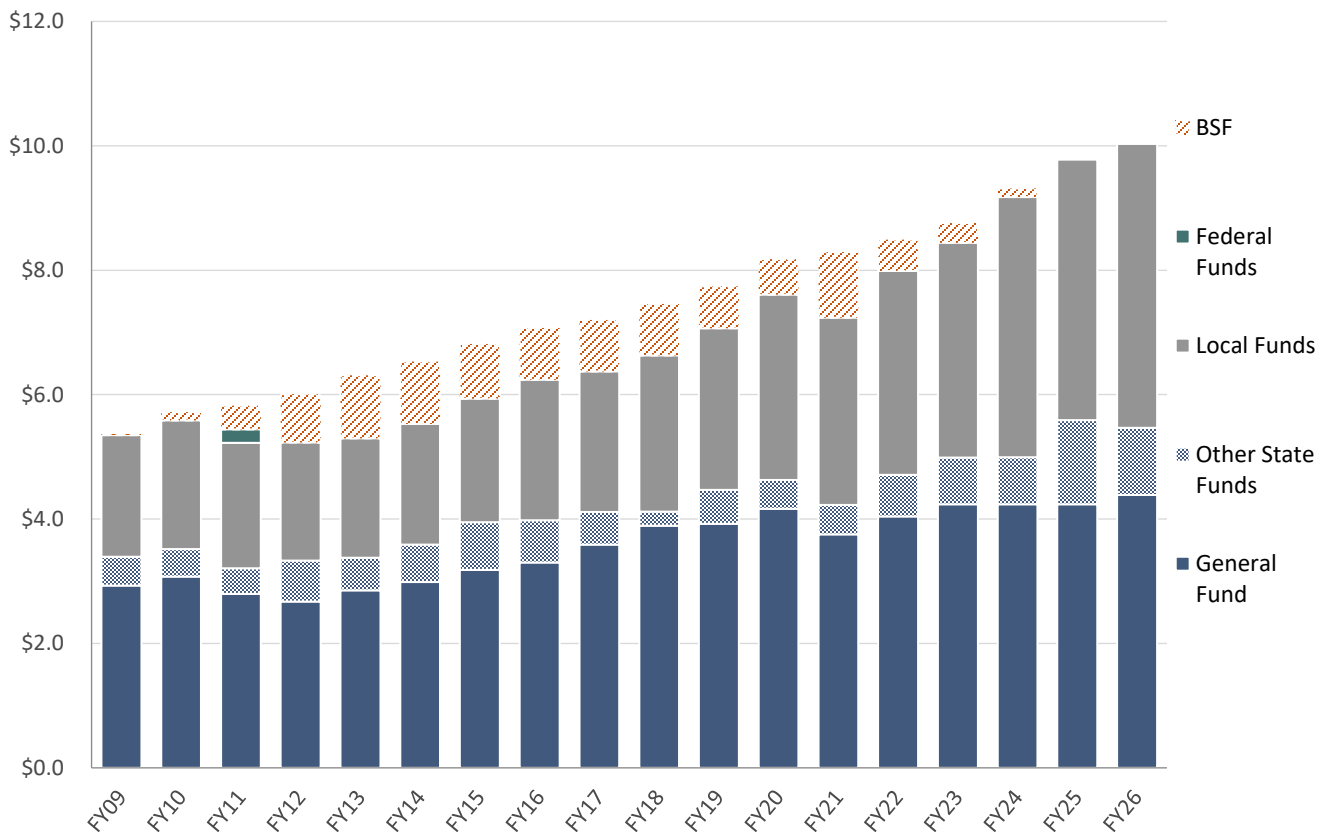
State and Local Share of Total Program Over Time



Historic Trends

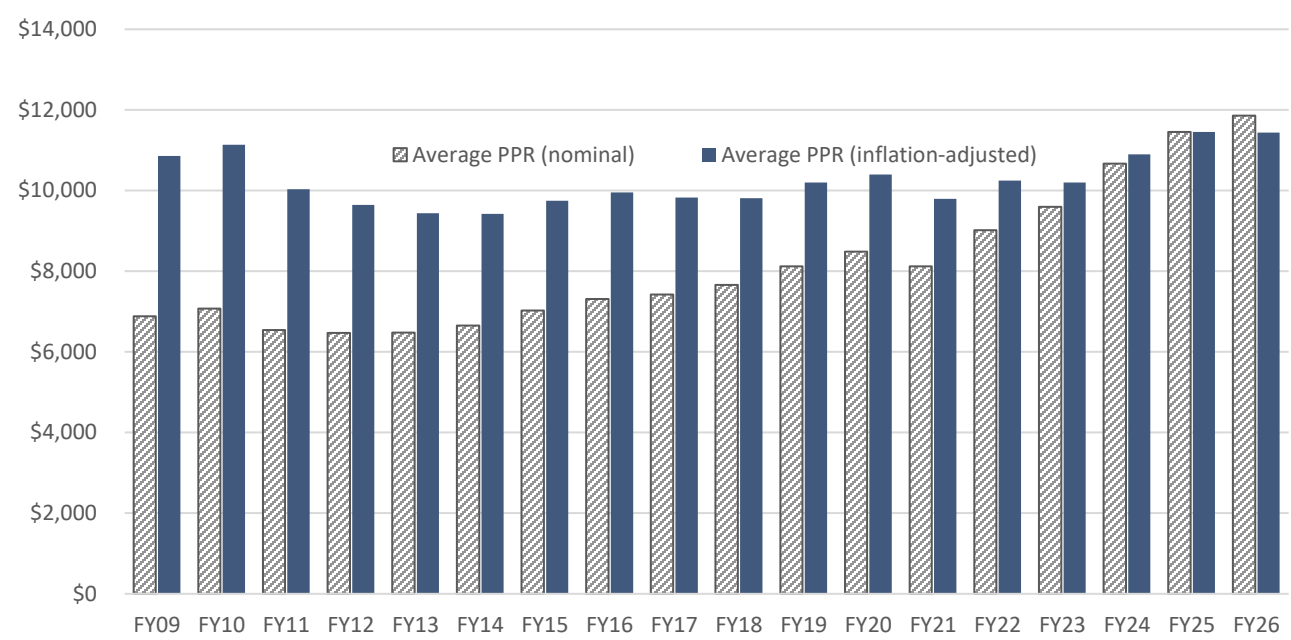
Total program funding and statewide average per pupil funding both increased relatively steadily from FY 2000-01 through FY 2009-10, pushed upward by the inflation plus 1.0 percent requirement. Changing economic conditions and the implementation of the budget stabilization factor added volatility starting in FY 2008-09. The following graphic illustrates school districts' total program funding by fund source from FY 2008-09 through FY 2025-26. The segments at the top of each bar illustrate the impact of the budget stabilization factor, which reach a high of \$1.05 billion in FY 2020-21 and was discontinued in FY 2024-25.

Total Program Funding by Source (\$ billions)



Over that same period, statewide average per pupil revenue (PPR) grew from \$6,882 to \$11,858. However, after adjusting for inflation in FY 2024-25 dollars, growth in average PPR was \$581 dollars over that time frame. Inflation-adjusted PPR actually decreased in several years over that same period, as shown in the following graph.

Statewide average PPR gains have been modest when adjusted for inflation.



Summary

In summary, several factors affect the amount of state funding appropriated through the public school finance formula, including: the inflation rate, pupil counts, changes in the cost of living, the number of at-risk and ELL students, changes in the local share, changes in the calculation of formula factors, and budgetary pressures that warrant the use of cost-saving measures such as the budget stabilization factor. The following table shows key data related to school finance funding for the last three fiscal years, as well as the current appropriation for FY 2025-26 (which will be adjusted during the supplemental process).

Total Program Funding: Key Data

Description	FY 2022-23	FY 2023-24	FY 2024-25	FY 2025-26 Initial Approp.
Funded Pupil Count	879,477	859,783	853,934	845,943
Annual Percent Change	-0.8%	-2.2%	-0.7%	-0.9%
Change in Denver-Boulder Consumer Price Index for Previous Calendar Year	3.5%	8.0%	5.2%	2.3%
Statewide <u>Base</u> Per Pupil Funding	\$7,478	\$8,076	\$8,496	\$8,692
Annual Percent Change	3.5%	8.0%	5.2%	2.3%
Statewide <u>Average</u> Per Pupil Funding	\$9,596	\$10,670	\$11,452	\$11,858
Annual Percent Change	6.4%	11.2%	7.3%	3.5%
Total Program Funding [1]	\$8,439,302,433	\$9,174,031,433	\$9,778,950,899	\$10,031,606,091
Annual Percent Change	5.6%	8.7%	6.6%	2.6%
<u>Local Share</u> of Total Program Funding	\$3,449,247,817	\$4,177,967,863	\$4,186,738,872	\$4,563,359,211
Annual Percent Change	5.2%	21.1%	0.2%	9.0%
<u>State Share</u> of Total Program Funding	\$4,990,054,616	\$4,996,063,570	\$5,592,212,027	\$5,468,246,880
Annual Percent Change	6.0%	0.1%	11.9%	-2.2%

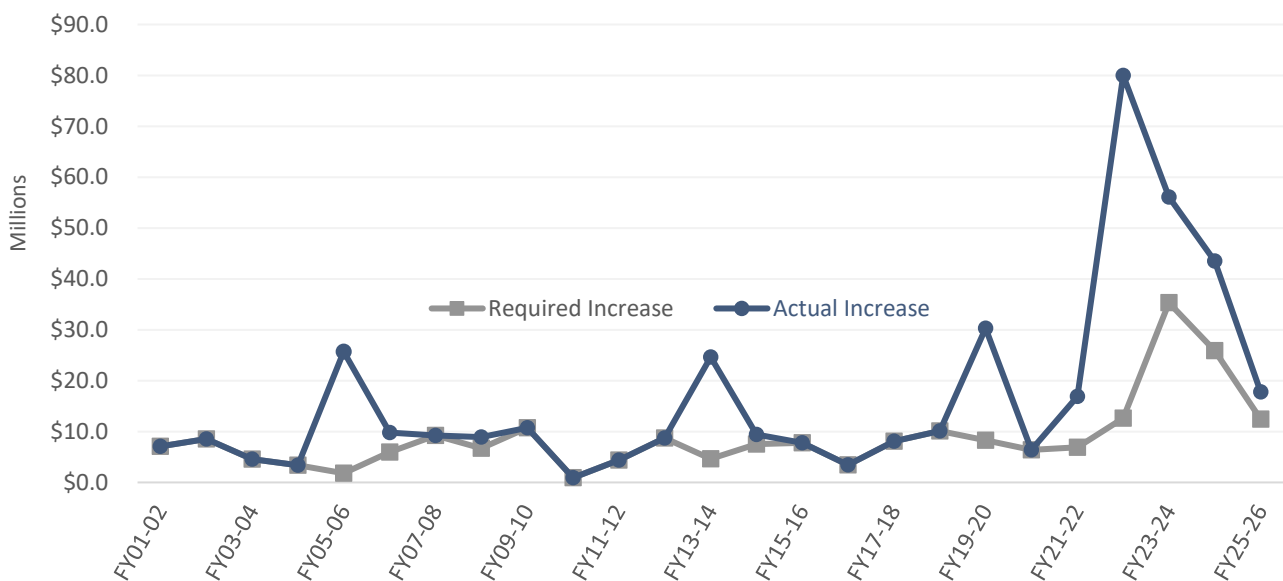
[1] Reflects total program funding after application of the budget stabilization factor for FY 2022-23 and FY 2023-24.

Categorical Programs

Programs designed to serve particular groups of students (e.g., students with limited proficiency in English) or particular student needs (e.g., transportation) have traditionally been referred to as "categorical" programs. Unlike public school finance funding, there is no constitutional requirement that the General Assembly increase funding commensurate with the number of students eligible for any particular categorical program. The state constitution requires¹ the General Assembly to increase total state funding for all categorical programs annually by at least the rate of inflation plus one percent for FY 2001-02 through FY 2010-11, and by at least the rate of inflation for subsequent fiscal years. For example, the calendar year 2024 percentage change in the Denver-Aurora-Lakewood consumer price index was 2.3 percent, so the General Assembly was required to increase state funding for categorical programs in FY 2025-26 by at least that rate, equal to an additional \$12.5 million. The FY 2025-26 appropriation actually totaled \$17.8 million in state funds, exceeding the minimum requirement by \$5.3 million.

Senate Bill 22-127 (Special Education Funding) created inflationary requirements specific to special education starting with the 2024-25 budget year and declared the General Assembly's intent to fully fund special education services each year². Specifically, the per pupil funding provided to Tier A students was increased to \$1,750 and increases annually by inflation. A series of bills provided additional appropriations totaling \$109.0 million between FY 2013-14 and FY 2023-24 with the intention of funding Tier B pupils at or near the maximum \$6,000 per student. The \$109.0 million is also subject to annual inflationary increases. Because these calculations are tied to the number of students receiving special education services, the annual increase required to comply with special education statute has and will likely continue to exceed the Amendment 23 requirement for categorical programs as a whole if student counts continue to increase. The following graphic shows the inflationary increase required by Amendment 23 for each year since 2001-02 compared to the actual increases provided.

Actual Increases Compared to Minimum Required



¹ Colorado Constitution, Article IX, Section 17, created by Amendment 23

² Section 22-20-114, C.R.S. (1)(c)(III) and (1.3)

The General Assembly annually determines how to allocate the required increase among the various categorical programs. Since FY 2000-01, the General Assembly has increased state funding for categorical programs by \$417.0 million. In certain fiscal years (including every year since FY 2021-2022), the General Assembly has elected to increase state funding by more than the minimum, constitutionally-required amount, resulting in a larger base to which the required inflationary requirement is applied each year. The following table shows the change in state funding for each categorical program since FY 2000-01.

Increases in State Funding for Categorical Programs Since FY 2000-01

Long Bill Line Item	FY 2000-01 Appropriation	FY 2025-26 Appropriation	Total Increase in State Funds by Dollar and Percentage	
Special Education - Children with Disabilities	\$71,510,773	\$388,694,798	\$317,184,025	443.5%
English Language Proficiency Program	3,101,598	35,866,264	32,764,666	1056.4%
Public School Transportation	36,922,227	72,973,821	36,051,594	97.6%
Career and Technical Education Programs	17,792,850	32,689,057	14,896,207	83.7%
Special Education - Gifted and Talented Children	5,500,000	16,793,762	11,293,762	205.3%
Expelled and At-risk Student Services Grant Program	5,788,807	9,473,039	3,684,232	63.6%
Small Attendance Center Aid	948,140	1,606,548	658,408	69.4%
Comprehensive Health Education	600,000	1,115,829	515,829	86.0%
Total	\$142,164,395	\$559,213,118	\$417,048,723	293.4%

Summary of Request

Department of Education

Item	Total Funds	General Fund [1]	Cash Funds	Reapprop. Funds	Federal Funds	FTE
FY 2025-26 Appropriation						
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
Total	\$7,689,403,789	\$4,669,994,198	\$2,114,235,075	\$55,914,660	\$849,259,856	751.4
FY 2026-27 Requested Appropriation						
FY 2025-26 Appropriation	\$7,689,403,789	\$4,669,994,198	\$2,114,235,075	\$55,914,660	\$849,259,856	751.4
R1 State share of total program	166,990,163	50,000,000	116,990,163	0	0	0.0
R2 Categorical programs increase	14,539,542	0	14,539,542	0	0	0.0
R3 CSI Mill Levy Equalization	-3,916,033	-3,916,033	0	0	0	0.0
R4 BEST assessment IT system	450,000	0	450,000	0	0	0.0
R5 READ Act awareness campaign and evaluation	-950,000	0	-950,000	0	0	0.0
R6 Restructuring social studies assessment	-233,273	0	-233,273	0	0	0.0
R7 Local Accountability Grant Program reduction	-100,000	-100,000	0	0	0	0.0
R8 Administrative efficiencies	-345,013	-202,079	-92,292	-8,646	-41,996	0.0
R9 CSDB teacher salary increase	47,603	47,603	0	0	0	0.0
Employee compensation common policies	5,805,078	2,462,638	900,472	869,828	1,572,140	0.0
Operating common policies	-265,345	-295,487	18,600	-1,344	12,886	0.0
Impacts driven by other agencies	367,952	356,101	2,086	1,731	8,034	1.8
Prior year actions	-724,863	-5,858,862	5,133,999	0	0	-2.7
Total	\$7,871,069,600	\$4,712,488,079	\$2,250,994,372	\$56,776,229	\$850,810,920	750.5
Increase/-Decrease	\$181,665,811	\$42,493,881	\$136,759,297	\$861,569	\$1,551,064	-0.9
Percentage Change	2.4%	0.9%	6.5%	1.5%	0.2%	-0.1%

[1] Includes General Fund Exempt.

R1 State share of total program [legislation]: The Executive Branch's school finance request proposes implementing the new formula as planned for FY 2026-27 but anticipates pausing implementation for FY 2027-28.

Year 1: A net increase of \$167.0 million. This includes increases of \$50.0 million General Fund, \$45.3 million from the State Education Fund, and \$71.7 million from the State Public School Fund.

Year 2: Anticipates a General Fund increase of \$275.0 million above the FY 2026-27 request *and* a pause in the implementation of the new school finance formula.

See the first issue brief in this document for a detailed discussion of the school finance formula.

R2 Categorical programs increase: The Department requests \$14.5 million to meet its constitutional requirement³ to increase categorical programs by at least the rate of inflation each year. The request is based on the Office of State Planning and Budgeting's (OSPb) estimated 2.6 percent inflation rate and will be paid from the State Education Fund. The requested increase for each categorical program line is shown below. See the second issue brief in this document for a detailed discussion of categorical program funding.

R2 Requested Increases in State Funding for Categorical Programs

Long Bill Line Item	FY 2025-26 Appropriation	FY 2026-27 Request	Change in State Funding	Percent Change
Special Education - Children with Disabilities	\$388,694,798	\$398,800,863	\$10,106,065	2.6%
English Language Proficiency Program	35,866,264	36,555,792	689,528	1.9%
Public School Transportation	72,973,821	75,256,184	2,282,363	3.1%
Career and Technical Education Programs	32,689,057	33,769,287	1,080,230	3.3%
Special Education - Gifted and Talented Children	16,793,762	17,167,234	373,472	2.2%
Expelled and At-risk Student Services Grant Program	9,473,039	9,478,248	5,209	0.1%
Small Attendance Center Aid	1,606,548	1,607,186	638	0.0%
Comprehensive Health Education	1,115,829	1,117,866	2,037	0.2%
Total	\$559,213,118	\$573,752,660	\$14,539,542	2.6%

Prior year actions: The request for School District Operations - subdivisions (A) Public School Finance and (B) Categorical Programs includes a net decrease of \$15.9 million for the impact of prior year budget decisions and legislation. However, staff has noted an error of -\$13.9 million from the State Education Fund related to H.B. 25-1320 (School Finance Act). The adjustment for total program savings attributable to H.B. 25-1320 was also included in calculations for R1 and is therefore double counted. The Department indicates that it will submit a corrected budget amendment in January.

Prior year actions

Item	Total Funds	General Fund	Cash Funds	Reapprop. Funds	Federal Funds	FTE
SB 23-287 School Finance Act	\$1,058,115	\$0	\$1,058,115	\$0	\$0	0.0
FY 25-26 Salary survey	320,267	40,340	6,531	0	273,396	0.0
FY 25-26 Step Plan	74,320	6,259	2,144	0	65,917	0.0
HB 25-1320 School Finance Act	-17,365,530	0	-17,365,530	0	0	0.0
Total	-\$15,912,828	\$46,599	-\$16,298,740	\$0	\$339,313	0.0

³ Colorado Constitution, Article IX, Section 17, created by Amendment 23

Issue: R1 State Share of Total Program

Current law requires the General Assembly to implement the new school finance formula at 30 percent in FY 2026-27 while allowing up to 3-year averaging. The Executive Branch R1 State Share of Total Program request does not propose any changes for FY 2026-27, but anticipates that implementation will be paused in FY 2027-28. Many of the underlying assumptions in the R1 calculation will change with the December economic and revenue forecast(s). The January budget submission will incorporate updated data that will be used to adjust the FY 2025-26 appropriation and analyze the sustainability of implementing the new formula in FY 2026-27 onwards.

Summary

- Current law, as enacted in H.B. 25-1320 (School Finance Act), requires the General Assembly to implement the new school finance formula at 30 percent in FY 2026-27 while allowing up to 3-year averaging.
- The Governor's budget request does not include any statutory changes to the formula for FY 2026-27, but suggests a likely implementation pause in FY 2027-28.
- Based on Legislative Council Staff projections, the General Assembly should start considering one or more cost savings measures no later than FY 2027-28 to reduce the cost of the school finance formula.

Recommendation

Staff recommends that the Joint Budget Committee, the Education Committees, sponsors of the next School Finance Act, and other interested parties start discussing statutory changes to decrease the cost of the school finance formula for FY 2027-28 or sooner.

Discussion

Background and Assumptions

The school finance formula and State Education Fund models include a plethora of variables, most of which vary between OSPB and LCS and change at several points throughout the year. The annual JBC staff briefing for school finance takes place prior to the finalization of current year enrollment counts and school district assessed value calculations, which are used for a final update to current year appropriations and projections for the budget request year.

On the following pages, staff will summarize the OSPB R1 request for school finance and demonstrate three scenarios using LCS modeling. The assumptions used in OSPB versus LCS models differ substantially at the moment, but will start to converge by the time the FY 2026-27 budget is finalized. The biggest difference in the current modeling is that OSPB has adjusted the estimated local share upwards by \$148.8 million in FY 2026-27 based on preliminary assessed value data received from counties. Official updated assessed value data will be incorporated into the December economic and revenue forecast for both agencies. JBC and LCS staff have not attempted to update local share estimates at this point, which causes the JBC/LCS staff projections to appear substantially more pessimistic than OSPB's. LCS also uses slightly higher inflation estimates than OSPB.

throughout this modeling period, which equates to higher total program costs and larger SEF expenditures for categorical programs.

Governor's FY 2026-27 Request

Relative to the current FY 2025-26 appropriation, the Governor's budget request projects an increase of \$275.8 million in total program costs for FY 2026-27, including a \$50.0 million General Fund increase and a \$117.0 million cash funds increase. The request implements the new school finance formula as required by H.B. 25-1320 for FY 2026-27. As noted above, the Governor's request differs significantly from LCS/JBC staff estimates due to differing inflation assumptions and OSPB's incorporation of preliminary local share expectations.

The following table shows the Governor's FY 2025-26 request relative to the current FY 2025-26 appropriation.

FY 2026-27 Governor's Request

Item	FY 2025-26 Appropriation	Requested Change (FY 2026-27 R1)	Total FY 2026-27 Request
Funded Pupil Count	845,943	-6,001	839,942
Local Share	\$4,563,359,211	\$108,820,829	\$4,672,180,040
<u>State Share</u>	<u>5,468,246,880</u>	<u>166,990,163</u>	5,635,237,043
General Fund	4,388,686,861	50,000,000	4,438,686,861
State Education Fund	1,008,893,087	45,327,449	1,054,220,536
State Public School Fund	70,666,932	71,662,714	142,329,646
Total Program Funding	\$10,031,606,091	\$275,810,992	\$10,307,417,083
SEF Ending Balance	\$542,405,726	-\$263,383,521	\$279,022,205

H.B. 25-1320 includes a provision that if the SEF balance is projected to be less than \$200.0 million at the close of FY 2026-27 (based on the March 2027 LCS forecast), then the General Assembly shall implement a smoothing factor or use two-year averaging. Current OSPB projections estimate the FY 2026-27 ending balance at \$279.0 million; R1 therefore does not contemplate a switch to two-year averaging (or a smoothing factor). However, R1 does anticipate that formula implementation will be paused at 30 percent (instead of increasing to 45 percent) in FY 2027-28 due to SEF and General Fund balancing challenges. Even with the expected implementation pause, R1 includes a placeholder increase of \$275.0 million General Fund for FY 2027-28.

LCS/JBC Staff Projections

As previously noted, the underlying data included in these projections will change based on the December 2025 revenue forecasts. Forecast changes will include updated estimates for local share, revenues to the SEF and SPSF, enrollment, and inflation. Current projections do not account for anticipated changes to the FY 2025-26 appropriation that will be made through the mid-year adjustment bill.

Staff examined three scenarios for this document in order to grasp the magnitude of General Fund increases required under each in order to keep the ending balance of the SEF at \$100.0 million in FY 2029-30. Scenarios 2 and 3 allow the SEF balance to go negative in FY 2027-28 by limiting General Fund increases in FY 2026-27 and FY 2027-28 to the OSPB request and placeholder amounts. This demonstrates that the requested increases may not be sufficient in the near term. However, adjustments to the local share and other assumptions that will be made with the December forecasts could erase the negative balance for FY 2027-28.

Scenario 1: Current Law

Current law modeled using LCS assumptions shows required annual General Fund increases of around \$300 million, or 6.2 percent, for the next four years. Increases of this magnitude would not trigger a switch to two-year averaging or smoothing in FY 2027-28.

Scenario 1: Current Law

Item	FY 2025-26	FY 2026-27	FY 2027-28	FY 2028-29	FY 2029-30
Total Program	\$10,031.6	\$10,326.0	\$10,690.5	\$11,056.3	\$11,444.2
Change in Total Program	\$252.7	\$294.4	\$364.5	\$365.8	\$387.9
Funded Pupil Count	845,943	837,957	836,604	835,710	835,333
% chg in Funded Pupil Count	-0.9%	-0.9%	-0.2%	-0.1%	0.0%
Local Share	\$4,563.4	\$4,523.4	\$4,696.3	\$4,753.6	\$4,810.4
State Share	\$5,468.2	\$5,802.6	\$5,994.2	\$6,302.7	\$6,633.8
State Public School Fund	70.7	177.1	97.8	96.3	96.5
State Education Fund (SEF)	1,008.9	965.6	948.5	952.7	959.0
General Fund	4,388.7	4,659.9	4,947.9	5,253.6	5,578.3
General Fund increase	150.0	271.2	288.0	305.8	324.7
General Fund % increase	3.5%	6.2%	6.2%	6.2%	6.2%
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SEF Beginning balance	\$1,058.8	\$554.7	\$383.1	\$251.1	\$155.4
SEF Deposits					
Income taxes	\$1,035.5	\$1,110.8	\$1,176.4	\$1,227.8	\$1,281.3
Kids Matter diversion	0.0	216.6	229.4	239.4	249.9
Other transfers	0.0	31.0	0.0	0.0	0.0
Interest earnings	44.7	37.0	29.3	25.3	25.2
Total deposits	1,080.3	1,395.4	1,435.2	1,492.5	1,556.4
SEF expenditures					
State share of total program	\$1,008.9	\$965.6	\$948.5	\$952.7	\$959.0
Categorical programs	395.4	411.1	430.7	446.7	463.2
Other expenditures	180.0	190.2	188.1	188.8	189.6
Total expenditures	\$1,584.3	\$1,566.9	\$1,567.2	\$1,588.2	\$1,611.8
SEF Ending Balance	\$554.7	\$383.1	\$251.1	\$155.4	\$100.0

Scenario 2: FY 2027-28 Implementation Pause Using OSPB General Fund Placeholder

The second scenario assumes a one-year pause in formula implementation for FY 2027-28, meaning the new formula would remain at 30 percent implemented instead of increasing to 45 percent. This scenario uses OSPB's proposed General Fund increases for the next two fiscal years – which results in a negative SEF balance in FY 2027-28. This demonstrates that the requested increases may not be sufficient in the near term. It is likely that the local share and other assumptions will improve with the December forecast, but the projected SEF ending balance needs to not only be positive, but ideally over \$100.0 million in any given year. Staff notes that projected savings attributable to a one-year pause differ significantly between OSPB and LCS due to assumptions about how the hold harmless calculation and the use of averaging for that calculation would be impacted by the

pause. OSPB estimates savings of \$90.0 million, while the LCS model estimates savings of \$38.9 million due to an assumption that the requirement to use the same averaging in the old formula as the new formula beginning in FY 2027-28 would also be delayed.

Scenario 2: FY 2027-28 Implementation Pause Using OSPB General Fund Placeholder

Item	FY 2025-26	FY 2026-27	FY 2027-28	FY 2028-29	FY 2029-30
Total Program	\$10,031.6	\$10,326.0	\$10,651.6	\$10,966.7	\$11,349.4
<i>Change in Total Program</i>	<i>\$252.7</i>	<i>\$294.4</i>	<i>\$325.6</i>	<i>\$315.1</i>	<i>\$382.7</i>
Funded Pupil Count	845,943	837,957	836,604	835,710	835,333
<i>% chg in Funded Pupil Count</i>	<i>-0.9%</i>	<i>-0.9%</i>	<i>-0.2%</i>	<i>-0.1%</i>	<i>0.0%</i>
Local Share	\$4,563.4	\$4,523.4	\$4,695.4	\$4,752.4	\$4,809.3
State Share	<u>\$5,468.2</u>	<u>\$5,802.6</u>	<u>\$5,956.2</u>	<u>\$6,214.3</u>	<u>\$6,540.1</u>
State Public School Fund	70.7	177.1	97.8	96.3	96.5
State Education Fund (SEF)	1,008.9	1,186.8	1,144.7	627.3	867.0
General Fund	4,388.7	4,438.7	4,713.7	5,490.7	5,576.6
<i>General Fund increase</i>	<i>150.0</i>	<i>50.0</i>	<i>275.0</i>	<i>777.0</i>	<i>85.9</i>
<i>General Fund % increase</i>	<i>3.5%</i>	<i>1.1%</i>	<i>6.2%</i>	<i>16.5%</i>	<i>1.6%</i>
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SEF Beginning balance	\$1,058.8	\$554.7	\$161.9	-\$166.3	\$63.4
SEF Deposits					
Income taxes	\$1,035.5	\$1,110.8	\$1,176.4	\$1,227.8	\$1,281.3
Kids Matter diversion	0.0	216.6	229.4	239.4	249.9
Other transfers	0.0	31.0	0.0	0.0	0.0
Interest earnings	44.7	37.0	29.3	25.3	25.2
Total deposits	1,080.3	1,395.4	1,435.2	1,492.5	1,556.4
SEF expenditures					
State share of total program	\$1,008.9	\$1,186.8	\$1,144.7	\$627.3	\$867.0
Categorical programs	395.4	411.1	430.7	446.7	463.2
Other expenditures	180.0	190.2	188.1	188.8	189.6
Total expenditures	\$1,584.3	\$1,788.1	\$1,763.4	\$1,262.8	\$1,519.8
SEF Ending Balance	\$554.7	\$161.9	-\$166.3	\$63.4	\$100.0

Scenario 3: Two-Year Averaging Using OSPB General Fund Placeholder

The third scenario assumes a change to two-year student count averaging starting with FY 2027-28, which results in average estimated annual state share savings of around \$34.4 million. This scenario uses OSPB's proposed General Fund increases for the next two fiscal years – which results in a negative SEF balance in FY 2027-28. As previously stated, this outlook is likely to improve with December forecast data.

Scenario 3: Two-Year Averaging Using OSPB General Fund Placeholder

Item	FY 2025-26	FY 2026-27	FY 2027-28	FY 2028-29	FY 2029-30
Total Program	\$10,031.6	\$10,326.0	\$10,653.8	\$11,021.2	\$11,411.6
<i>Change in Total Program</i>	<i>\$252.7</i>	<i>\$294.4</i>	<i>\$327.8</i>	<i>\$367.4</i>	<i>\$390.5</i>
Funded Pupil Count	845,943	837,957	833,385	832,706	832,375
<i>% chg in Funded Pupil Count</i>	<i>-0.9%</i>	<i>-0.9%</i>	<i>-0.5%</i>	<i>-0.1%</i>	<i>0.0%</i>

Item	FY 2025-26	FY 2026-27	FY 2027-28	FY 2028-29	FY 2029-30
Local Share	\$4,563.4	\$4,523.4	\$4,696.0	\$4,753.1	\$4,809.8
State Share	<u>\$5,468.2</u>	<u>\$5,802.6</u>	<u>\$5,957.8</u>	<u>\$6,268.1</u>	<u>\$6,601.8</u>
State Public School Fund	70.7	177.1	97.8	96.3	96.5
State Education Fund (SEF)	1,008.9	1,186.8	1,146.3	633.1	859.6
General Fund	4,388.7	4,438.7	4,713.7	5,538.6	5,645.7
<i>General Fund increase</i>	<i>150.0</i>	<i>50.0</i>	<i>275.0</i>	<i>824.9</i>	<i>107.1</i>
<i>General Fund % increase</i>	<i>3.5%</i>	<i>1.1%</i>	<i>6.2%</i>	<i>17.5%</i>	<i>1.9%</i>
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SEF Beginning balance	\$1,058.8	\$554.7	\$161.9	-\$167.9	\$56.0
SEF Deposits					
Income taxes	\$1,035.5	\$1,110.8	\$1,176.4	\$1,227.8	\$1,281.3
Kids Matter diversion	0.0	216.6	229.4	239.4	249.9
Other transfers	0.0	31.0	0.0	0.0	0.0
Interest earnings	44.7	37.0	29.3	25.3	25.2
Total deposits	1,080.3	1,395.4	1,435.2	1,492.5	1,556.4
SEF expenditures					
State share of total program	\$1,008.9	\$1,186.8	\$1,146.3	\$633.1	\$859.6
Categorical programs	395.4	411.1	430.7	446.7	463.2
Other expenditures	180.0	190.2	188.1	188.8	189.6
Total expenditures	\$1,584.3	\$1,788.1	\$1,765.0	\$1,268.6	\$1,512.4
SEF Ending Balance	\$554.7	\$161.9	-\$167.9	\$56.0	\$100.0

Conclusion

The above scenarios demonstrate that even if cost-savings measures such as an implementation pause or two-year averaging are employed, there is still reason to be concerned about the General Assembly's ability to sustainably implement the new school finance formula. Staff acknowledges that the LCS/JBC staff modeling at this time is likely overly pessimistic and looks forward to updating the data for inclusion in the annual required sustainability plan. In any case, staff is confident in the assertion that the General Assembly should prepare to implement one or more cost savings measures no later than FY 2027-28 to reduce the cost of the school finance formula.

Issue: R2 Categorical Programs Increase

Amendment 23 of the Colorado Constitution requires the total amount of state funding appropriated for categorical programs to annually increase by at least the rate of inflation. 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. Changes to special education funding in recent years has altered the method by which the Joint Budget Committee allocates funding among categories.

Summary

- Historically, the Long Bill allocated the required inflationary increase based on the difference between state and federal funding for a program and school district's actual expenditures for that purpose in the most recent year for which that information is available.
- The General Assembly has stated its intent⁴ to fully fund special education programs for children with disabilities up to the statutory maximum. The amount required to fully fund special education for children with disabilities in FY 2026-27 will be calculated based on a December 2025 count which is not yet available. The Department provided an estimate of \$26.3 million, which *exceeds the estimated Amendment 23 inflationary increase by \$11.8 million*.
- Fully funding special education and providing increases to other categorical programs will require a significantly higher appropriation than what has been requested and what is required by Amendment 23. The Committee must therefore weigh the implications of providing additional funding for categorical programs against proposed changes to the new school finance formula and other statewide budgetary constraints.

Recommendation

Staff recommends that the Committee discuss the allocation of the required increase in categorical funding for FY 2026-27 with interested parties, including the Department, the Governor's Office (who proposed the allocation in R2 in collaboration with the Department), and the Education Committees. Staff assumes any increase above the Amendment 23 requirement would be made from the State Education Fund. Therefore, interested stakeholders should consider how appropriations in excess of the minimum for categorical programs would negatively impact the balance of the State Education Fund as it relates to the General Assembly's ability to implement the new school finance formula.

⁴ Section 22-20-114 (1)(c)(III)(D), C.R.S.

Discussion

Background

Programs designed to serve particular groups of students (e.g., students with limited proficiency in English) or particular student needs (e.g., transportation) have traditionally been referred to as "categorical" programs. The constitution requires the General Assembly to increase *total state funding for all categorical programs* annually by at least the rate of inflation. For example, the calendar year 2024 percentage change in the Denver-Aurora-Lakewood consumer price index was 2.4 percent, so the General Assembly was required to increase state funding for categorical programs in FY 2025-26 by at least that rate, equal to an additional \$12.5 million. The FY 2025-26 appropriation actually totaled \$17.8 million in state funds, exceeding the minimum requirement by \$5.3 million.

The General Assembly annually determines how to allocate the required increase among the eight categorical line items. In certain fiscal years (including every year since FY 2021-22), the General Assembly has elected to increase state funding by more than the minimum constitutionally-required amount, resulting in a larger base to which the required inflationary requirement is applied each year.

The constitution also requires that money from the State Education Fund not supplant the level of General Fund appropriations existing on December 28, 2000, for categorical programs. This provision actually requires the General Assembly to maintain an appropriation of at least \$141,765,474 General Fund; however, the General Assembly added \$22.0 million General Fund to the Special Education Programs for Children with Disabilities line item in FY 2019-20 through S.B. 19-246 (School Finance), so the current appropriation includes \$163,765,474 General Fund. All of the increases (in the Long Bill and other legislation) for categorical programs since then have been paid from the State Education Fund.

Past Allocation Method

Prior to FY 2024-25, staff recommended that the Committee consider four factors when allocating state funds among categorical programs:

1. Are districts required by federal law to provide the services?
2. What percent of districts' actual expenditures are covered by state and federal funds?
3. If the program has a statutory reimbursement formula, how close does state funding come to the maximum statutory reimbursement?
4. Are districts' expenditures for providing the service proportionate, or are certain districts impacted significantly more than others?

For years, the Department and staff used similar mechanisms to allocate the constitutionally-required increases among categorical line items, based on the difference between state and federal funding provided for a program and school districts' actual expenditures. Thus, programs with a larger gap between state and federal funds and total district expenditures (those for which school districts are absorbing the greatest cost within their budgets) received the largest increase.

This mechanism typically allocated the largest *dollar amount* to special education programs for children with disabilities because that line item has the largest shortfall in terms of the amount of money, and allocated the largest *percentage* increase to the English language proficiency program because that line item has had the

largest shortfall in percentage terms. Since FY 2000-01, special education for children with disabilities increased by \$317.2 million (443.5 percent) and funding for the English Language Proficiency Program (not including the English language learners factor in the school finance formula) increased by \$32.8 million (1,056.4 percent). As discussed earlier in this document, funding for special education programs for children with disabilities has been increased through several bills outside of the Long Bill and is now subject to statutory inflationary requirements in addition to constitutional requirements.

Considerations for FY 2026-27 Allocation

The General Assembly's commitment to fully funding special education, or even just meeting inflationary requirements specific to special education without fully funding Tier B at \$6,000 per student, has essentially rendered the old staff allocation mechanism unusable. The cost of fully funding special education in a given year will likely equal or exceed the Amendment 23 increase, especially if special education student counts continue to rise. The amount required to fully fund special education for children with disabilities in FY 2026-27 will be calculated based on a December 2025 count which is not yet available. *The Department estimates an increase of \$26.3 million is needed to fully fund special education, or \$16.7 million to meet the inflationary requirement without fulfilling the intent to fully fund.* The latter would result in Tier B being prorated at \$5,665 per pupil.

The estimated CY 2025 inflation rate used by OSPB for the request is 2.6 percent, which equates to a \$14.5 million increase for categorical programs as a whole. The request will be amended in January after the final inflation rate is determined. The R2 request increases the FY 2025-26 special education appropriation by inflation and allocates the remaining increase using the expenditure gap mechanism described above. This strategy meets the constitutional requirement but not the statutory requirements specific to special education.

R2 Requested Increases in State Funding for Categorical Programs

Long Bill Line Item	FY 2025-26 Appropriation	FY 2026-27 Request	Change in State Funding	Percent Change
Special Education - Children with Disabilities	\$388,694,798	\$398,800,863	\$10,106,065	2.6%
English Language Proficiency Program	35,866,264	36,555,792	689,528	1.9%
Public School Transportation	72,973,821	75,256,184	2,282,363	3.1%
Career and Technical Education Programs	32,689,057	33,769,287	1,080,230	3.3%
Special Education - Gifted and Talented Children	16,793,762	17,167,234	373,472	2.2%
Expelled and At-risk Student Services Grant Program	9,473,039	9,478,248	5,209	0.1%
Small Attendance Center Aid	1,606,548	1,607,186	638	0.0%
Comprehensive Health Education	1,115,829	1,117,866	2,037	0.2%
Total	\$559,213,118	\$573,752,660	\$14,539,542	2.6%

In addition to the recent attention given to closing the special education funding gap, the General Assembly has also examined the adequacy of public school transportation funding. S.B. 23-094 (School Transportation Task Force) created the School Transportation Modernization Task Force to study issues facing school transportation systems and use the findings to develop and recommend policies, laws, and rules to improve public school transportation across the state in order to better meet student needs and alleviate burdens on school districts. The final task force report was released on December 1, 2024 and includes twelve recommendations, three of which relate specifically to funding:

- *Recommendation #4* proposes the creation of a Transportation Innovation Fund, similar to what was proposed by H.B. 22-1395 (Transportation Innovation Grant Program). That bill would have provided \$7.5

million for grants from the Revenue Loss Restoration Cash Fund; it was deemed postponed indefinitely. The task force recommendation does not suggest a dollar amount or fund source for the grant program.

- *Recommendation #10* suggests the General Assembly should examine reimbursement percentages and the gap between state funding and expenditures while considering the categorical budget request each year. While there is no dollar amount tied to this recommendation, data included on the following pages provides insight into the current funding gap for this category.
- *Recommendation #11* proposes utilizing a single-factor reimbursement process and increasing public school transportation funding by \$10.0 million.

Given that keeping up with special education funding alone requires more than the Amendment 23 increase, it will be not be possible to close the gap in transportation funding , or any other category, without substantially exceeding the R2 request.

Conclusion

In light of the recent policy changes to special education funding, staff expects to recommend that the Committee meet the inflationary requirements for special education programs for children with disabilities and provide modest increases to other categorical programs. However, the special education inflationary increase is estimated to exceed the minimum by \$2.2 million. Fully funding special education would exceed the minimum by \$11.7 million – a portion of which is attributable to underfunding by \$5.5 million in FY 2025-26. Any appropriations made in excess of the requested amount will impact the State Education Fund balance and should therefore be weighed in consideration with other changes to school finance.

For the Committee’s reference, the following pages include three tables associated with categorical funding that reflect different lenses through which to consider the increase for FY 2026-27.

- *Table A* shows the gap between state and federal funding and actual local expenditures in FY 2023-24 - the data which would drive the standard JBC staff allocation model absent recent policy changes for special education.
- *Table B* shows the gap between funding levels and "full funding" for the programs with statutory formulas for that year. In this case “full funding” would reflect the statutory amounts for each program – but would not reflect district expenditures.
- *Table C* summarizes four potential options for allocating the required Amendment 23 increase, including the method that was used for the FY 2025-26 appropriation.

Table A: Categorical Program Revenues and Expenditures: FY 2023-24

Long Bill Line Item	State Funds	Federal Funds	Total State and Federal Funds	Total District Expenditures	State/Federal Share of Expenditures	Local Expenditures
Special Education - Children with Disabilities [1]	\$363,628,010	\$205,798,519	\$569,426,529	\$1,534,954,188	37%	\$965,527,659
English Language Proficiency Program [2]	83,586,158	10,957,262	94,543,419	166,989,267	57%	72,445,848
Public School Transportation	74,404,441	0	74,404,441	\$314,202,702	24%	\$239,798,261
Career and Technical Education	30,409,006	6,616,339	37,025,345	150,520,529	25%	113,495,184
Gifted and Talented	14,143,575	0	14,143,575	53,382,701	26%	39,239,126
Expelled and At-risk Student Services Grant Program	8,261,044	0	8,261,044	8,808,280	94%	547,236
Small Attendance Center Aid	1,599,991	0	1,599,991	1,667,001	96%	67,010
Comprehensive Health Education	666,041	0	666,041	880,101	76%	214,060
Total	\$576,698,266	\$223,372,119	\$800,070,386	\$2,231,404,770		\$1,431,334,384

[1] Includes \$22.8 million in funding provided for Universal Pre-K through CDEC.

[2] State funds includes \$52.3 million distributed through the English Language Learner factor in the school finance formula

Table B: Maximum Amount of State Funds Districts Were Statutorily Eligible to Receive

Long Bill Line Item	Description of What Determines Maximum State Funding	State Funds	Maximum State Funding	Percent of Maximum Covered by State Funds	Estimated Increase to Fund Statutory Maximum
Special Education - Children With Disabilities [1] [2]	Number of students eligible for Tier A and Tier B funding, inflationary adjustments, max of \$6,000 per Tier B student	\$388,694,798	\$414,957,165	93.7%	\$26,262,367
English Language Proficiency Program [1] [2]	Number of eligible students and statewide average per pupil operating revenue	35,865,832	179,717,555	20.0%	143,851,723
Public School Transportation [3]	Total miles traveled and total transportation-related costs (excluding capital outlay expenses)	75,629,969	126,687,570	59.7%	51,057,602
Colorado Vocational Distributions Act [4]	Number of students participating in vocational education programs and cost of services per FTE in relation to each district's per pupil operating revenue	31,993,182	43,139,202	74.2%	11,146,020
Small Attendance Center Aid [4]	Number of eligible schools, those schools' enrollment, and eligible districts' per pupil funding	1,604,359	1,667,001	96.2%	62,642
Total					\$232,380,353

[1] State funds based on FY 2025-26 appropriation and statutorily calculated maximum estimated for FY 2026-27.

[2] State funds only reflects categorical program funding and does not include amounts attributable to factors received through the school finance formula.

[3] State funds and maximum state funding based on FY 2023-24 appropriations and statutorily calculated maximum.

[4] State funds and maximum state funding based on FY 2024-25 appropriations and statutorily calculated maximum.

Table C: Options for the Allocation of the Increase in State Funding for Categorical Programs in FY 2026-27

Long Bill Line Item	FY 25-26 Appropriation	Examples of Options for Allocating Required Increase							
		A: Standard Model	%	B: Dept. Request	%	C: All to Special Education	%	D. Method Used FY 25-26	%
Special education programs for children with disabilities	\$388,694,798	\$9,807,862	2.5%	\$10,106,065	2.6%	\$14,539,542	3.7%	\$16,743,297	4.3%
English language proficiency programs	35,866,264	735,907	2.1%	689,528	1.9%	0	0.0%	735,907	2.1%
Public school transportation	72,973,821	2,435,879	3.3%	2,282,363	3.1%	0	0.0%	2,435,879	3.3%
Career and technical education	32,689,057	1,152,888	3.5%	1,080,230	3.3%	0	0.0%	1,152,888	3.5%
Gifted and talented	16,793,762	398,592	2.4%	373,472	2.2%	0	0.0%	1,058,115	6.3%
Expelled and at-risk student services grant program	9,473,039	5,559	0.1%	5,209	0.1%	0	0.0%	5,559	0.1%
Small attendance center aid	1,606,548	681	0.0%	638	0.0%	0	0.0%	681	0.0%
Comprehensive health education	1,115,829	2,174	0.2%	2,037	0.2%	0	0.0%	2,174	0.2%
Totals	\$559,213,118	\$14,539,542	2.6%	\$14,539,542	2.6%	\$14,539,542	2.6%	\$22,134,500	4.0%

Description of Potential Allocation Options

A: Standard model based on each category's share of the total gap in revenues versus expenditures. This method does not comply with the statutory requirement to annually increase Tier A per pupil funding and Tier B additional statutory funding for special education by inflation.

B: Department request - similar to Option A but increases the special education appropriation by inflation. This method does not comply with the statutory requirement to annually increase Tier A per pupil funding and Tier B additional statutory funding for special education by inflation.

C: Put entire inflationary increase toward special education for children with disabilities. An estimated \$16.7 million is required to comply with the statutory requirement to annually increase Tier A per pupil funding and Tier B additional statutory funding for special education by inflation.

D: Method used for FY 2025-26 appropriations. Calculate all categories using the standard model in Option A, increase the special education amount to meet inflationary requirements, and increase gifted and talented to comply with annualization of S.B. 23-187 (School Finance Act) for expanded screening. This results in an increase of \$7.6 million above the Amendment 23 requirement.

Budget Reduction Options

This briefing document includes subdivisions (A) Public School Finance and (B) Categorical Programs of the School District Operations division of the Department of Education only. These subdivisions include \$6.3 billion total funds in FY 2025-26, of which \$6.0 billion is from the General Fund and the State Education Fund (SEF). The state share of districts' total program funding makes up 87.4 percent of the total funds in this portion of the budget, followed by funding for categorical programs at 12.4 percent. Other line items related to school finance administration account for 0.2 percent of total funding in these subdivisions.

Summary

- The only significant savings options in this section of the budget will come from statutory changes related to the school finance formula.
- The State Education Fund and the General Fund should be thought of interchangeably for the purposes of budget balancing.
- The Executive Branch request did not propose any changes to the school finance formula for FY 2026-27, but suggests that implementation should be paused in FY 2027-28 for savings of roughly \$90.0 million.
- Staff has identified two additional options that would reduce the cost of the school finance formula.

Recommendation

Staff recommends the Committee elevate the two options discussed below for consideration by the Education Committees and the sponsors of the next School Finance Act. These options should be considered in conjunction with the cost of sustainably implementing the new school finance formula and weighed against options such as pausing formula implementation or reducing the use of student averaging.

Discussion

Funding History FY 2018-19 to FY 2025-26

The (A) Public School Finance and (B) Categorical Programs subdivisions make up approximately 26.0 percent of state General Fund appropriations. For the purposes of budget balancing, the State Education Fund should be thought of interchangeably with the General Fund. Any requirements for the state share that aren't appropriated from the General Fund must be paid for from the SEF, and vice versa. The State Public School Fund (SPSF) picks up a minor portion of state share appropriations and typically does not have leeway to absorb additional school finance costs. This section of the budget has decreased since FY 2018-19 after adjusting for inflation⁵ despite constitutional requirements to annually increase base per pupil funding and categorical

⁵ Fiscal year 2018-19 appropriations are adjusted for inflation, calculated based on the Legislative Council Staff September 2025 forecast, which reflects an increase in the Denver-Aurora-Lakewood consumer price index of 30.1 percent between FY 2018-19 and FY 2025-26.

programs. Use of the budget stabilization factor during this time period resulted in a cumulative \$3.3 billion reduction to the state share of districts' total program funding.

FY 2018-19 to FY 2025-26 Appropriations Comparison - Adjusted for Inflation

Fund	FY 2018-19 Nominal	FY 2018-19 Adjusted	FY 2025-26	\$ Change from FY 2018-19 Adjusted	% Change from FY 2018-19 Adjusted
General Fund/SEF	\$4,672,973,100	\$6,081,260,267	\$5,966,367,650	(\$114,892,617)	-1.9%
Total Funds	\$4,995,526,568	\$6,501,021,209	\$6,255,710,476	(\$245,310,733)	-3.8%

Budget Requests for General Fund Relief

There are no FY 2026-27 requests for General Fund relief for this section of the budget. The Executive Branch indicated it will formally recommend pausing implementation of the new school finance formula in 2027-28 in its January budget request for estimated savings of \$90.0 million.

Additional Options for JBC Consideration

The table below summarizes two additional options identified by JBC staff that would reduce the cost of the school finance formula. These ongoing options could be considered for the upcoming or later fiscal years. **Staff believes these potential changes would be more appropriately considered by the Education Committees and/or within the School Finance Act.** These options should be considered in conjunction with the cost of sustainably implementing the new school finance formula and weighed against options such as pausing formula implementation or reducing the use of student averaging.

Additional Options for General Fund/SEF Relief

Option	SEF/General Fund	Other Funds	Bill ? Y/N	Description
Specific ownership tax for local share	-\$218,800,000	\$0	Y	Require districts to contribute all SOT to their local share of total program, thereby reducing the state share
Part-time enrichment funding	-23,600,000	0	Y	Change the rate used to fund part-time enrichment students from 0.5 to 0.25
Total	-\$242,400,000	\$0		

Specific Ownership Tax for Local Share

Staff has recently been made aware that not all specific ownership tax (SOT) revenue received by school districts is included in the local share calculation for the school finance formula. SOT is an annual tax paid during vehicle registration and collected by the counties. Statute⁶ instructs county treasurers to distribute SOT revenue to local governments (school districts, cities, special districts, and the county itself) in proportion to the amount of property taxes collected by each. For example, a school district that receives 50 percent of all the property taxes collected in a county would receive 50 percent of the SOT collected in the county.

The school finance formula does not count all SOT revenue against the district's local share. Some districts collect more specific ownership taxes than others because the voters in those districts have approved additional

⁶ Section 42-3-107 (24) (a), C.R.S.

property taxes. The formula specifically does not count any SOT revenue attributable to bond redemption or override mills approved by voters⁷. This system results in districts that are successful in passing voter-approved mill levy override and bond measures receiving an added benefit of additional SOT that is in a sense “sheltered” from inclusion in the local share. Conversely, districts that are not successful in passing voter-approved mills are essentially required to contribute all of their SOT receipts to the local share calculation.

In FY 2023-24, school districts received \$453.5 million in SOT. Of that amount, \$234.7 (51.8 percent) was included in local share calculations for the school finance formula, while \$218.8 million (48.2 percent) was retained by districts for unrestricted use (and deposited in their general funds in most cases). A statutory change requiring all SOT revenue to be counted toward local share would decrease the state share by the amount of “sheltered” revenue. While this change would not result in a net gain to school districts as a whole, the funds would be redistributed through the school finance formula rather than remaining with the districts that have passed voter-approved mill levy overrides and bond referendums.

Part-time Enrichment Funding

After reviewing a March 2025 OSPB proposal to adjust a handful of districts' historic enrollment counts as a result of misclassified homeschool enrichment students, staff learned of a potential balancing-related option that would save upwards of \$23.6 million in total program costs annually. This option would align funding for certain part-time students to the number of instructional hours the student actually receives.

To qualify as being enrolled full-time (1.0 FTE), a student must be enrolled in at least 360 instructional hours. However, part-time enrollment (0.5 FTE) only requires a minimum of 90 instructional hours. There are generally four categories of part-time students:

1. Students with disabilities whose Individualized Education Programs call for less than full-time enrollment;
2. Kindergarten students in half-day programs;
3. Students past the age of compulsory education, usually completing a fifth year of high school or a dropout recovery program; and
4. Nonpublic home-based educational programs authorized under Section 22-33-104.5(6)(a), C.R.S., which are commonly known as “enrichment” or “homeschool enrichment” programs.

The Department has anecdotally observed that the first three categories of part-time students are typically participating in approximately 180-instructional hours (half of the required 360 hours for full time enrollment), but that recent audits have revealed that part-time enrichment programs are typically designed to just meet the minimum required 90-hours of instructional time. Historically, the enrichment programs were designed to augment homeschool programming such as enrolling students in courses taken at the “brick and mortar” school – such as advance math courses or band. Over time, the programs have evolved to allow part-time enrollment to take place outside of a “brick and mortar” school.

The enrichment category has grown significantly in recent years. Between FY 2019-20 and FY 2025-26 the Department’s preliminary data estimate that enrollment has grown by more than 110 percent (from 8,780 to 18,494). In FY 2024-25, it accounted for 86.0 percent of all part-time students.

⁷ Section 22-54-103 (11), C.R.S.

The Department notes that districts do not typically provide the same services and incur the same level of expenditures for those students as regular full-time students. Using preliminary data for FY 2025-26, the Department estimates that aligning part-time enrichment funding at 0.25 PPR (90 hours of instructional hours) instead of 0.5 PPR would reduce total program costs by \$40.2 million annually if adjustments are made to prior year counts, or \$23.6 million annually if no prior year adjustments are made. Last year, this change would have impacted 62 districts; staff has requested an updated estimate for the current year.

FY 2025-26 Executive Order Budget Adjustments

Budget Reductions

The Governor's Office did not identify specific FY 2025-26 reductions for the Department of Education in Executive Orders.

For the State as a whole, the Governor's Office anticipates \$3.0 million General Fund savings from a FY 2025-26 hiring freeze. The Governor's Office has not provided estimates at the department level.

Footnotes and Requests for Information

Update on Long Bill Footnotes

The General Assembly includes footnotes in the Long Bill to:

5. set forth purposes, conditions, or limitations;
6. explain assumptions; or
7. express legislative intent.

This section discusses a subset of the footnotes relevant to the divisions covered in the briefing. For a full list of footnotes, see the end of each departmental section of the [2026 Long Bill](https://leg.colorado.gov/bills/sb25-206) (<https://leg.colorado.gov/bills/sb25-206>).

- 10 Department of Education, School District Operations, Public School Finance, State Share of Districts' Total Program Funding -- It is the General Assembly's intent that a portion of the amount appropriated for this line item, not to exceed \$200,000 for fiscal year 2025-26, shall be transferred to the Legislative Council for the purpose of funding the biennial cost of living analysis pursuant to Section 22-54-104 (5)(c)(III)(B), C.R.S.

Comment: Section 22-54-104 (5) (c) (III) (A), C.R.S., requires the Legislative Council Staff to conduct a biennial study concerning the relative cost of living in each school district. The results of the study are then to be used to adjust each school district's cost of living factor for purposes of calculating per pupil funding for the following two fiscal years. Last conducted in FY 2023-24, statute requires another study in FY 2025-26. The results of the study conducted in FY 2025-26 will impact funding requirements for FY 2026-27 and FY 2027-28.

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

Comment: The Committee added the Teacher Recruitment Education and Preparation (TREP) footnote in FY 2022-23 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. 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.

The General Assembly is required to decide on the maximum number of TREP participants each year through the Long Bill process (with this footnote as the mechanism). The FY 2025-26 Long Bill includes slots for 250 FTE; this footnote will be modified in the mid-year adjustment bill to reflect actual utilization in the current year.

Senate Bill 25-315 (Postsecondary and Workforce Readiness Programs) made changes to extended high school programs and required CDE to convene a working group to make recommendations concerning TREP. Recommendations are due to the Joint Budget Committee by December 1, 2025, which is after the time of this writing.

Update on Requests for Information

The Joint Budget Committee may submit requests for information (RFIs) to departments. The Joint Budget Committee must prioritize the requests per Section 2-3-203 (3), C.R.S.

This section discusses a subset of the RFIs relevant to the divisions covered in the briefing. For a full list of RFIs, see the [letters requesting information](https://leg.colorado.gov/sites/default/files/rfi_fy_2025-26.pdf) (https://leg.colorado.gov/sites/default/files/rfi_fy_2025-26.pdf).

Requests Affecting Multiple Departments

- 3 Department of Education, Assistance to Public Schools, Categorical Programs; and Department of Higher Education, Division of Occupational Education, Distribution of State Assistance for Career and Technical Education pursuant to Section 23-8-102, C.R.S. - The Department of Education is requested to work with the Department of Higher Education and to provide to the Joint Budget Committee information concerning the distribution of state funds available for each categorical program, excluding grant programs. The information for special education programs for children with disabilities, English language proficiency programs, public school transportation, career and technical education, and small attendance center aid is requested to include the following: (a) a comparison of the state funding distributed to each district or administrative unit for each program in fiscal year 2024-25 and the maximum allowable distribution pursuant to state law and/or State Board of Education rule; and (b) a comparison of the state and federal funding distributed to each district or administrative unit for each program in fiscal year 2023-24 and actual district expenditures for each program in fiscal year 2023-24. The information for special education programs for gifted and talented children is requested to include a comparison of the state funding distributed to each district or administrative unit for each program in fiscal year 2023-24 and actual district expenditures in fiscal year 2023-24.

Comment: The Department submitted the information as requested. Staff uses this data for discussions and recommendations related to the annual R2 request for categorical programs.

Department of Education Requests

There were no FY 2025-26 RFIs related to School Finance or Categorical Programs.

Department Annual Performance Report

Departments must publish an **Annual Performance Report**⁸ for the *previous state fiscal year* by November 1 of each year. This report summarizes the Department's performance plan and most recent performance evaluation. In addition, departments develop and submit a **Performance Plan**⁹ for the *current fiscal year* to the Joint Budget Committee and the relevant Joint Committee of Reference by July 1 of each year.

Per statute¹⁰, the Joint Budget Committee must consider performance plans submitted by departments and may prioritize budget requests intended to enhance productivity, improve efficiency, reduce costs, and eliminate waste. To find the performance plans, search the Office of State Planning and Budgeting website and select the [performance plan](http://www.colorado.gov/pacific/performancemanagement/department-performance-plans) (www.colorado.gov/pacific/performancemanagement/department-performance-plans).

⁸ Section 2-7-205, C.R.S.

⁹ Section 2-7-204 (3)(a), C.R.S.

¹⁰ Section 2-7-204 (6), C.R.S.

Appendix A: Numbers Pages

Appendix A details the actual expenditures for the last two state fiscal years, the appropriation for the current fiscal year, and the requested appropriation for next fiscal year. Appendix A organizes this information by line item and fund source.

Appendix A: Numbers Pages

	FY 2023-24 Actual	FY 2024-25 Actual	FY 2025-26 Appropriation	FY 2026-27 Request	Request vs. Appropriation
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(3) School District Operations

This section provides funding that is distributed to public schools and school districts, as well as funding for Department staff who administer this funding or who provide direct support to schools and school districts.

(A) Public School Finance

Administration	<u>4,384,542</u>	<u>4,000,222</u>	<u>2,471,809</u>	<u>2,522,138</u>	
FTE	15.5	17.5	17.5	17.5	
General Fund	1,481,791	2,105,942	2,210,618	2,257,217	
Cash Funds	2,902,751	1,894,280	261,191	264,921	
Reappropriated Funds	0	0	0	0	
Federal Funds	0	0	0	0	
Financial Transparency System Maintenance	<u>87,896</u>	<u>90,671</u>	<u>92,786</u>	<u>97,731</u>	
FTE	1.0	0.0	1.0	1.0	
General Fund	0	0	0	0	
Cash Funds	87,896	90,671	92,786	97,731	
Reappropriated Funds	0	0	0	0	
Federal Funds	0	0	0	0	
State Share of Districts' Total Program Funding	<u>4,996,063,570</u>	<u>5,569,835,306</u>	<u>5,450,390,048</u>	<u>5,617,527,291</u>	*
FTE	0.0	0.0	0.0	0.0	
General Fund	4,238,686,861	4,238,686,861	3,095,718,552	3,145,718,552	
General Fund Exempt	0	0	1,292,968,309	1,292,968,309	
Cash Funds	757,376,709	1,331,148,445	1,061,703,187	1,178,840,430	

Appendix A: Numbers Pages

	FY 2023-24 Actual	FY 2024-25 Actual	FY 2025-26 Appropriation	FY 2026-27 Request	Request vs. Appropriation
Extended High School	<u>0</u>	<u>22,376,720</u>	<u>17,856,832</u>	<u>3,849,216</u>	*
FTE	0.0	0.0	0.0	0.0	
General Fund	0	0	0	0	
Cash Funds	0	22,376,720	17,856,832	3,849,216	
School Finance Audit Payments	<u>5,251,851</u>	<u>1,621,801</u>	<u>3,000,000</u>	<u>3,000,000</u>	
FTE	0.0	0.0	0.0	0.0	
General Fund	0	0	0	0	
Cash Funds	5,251,851	1,621,801	3,000,000	3,000,000	
Reappropriated Funds	0	0	0	0	
Federal Funds	0	0	0	0	
At-risk Per Pupil Additional Funding	<u>4,999,997</u>	<u>4,999,994</u>	<u>0</u>	<u>0</u>	
FTE	0.0	0.0	0.0	0.0	
General Fund	0	0	0	0	
Cash Funds	4,999,997	4,999,994	0	0	
At-risk Supplemental Aid	<u>7,009,989</u>	<u>6,727,485</u>	<u>7,009,989</u>	<u>3,504,995</u>	
FTE	0.0	0.0	0.0	0.0	
General Fund	0	0	0	0	
Cash Funds	7,009,989	6,727,485	7,009,989	3,504,995	
District Per Pupil Reimbursements for Juveniles Held in Jail	<u>10,000</u>	<u>10,000</u>	<u>10,000</u>	<u>10,000</u>	
FTE	0.0	0.0	0.0	0.0	
General Fund	0	0	0	0	
Cash Funds	10,000	10,000	10,000	10,000	

Appendix A: Numbers Pages

	FY 2023-24 Actual	FY 2024-25 Actual	FY 2025-26 Appropriation	FY 2026-27 Request	Request vs. Appropriation
Additional Funding for Rural Districts and Institute					
Charter Schools	<u>30,000,000</u>	<u>0</u>	<u>0</u>	<u>0</u>	
FTE	0.0	0.0	0.0	0.0	
General Fund	0	0	0	0	
Cash Funds	30,000,000	0	0	0	
Mill Levy Override Matching Pursuant to Sec.					
22-54-107.9, C.R.S.	<u>32,511,319</u>	<u>0</u>	<u>0</u>	<u>0</u>	
FTE	0.0	0.0	0.0	0.0	
General Fund	0	0	0	0	
Cash Funds	32,511,319	0	0	0	
Contingency Reserve Fund	<u>0</u>	<u>0</u>	<u>1,000,000</u>	<u>1,000,000</u>	
FTE	0.0	0.0	0.0	0.0	
General Fund	0	0	0	0	
Cash Funds	0	0	1,000,000	1,000,000	
Reappropriated Funds	0	0	0	0	
Federal Funds	0	0	0	0	
New Arrival Students Funding	<u>23,950,000</u>	<u>0</u>	<u>0</u>	<u>0</u>	
FTE	0.0	0.0	0.0	0.0	
General Fund	0	0	0	0	
Cash Funds	23,950,000	0	0	0	

Appendix A: Numbers Pages

	FY 2023-24 Actual	FY 2024-25 Actual	FY 2025-26 Appropriation	FY 2026-27 Request	Request vs. Appropriation
SUBTOTAL - (A) Public School Finance	5,104,269,164	5,609,662,199	5,481,831,464	5,631,511,371	2.7%
<i>FTE</i>	<u>16.5</u>	<u>17.5</u>	<u>18.5</u>	<u>18.5</u>	<u>0.0%</u>
General Fund	4,240,168,652	4,240,792,803	3,097,929,170	3,147,975,769	1.6%
General Fund Exempt	0	0	1,292,968,309	1,292,968,309	0.0%
Cash Funds	864,100,512	1,368,869,396	1,090,933,985	1,190,567,293	9.1%
Reappropriated Funds	0	0	0	0	0.0%
Federal Funds	0	0	0	0	0.0%

(B) Categorical Programs

(1) District Programs Required by Statute

Special Education - Children with Disabilities	<u>561,542,608</u>	<u>588,527,830</u>	<u>591,135,231</u>	<u>601,561,268</u>	*
<i>FTE</i>	63.0	100.0	100.0	100.0	
General Fund	93,572,347	93,572,347	93,572,347	93,572,347	
Cash Funds	247,285,957	281,992,829	295,122,451	305,228,516	
Reappropriated Funds	0	0	191,090	191,090	
Federal Funds	220,684,304	212,962,654	202,249,343	202,569,315	
English Language Proficiency Program	<u>42,681,475</u>	<u>44,954,232</u>	<u>47,603,560</u>	<u>48,312,429</u>	*
<i>FTE</i>	4.6	4.6	4.6	4.6	
General Fund	3,101,598	3,101,598	3,101,598	3,101,598	
Cash Funds	28,192,293	31,500,608	32,764,666	33,454,194	
Reappropriated Funds	0	0	0	0	
Federal Funds	11,387,584	10,352,026	11,737,296	11,756,637	

Appendix A: Numbers Pages

	FY 2023-24 Actual	FY 2024-25 Actual	FY 2025-26 Appropriation	FY 2026-27 Request	Request vs. Appropriation
SUBTOTAL -	604,224,083	633,482,062	638,738,791	649,873,697	1.7%
<i>FTE</i>	<u>67.6</u>	<u>104.6</u>	<u>104.6</u>	<u>104.6</u>	<u>0.0%</u>
General Fund	96,673,945	96,673,945	96,673,945	96,673,945	0.0%
Cash Funds	275,478,250	313,493,437	327,887,117	338,682,710	3.3%
Reappropriated Funds	0	0	191,090	191,090	0.0%
Federal Funds	232,071,888	223,314,680	213,986,639	214,325,952	0.2%
(2) Other Categorical Programs					
Public School Transportation	<u>68,839,945</u>	<u>71,840,106</u>	<u>73,461,986</u>	<u>75,744,349</u>	*
<i>FTE</i>	<u>2.0</u>	<u>2.0</u>	<u>2.0</u>	<u>2.0</u>	
General Fund	36,922,227	36,922,227	36,922,227	36,922,227	
Cash Funds	31,884,000	34,905,938	36,501,594	38,783,957	
Reappropriated Funds	33,718	11,941	38,165	38,165	
Federal Funds	0	0	0	0	
Transfer to the Department of Higher Education for Distribution of State Assistance for Career and Technical Education	<u>30,514,944</u>	<u>31,993,182</u>	<u>32,689,057</u>	<u>33,769,287</u>	*
<i>FTE</i>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	
General Fund	17,792,850	17,792,850	17,792,850	17,792,850	
Cash Funds	12,722,094	14,200,332	14,896,207	15,976,437	
Reappropriated Funds	0	0	0	0	
Federal Funds	0	0	0	0	

Appendix A: Numbers Pages

	FY 2023-24 Actual	FY 2024-25 Actual	FY 2025-26 Appropriation	FY 2026-27 Request	Request vs. Appropriation
Special Education Programs for Gifted and Talented					
Children	<u>14,669,280</u>	<u>15,829,446</u>	<u>16,793,762</u>	<u>18,225,349</u>	*
FTE	1.5	1.5	1.5	1.5	
General Fund	5,500,000	5,500,000	5,500,000	5,500,000	
Cash Funds	9,169,280	10,329,446	11,293,762	12,725,349	
Reappropriated Funds	0	0	0	0	
Federal Funds	0	0	0	0	
Expelled and At-risk Student Services Grant Program	<u>9,471,511</u>	<u>9,548,112</u>	<u>9,473,039</u>	<u>9,478,248</u>	*
FTE	1.0	1.0	1.0	1.0	
General Fund	5,759,731	5,788,807	5,788,807	5,788,807	
Cash Funds	3,711,780	3,759,305	3,684,232	3,689,441	
Reappropriated Funds	0	0	0	0	
Federal Funds	0	0	0	0	
Small Attendance Center Aid	<u>1,599,991</u>	<u>1,604,359</u>	<u>1,606,548</u>	<u>1,607,186</u>	*
FTE	0.0	0.0	0.0	0.0	
General Fund	787,645	787,645	787,645	787,645	
Cash Funds	812,346	816,714	818,903	819,541	
Reappropriated Funds	0	0	0	0	
Federal Funds	0	0	0	0	
Comprehensive Health Education	<u>1,009,575</u>	<u>1,015,502</u>	<u>1,115,829</u>	<u>1,117,866</u>	*
FTE	1.0	1.0	1.0	1.0	
General Fund	300,000	300,000	300,000	300,000	
Cash Funds	709,575	715,502	815,829	817,866	
Reappropriated Funds	0	0	0	0	
Federal Funds	0	0	0	0	

Appendix A: Numbers Pages

	FY 2023-24 Actual	FY 2024-25 Actual	FY 2025-26 Appropriation	FY 2026-27 Request	Request vs. Appropriation
SUBTOTAL -	126,105,246	131,830,707	135,140,221	139,942,285	3.6%
<i>FTE</i>	<u>5.5</u>	<u>5.5</u>	<u>5.5</u>	<u>5.5</u>	<u>0.0%</u>
General Fund	67,062,453	67,091,529	67,091,529	67,091,529	0.0%
Cash Funds	59,009,075	64,727,237	68,010,527	72,812,591	7.1%
Reappropriated Funds	33,718	11,941	38,165	38,165	0.0%
Federal Funds	0	0	0	0	0.0%
SUBTOTAL - (B) Categorical Programs	730,329,329	765,312,769	773,879,012	789,815,982	2.1%
<i>FTE</i>	<u>73.1</u>	<u>110.1</u>	<u>110.1</u>	<u>110.1</u>	<u>0.0%</u>
General Fund	163,736,398	163,765,474	163,765,474	163,765,474	0.0%
Cash Funds	334,487,325	378,220,674	395,897,644	411,495,301	3.9%
Reappropriated Funds	33,718	11,941	229,255	229,255	0.0%
Federal Funds	232,071,888	223,314,680	213,986,639	214,325,952	0.2%

Appendix A: Numbers Pages

	FY 2023-24 Actual	FY 2024-25 Actual	FY 2025-26 Appropriation	FY 2026-27 Request	Request vs. Appropriation
TOTAL - Department of Education	7,656,884,919	7,971,113,393	7,689,403,789	7,871,069,600	2.4%
<i>FTE</i>	<u>640.3</u>	<u>741.1</u>	<u>751.4</u>	<u>750.5</u>	<u>(0.1%)</u>
General Fund	4,524,030,001	4,523,688,296	3,377,025,889	3,419,519,770	1.3%
General Fund Exempt	155,845,958	0	1,292,968,309	1,292,968,309	0.0%
Cash Funds	1,617,187,349	2,335,371,697	2,114,235,075	2,250,994,372	6.5%
Reappropriated Funds	62,144,130	35,900,883	55,914,660	56,776,229	1.5%
Federal Funds	1,297,677,481	1,076,152,517	849,259,856	850,810,920	0.2%

NOTE: An asterisk (*) indicates that the FY 2026-27 request is affected by one or more decision items.

Appendix B: State Education Fund Details

The State Constitution links funding for kindergarten through twelfth grade education to the rate of inflation and creates the State Education Fund (SEF).¹¹ The SEF is funded by a diversion of one-third of one percent of federal taxable income that would have otherwise gone to the General Fund. The SEF retains any interest earned on the fund balance.

Revenues to the SEF are not subject to the constitutional Taxpayer's Bill of Rights (TABOR) limitation on fiscal year spending, and SEF appropriations are not subject to the statutory limitation on state General Fund appropriations.

The General Assembly may annually appropriate money from the SEF for:

- compliance with the requirements to annually increase base per pupil funding for public school finance and annually increase funding for categorical programs;
- accountable education reform;
- accountable programs to meet state academic standards;
- class size reduction;
- expanding technology education;
- improving student safety;
- expanding the availability of preschool and kindergarten programs;
- performance incentives for teachers;
- accountability reporting; or
- public school building capital construction.

The following table shows expected appropriations and transfers (including some anticipated adjustments discussed during the Department of Education briefing for all other divisions) for FY 2025-26 and FY 2026-27. Funding related to public school finance and categorical programs makes up nearly 90.0 percent of all appropriations and transfers from the SEF, the majority of which goes to the state share of districts' total program funding.

Transfers and Appropriations from the State Education Fund

Item	FY 2025-26 Expected	FY 2026-27 Request
<u>Public School Finance and Categorical Programs:</u>		
State share of districts' total program funding	\$1,008,893,087	\$1,054,220,536
Categorical programs	395,447,644	411,045,301
Transfer to Mill Levy Override Match Fund	0	0
Supplemental at-risk aid	7,009,989	3,504,995
At-risk per pupil additional funding	0	0
Public school finance administration	261,191	264,921
Financial transparency maintenance system	92,786	97,731
District per pupil Reimbursements for juveniles held in jail (S.B. 10-054)	0	0
Subtotal: School Finance and Categorical Programs	\$1,411,704,697	\$1,469,133,484

¹¹ Section 17 of Article IX of the State Constitution.

Item	FY 2025-26 Expected	FY 2026-27 Request
<u>Other Programs</u>		
Healthy School Meals for All school meal reimbursements (H.B. 24-1206)	\$8,119,271	\$0
Facility school funding	36,362,737	37,089,992
Transfer to Early Literacy Fund (S.B. 13-260)	34,000,000	34,000,000
Charter school capital construction	23,523,071	23,523,071
CSI mill levy equalization	26,363,089	26,363,089
Colorado Student Assessment Program	25,635,138	24,968,579
Placeholder for S.B. 25-315 annualization (Sustain Funding)	0	14,007,616
School Counselor Corps Grant Program (H.B. 08-1370)	12,029,506	12,039,840
Assistance to BOCES (H.B. 12-1345)	3,327,275	3,330,051
Early literacy assessment tool (H.B. 12-1345)	2,997,072	2,997,072
School turnaround leaders development/school transformation (S.B. 14-124)	2,019,102	2,022,711
Ninth-grade success grant and performance reporting (H.B. 24-1282)	2,007,458	2,012,553
Child Nutrition School Lunch Protection Program (S.B. 08-123)	841,460	0
Preschool to postsecondary alignment (S.B. 08-212)	740,063	761,849
Local School Food Purchasing Programs (H.B. 24-1390)	675,729	0
Content specialists	566,356	566,356
Office of Online and Hybrid Learning and Innovation Schools	515,899	532,563
Postsecondary Workforce Readiness Start-up (S.B. 25-315)	245,132	245,132
Educator Effectiveness Unit Administration (H.B. 13-1257)	154,311	158,191
English Language Learners technical assistance (H.B. 14-1298)	62,097	63,360
Transfer to Colorado Teacher of the Year Fund (H.B. 14-1298)	24,800	24,800
Interstate compact educational opportunities for military children (H.B. 08-1317)	21,298	21,298
Subtotal: Other Programs	\$180,230,864	\$184,728,123
<u>Centrally Appropriated Line Items</u>	\$1,436,593	\$1,631,661
Total	\$1,593,372,154	\$1,655,493,267