



**Department Priority: R-01**  
**State Share of Total Program Increase**

Summary of Funding Change for FY 2024-25			
		Incremental Change	
	FY 2023-24 Appropriation	FY 2024-25 Request	FY 2025-26 Request
Total Funds	\$5,020,028,360	\$305,455,136	\$468,327,419
FTE	0.0	0.0	0.0
General Fund	\$4,238,686,861	\$75,000,000	\$270,000,000
Cash Funds	\$781,341,499	\$230,455,136	\$198,327,419
Reappropriated Funds	\$0	\$0	\$0
Federal Funds	\$0	\$0	\$0

**Summary of Request**

The Governor’s Office requests an increase of \$305,455,136 in FY 2024-25 for the State Share of Total Program for K-12 public schools, which includes funding to fully buy down and eliminate the Budget Stabilization Factor (BSF). This request buys down the remaining \$141,267,250 of the BSF and eliminates the BSF for the first time since it was implemented in FY 2009-10.

To fund the request, appropriations to the General Fund increase by \$75,000,000, appropriations to the State Education Fund increase by \$437,612,256, and appropriations to the State Public School Fund decrease by \$207,157,120.

Including local share and state share, overall Total Program is estimated to increase with this request by \$564.1 million, resulting in an average statewide per pupil increase of \$705 (6.6%) from \$10,613 to \$11,317. This request will require statutory changes to the School Finance Act.

Requires Legislation	Equity Impacts	Impacts Another Department?	Statutory Authority
Yes	Neutral	No	22-55-106 (1) (b), C.R.S.

### ***Current Program***

Colorado public schools receive funding from a variety of sources. However, most revenues to Colorado’s 178 school districts and Charter School Institute schools (hereafter, both are referred to as districts) are provided through the Public School Finance Act of 1994 (as amended). The Public School Finance Act establishes a formula to determine the amount of state and local funding for each district. The term “Total Program” is used to describe the total amount of funding each district receives under the School Finance Act. Total Program for a district is calculated by the number of funded pupils in the district multiplied by a statewide base per-pupil amount. To account for different district characteristics, a district’s base per-pupil amount of funding may be adjusted for various factors including: (a) cost of living, (b) personnel costs, and (c) enrollment size. The School Finance Act formula also adjusts a district’s funding to compensate for the presence of at-risk pupils (including Free or Reduced Price lunch), English language learners, pupils enrolled in multi-district online schools, and pupils enrolled in grades thirteen and fourteen in Pathways in Technology Early College High School included in the district extended high school pupil enrollment count.

Although the General Assembly sets the statewide base per-pupil amount annually, Article IX, Section 17, of the Colorado Constitution, commonly referred to as Amendment 23, requires that at a minimum, the General Assembly increase the base per-pupil amount each year by the rate of inflation. Beginning in FY 2010-11, the School Finance Act began reducing the Total Program amount proportionately across most districts by applying a new calculation called the BSF, formerly the negative factor. In FY 2023-24, the BSF is approximately \$141.3 million (1.5%).

### ***Problem or Opportunity***

Since FY 2009-10, the BSF has reduced state funding to schools, ranging from \$130 million to \$1.1 billion in any given year. Since FY 2020-21, the BSF has been reduced from \$1.1 billion to \$141.3 million in FY 2023-24. The FY 2023-24 BSF is 1.5 percent of Total Program, reflecting the lowest amount in percentage terms since the implementation of the BSF.

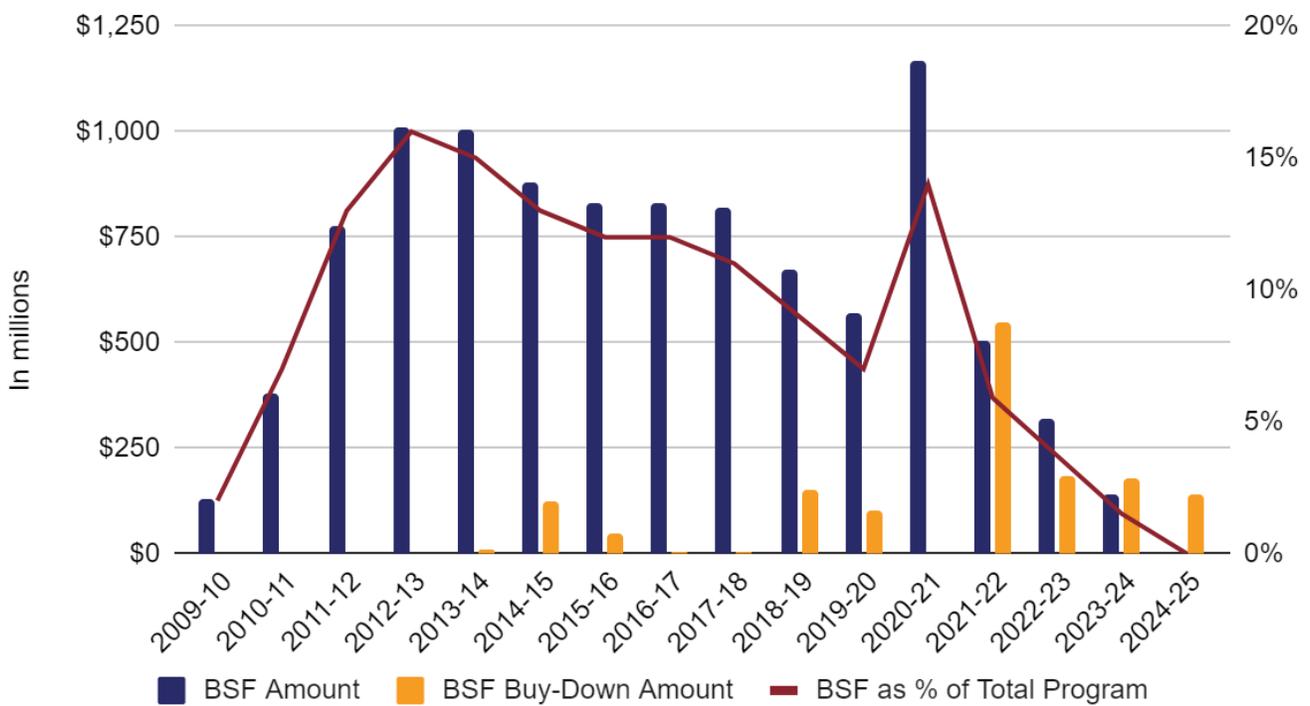
With the inflationary factor for FY 2024-25 projected at 5.0 percent, the increase in Total Program will be larger than historical averages, although not reach the growth levels in FY 2023-24 which had an 8.0 percent inflationary increase. This significant increase comes even with estimated student count decreasing by approximately 0.4 percent from FY 2023-24 to FY 2024-25, as inflationary increases outweigh the expected decrease in pupil count.

If the BSF were held constant from FY 2023-24 to FY 2024-25 at \$141.3 million, Total Program would increase by \$422.9 million, and the average statewide per pupil increase would be \$539 (5.1%). With the full elimination of the BSF in FY 2024-25, Total Program would increase by \$564.1 million, and the average statewide per pupil increase would be \$705 (6.6%).

**Proposed Solution and Anticipated Outcomes**

This State Share of Total Program decision item requests \$305.5 million in Total Funds, of which \$141.3 million is for the full buydown and ongoing elimination of the BSF.

**K-12 Budget Stabilization Factor Eliminated in FY 2024-25**



The elimination of the BSF is accomplished through a Total Program increase of \$564.1 million, of which \$305.5 million is state share and \$258.7 million is local share. This results in a total per pupil increase of \$705, or 6.6 percent, to \$11,317.

Estimates in this request assume 5.0 percent inflation, a statewide pupil reduction of 3,606 (-0.4%), and holds the at-risk pupil count flat from FY 2023-24 to FY 2024-25.

For FY 2024-25, the state share appropriations of Total Program from the General Fund, State Education Fund (SEF), and State Public School Fund will change as follows:

- General Fund appropriations for Total Program increase \$75.0 million to \$4,313.7 million
- SEF appropriations for Total Program increase \$437.6 million to \$923.2 million. More information related to the SEF can be found in Appendix B at the end of the document.

- State Public School Fund appropriations for Total Program decrease by \$207.2 million. More information related to the State Public School Fund can be found in Appendix C at the end of this document.

In FY 2024-25, this request will lead to a state share of Total Program of 55.0 percent with local share at 45.0 percent, which largely maintains the same state and local shares as FY 2023-24.

### **Supporting Evidence and Evidence Continuum**

Recent research has demonstrated a connection between increased per pupil funding and student outcomes. One analysis of the long-term effects of school finance reforms across multiple states, for example, found that increasing per-pupil spending by 10 percent in all 12 school-age years increases the probability of high school graduation by 7 percentage points for all students, and by roughly 10 percentage points for low-income children.<sup>1</sup> Researchers also observed positive effects on adult wages, with a 9.6 percent increase in adult hourly wages, and a substantial decrease in adult poverty rates resulting from this size investment. States that have enacted school finance reforms that reduce inequality in K-12 spending between rich and poor districts and those that invested additional money for students in poverty, English learners, and those identified for special education have seen the greatest reduction in disparities between student performance.<sup>234</sup> As a result of the multiple, longitudinal evaluations of per pupil funding and student outcomes, this request falls as a Step 4 on the State’s evidence continuum.

Program Objective	To provide a better-quality education for all Colorado students.
Outputs being measured	Math and reading scores from the Colorado Measures of Academic Success, college entrance exam scores, statewide six-year graduation rate, and statewide matriculation rate.
Outcomes being measured	Academic achievement, academic growth, academic opportunity and achievement gaps, and postsecondary and workforce readiness.
Type and Result of Evaluation	Pre-Post: Jackson, C. K., Johnson, R. C., & Persico, C. (2015) and others cited below. Quasi-Experimental Design: Jackson, C. K., Johnson, R. C., & Persico, C. (2015) and others cited below
S.B. 21-284 Evidence Category and Evidence Continuum Level	Step 4: Evidence Informed Program

<sup>1</sup> Jackson, C. K., Johnson, R. C., & Persico, C. (2015). The effects of school spending on educational and economic outcomes: Evidence from school finance reforms. (NBER working paper #20847). Cambridge, MA: National Bureau of Economic Research.  
<sup>2</sup> Nguyen-Hoang, P., & Yinger, J. (2014). Education finance reform, local behavior, and student performance in Massachusetts. *Journal of Education Finance* 39, 297-322.  
<sup>3</sup> Downes, T. A., Zabel, J., & Ansel, D. (2009). *Incomplete grade: Massachusetts education reform at 15*. Boston, MA: MassINC.  
<sup>4</sup> Guryan, J. (2001). Does money matter? Regression-discontinuity estimates from education finance reform in Massachusetts. (NBER working paper #8269). Cambridge, MA: National Bureau of Economic Research.

## Promoting Equitable Outcomes

After analysis of the expected outcomes of this decision item, the Governor’s Office assesses this budget request as equity-neutral.

## Assumptions and Calculations

Assumptions and Calculations Summary Table					
	FY 2023-24 Appropriation	FY 2024-25 Request	Change	FY 2025-26 Request	Ongoing Costs past FY 2025-26?
Total Funds	\$5,020,028,360	\$5,325,483,496	\$305,455,136	\$5,488,355,779	\$5,488,355,779
General Fund	\$4,238,686,861	\$4,313,686,861	\$75,000,000	\$4,508,686,861	\$4,508,686,861
Cash Fund	\$781,341,499	\$1,011,796,635	\$230,455,136	\$979,668,918	\$979,668,918
Reappropriated Funds	\$0	\$0	\$0	\$0	\$0

In FY 2024-25, inflation along with buying down the remainder of the BSF results in a \$564.1 million increase to Total Program funding. Of this amount, state share (appropriated) increases by \$305.5 million and local share (non-appropriated) increases by \$258.7 million as shown in Table 1 below.

Table 1: Total Program Calculation of State and Local Share	FY 2023-24 Current Appropriation	Change (FY 2024-25 Request Minus FY 2023-24)
State Share (appropriated)	\$5,020,028,360	\$305,455,136
Specific Ownership Tax	\$236,047,122	\$7,081,414
Local Property Tax	\$3,856,758,587	\$251,611,958
<b>TOTAL</b>	<b>\$9,112,834,069</b>	<b>\$564,148,508</b>

### Detailed Assumptions and Calculations for Total Program

The details for these calculations are summarized in Appendix A. Appendix B shows the OSPB estimates for the SEF balance at the end of FY 2023-24 and FY 2024-25 with these recommendations. Appendix C shows the OSPB estimates for the Public School Fund balance at the end of FY 2023-24 and FY 2024-25 with these recommendations.

### Student Enrollment

- The request estimates that funded pupils will decrease from 858,654 in FY 2023-24 to 855,048 in FY 2024-25. This assumption is largely aligned with expected trends from CDE and Legislative Council Staff of slight enrollment declines. This out-year decline is based on demographic differences related to slowing birth rates, as larger populations of 12th graders are replaced with smaller cohorts of kindergarteners.
- The FY 2023-24 at-risk student count is 351,286, and the FY 2024-25 budget request assumes that this number will remain the same.

### Per Pupil Funding

- The request uses an inflation factor of 5.0 percent based on the September 2023 OSPB economic forecast.
- The inflation rate will increase base per pupil funding by \$404 from \$8,076 in FY 2023-24 to \$8,480 in FY 2024-25.
- After all school finance formula factors are calculated (including the elimination of the BSF), the statewide average per pupil cost will increase by \$705 from \$10,613 in FY 2023-24 to \$11,317 in FY 2024-25. This is an increase of 6.6 percent in the average cost per pupil statewide.

### Local Taxes

- The request estimates that local property taxes will increase from \$3.857 billion in FY 2023-24 to \$4.108 billion in FY 2024-25, largely based on the December 2022 Legislative Council Staff growth projections.
- The request estimates that Specific Ownership Taxes will total \$236.0 million in FY 2023-24 and \$243.1 million in FY 2024-25.

### Budget Stabilization Factor

- The total BSF dollar amount is reduced from \$141.3 million in FY 2023-24 to zero in FY 2024-25.
- As a percent of Total Program, the BSF is 1.5 percent in FY 2023-24 and will be reduced to zero percent in FY 2024-25.

## Appendix A Budget Request Summary

Colorado Department of Education Public School Finance Act of 1994 FY 2024-25 November 2023 Budget Request			
K-12 Total Program	FY 2023-24 Appropriation	FY 2024-25 Request	Change
At-risk Funded Count	351,286	351,286	-
Funded Pupil Count	858,654	855,048	(3,606)
Average Per Pupil Funding Before BSF	\$10,779	\$11,317	\$539
Base Per Pupil Funding	\$8,076	\$8,480	\$404
<b>Total Program Funding Before Application of Budget Stabilization Factor</b>	<b>\$9,255,045,072</b>	<b>\$9,676,982,577</b>	<b>\$421,937,505</b>
<b>Total Program Funding Before Application of Budget Stabilization Factor</b>	<b>\$9,255,045,072</b>	<b>\$9,676,982,577</b>	<b>\$421,937,505</b>
Budget Stabilization Factor (minus)	-\$141,267,250	\$0	\$141,267,250
<b>Total Revised Total Program Funding</b>	<b>\$9,112,834,069</b>	<b>\$9,676,982,577</b>	<b>\$564,148,508</b>
Budget Stabilization Factor as a Percent of Total Program	1.5%	0.0%	-1.5%
<b>Funding Sources of Local Share</b>			
Property Taxes	\$3,856,758,587	\$4,108,370,545	\$251,611,958
Specific Ownership Taxes	\$236,047,122	\$243,128,535	\$7,081,414
<b>TOTAL LOCAL SHARE</b>	<b>\$4,092,805,709</b>	<b>\$4,351,499,080</b>	<b>\$258,693,372</b>
<b>Funding Sources of State Share</b>			
State Education Fund	\$485,563,635	\$923,175,891	\$437,612,255
State Public School Fund	\$295,777,864	\$88,620,744	-\$207,157,120
General Fund	\$4,238,686,861	\$4,313,686,861	\$75,000,000
<b>TOTAL STATE SHARE</b>	<b>\$5,020,028,360</b>	<b>\$5,325,483,496</b>	<b>\$305,455,136</b>
<b>Average Per Pupil Funding After Negative Factor</b>	<b>\$10,613</b>	<b>\$11,317</b>	<b>\$705</b>

**Appendix B  
State Education Fund Balance**

Office of State Planning and Budgeting Estimated State Education Fund Balance Projected Fiscal Year 2024-25 Funding Summary November 2023 Budget Request			
	FY 2023-24 Estimate	FY 2024-25 Request	Change
<b>Beginning Balance</b>	<b>\$1,454,123,754</b>	<b>\$1,425,268,754</b>	<b>(\$28,855,000)</b>
<b>Estimated Revenues (OSPB Forecast)</b>			
Amendment 23 Revenues	\$983,973,162	\$1,045,686,332	\$61,713,170
Additional General Fund revenues directed to SEF	\$0	\$0	\$0
Additional Federal Fund revenues directed to SEF	\$0	\$0	\$0
<b>Total revenue directed to SEF</b>	<b>\$983,973,162</b>	<b>\$1,045,686,332</b>	<b>\$61,713,170</b>
Other transfers into SEF	\$0	\$0	\$0
Other income and interest income	\$19,679,463	\$15,685,295	-\$3,994,168
<b>Total Funds to SEF</b>	<b>\$1,003,652,625</b>	<b>\$1,061,371,627</b>	<b>\$57,719,002</b>
<b>TOTAL Projected Available SEF Funds</b>	<b>\$2,457,776,379</b>	<b>\$2,486,640,381</b>	<b>\$28,864,002</b>
<b>Estimated Expenditures (Request)</b>			
Categorical programs	\$334,192,458	\$359,090,355	\$24,897,897
Various other expenditures	\$212,751,532	\$267,603,808	\$54,852,276
Liabilities and Statutory Transfers	\$0	\$0	\$0
<b>Total SEF expenditures for purposes other than Total Program</b>	<b>\$546,943,990</b>	<b>\$626,694,163</b>	<b>\$79,750,173</b>
<b>SEF expenditures for Total Program</b>	<b>\$485,563,635</b>	<b>\$923,175,891</b>	<b>\$437,612,255</b>
<b>TOTAL Forecasted SEF Expenditures</b>	<b>\$1,032,507,625</b>	<b>\$1,549,870,055</b>	<b>\$517,362,429</b>
<b>Projected Ending Fund Balance</b>	<b>\$1,425,268,754</b>	<b>\$936,770,326</b>	<b>(\$488,498,428)</b>

**Appendix C  
State Public School Fund Balance**

Office of State Planning and Budgeting Estimated Public School Fund Balance Projected Fiscal Year 2024-25 Funding Summary November November 2023 Budget Request			
	FY 2023-24 Estimated	FY 2024-25 Request	Change
<b>Beginning Balance</b>	<b>\$260,063,064</b>	<b>\$41,260,598</b>	<b>(\$218,802,466)</b>
<b>Estimated Revenues (OSPB Forecast)</b>			
FML revenues	\$52,106,180	\$53,801,280	\$1,695,100
Other Revenue (Audit Recoveries, At-Risk Transfer, Marijuana)	\$27,490,579	\$30,008,366	\$2,517,787
<b>Total revenue directed to PSF</b>	<b>\$79,596,759</b>	<b>\$83,809,646</b>	<b>\$4,212,887</b>
Permanent fund transfer	\$21,000,000	\$21,000,000	\$0
General Fund or other transfer	\$0	\$0	\$0
Other Diversions	\$0	\$0	\$0
<b>Total Funds to PSF</b>	<b>\$100,596,759</b>	<b>\$104,809,646</b>	<b>\$4,212,887</b>
<b>TOTAL Forecasted Available PSF Revenue</b>	<b>\$360,659,823</b>	<b>\$146,070,244</b>	<b>-\$214,589,579</b>
<b>Estimated Expenditures (Request)</b>			
Expenditures other than total program	\$15,787,002	\$15,787,002	\$0
Liabilities and Statutory Transfers	\$7,834,359	\$7,834,359	\$0
<b>Total PSF expenditures for purposes other than total program</b>	<b>\$23,621,361</b>	<b>\$23,621,361</b>	<b>\$0</b>
<b>PSF expenditures for total program</b>	<b>\$295,777,864</b>	<b>\$88,620,744</b>	<b>-\$207,157,120</b>
<b>TOTAL Forecasted PSF Expenditures</b>	<b>\$319,399,225</b>	<b>\$112,242,105</b>	<b>-\$207,157,120</b>
<b>Projected Ending Fund Balance</b>	<b>\$41,260,598</b>	<b>\$33,828,139</b>	<b>(\$7,432,459)</b>

***Supplemental, 1331 Supplemental***

This decision item does not require a supplemental at this time, however, the annual State Share of Total Program supplemental decision item will be submitted in January to reflect updated student count and local share.