



Department Priority: R-02
Categorical Programs Inflation 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	\$666,743,429	\$24,897,897	\$24,897,897
FTE	73.1	0.0	0.0
General Fund	\$163,765,474	\$0	\$0
Cash Funds	\$334,642,458	\$24,897,897	\$24,897,897
Reappropriated Funds	\$229,255	\$0	\$0
Federal Funds	\$168,106,242	\$0	\$0

Summary of Request

The Governor’s Office and the Colorado Department of Education (CDE) request an ongoing cash fund spending authority increase of \$24,897,897 from the State Education Fund in FY 2024-25 and ongoing to fund a 5.0% inflation increase for the education programs commonly referred to as “categorical programs.” The categorical programs include special education programs for children with disabilities, English language proficiency education, public school transportation, career and technical education programs, special education programs for gifted and talented students, expelled and at-risk student grants, small attendance centers, and comprehensive health education.

This categorical program distribution request is based upon a standardized formula to allocate funding among the programs based upon the difference in funding between state and federal revenues provided to the programs versus the actual reported district expenditures as reported to CDE.

Requires Legislation	Equity Impacts	Impacts Another Department?	Statutory Authority
Yes	Positive	No	22-55-107 (1) (b), C.R.S.

Current Program

Colorado school districts may receive funding to pay for specific categorical programs designed to serve particular groups of students or particular student needs in addition to funding provided to public schools from the School Finance Act formula. The education programs that receive this funding include:

- special education programs for children with disabilities;
- English language proficiency education;
- public school transportation;
- career and technical education programs;
- special education programs for gifted and talented students;
- expelled and at-risk student grants;
- small attendance centers; and
- comprehensive health education.

Problem or Opportunity

The current Total Funds appropriations for categorical programs in FY 2023-24, including federal funds, are \$666,743,429. When excluding federal funds and other funds not subject to inflationary increases, total state funding subject to constitutional requirements for categorical programs in FY 2023-24 is \$497,957,932. This is the funding subject to the inflationary increases for categorical programs each year pursuant to Section 17 of Article IX of the Colorado Constitution. The September 2023 OSPB forecast projects 5.0% inflation in calendar year 2023 for the Denver-Aurora-Lakewood area, which determines the inflationary increase required for FY 2024-25. This inflationary increase on state funding results in the \$24,897,897 request.

In last year’s FY 2023-24 categorical programs budget request, the Governor’s budget requested additional funding outside of the standardized “across-the-board” allocation to focus on special education programs. This was enacted through SB23-099, which included an increased \$40.2 million to special education.

Proposed Solution and Anticipated Outcomes

This categorical program distribution request is based upon a standardized formula to allocate “across-the-board” funding among the programs based upon the difference in funding between state and federal revenues provided to the programs versus the actual reported district expenditures as reported to CDE.

The requested distribution is shown in the below table. All increased appropriations are requested to be funded through the State Education Fund.

Requested Allocation for Categorical Program Increase	FY 2023-24 Appropriation (State Funding)	FY 2024-25 Request	Percent Increase
(1) District Programs Required by Statute			
Special Education Programs	\$340,858,304	\$14,897,764	4.4%
English Language Proficiency Programs	\$31,294,098	\$4,049,824	12.9%
(2) Other Categorical Programs			
Public School Transportation	\$68,379,237	\$3,644,973	5.3%
Career and Technical Educational Programs	\$30,514,944	\$1,809,554	5.9%
Gifted and Talented	\$14,677,532	\$496,819	3.4%
Expelled and At-risk Student Services Grant Program	\$9,499,542	-\$8,711	-0.1%
Small Attendance Center Aid	\$1,599,991	\$5,347	0.3%
Comprehensive Health Education	\$1,134,284	\$2,327	0.2%
Total Categorical Programs	\$497,957,932	\$24,897,897	5.0%

Supporting Evidence and Evidence Continuum

The evidence continuum is not applicable to this request.

Promoting Equitable Outcomes

The majority of categorical program funding goes toward historically underserved groups, including English language learners and special needs students, amongst other underserved populations. Further, within categorical programs, there are funding gaps between district expenditures and state and federal funding, and this categorical program funding increase looks to continue to lessen those gaps.

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	\$666,743,429	\$691,641,326	\$24,897,897	\$691,641,326	\$691,641,326
General Fund	\$163,765,474	\$163,765,474	\$0	\$163,765,474	\$163,765,474
Cash Fund	\$334,642,458	\$359,540,355	\$24,897,897	\$359,540,355	\$359,540,355
Reappropriated Funds	\$229,255	\$229,255	\$0	\$229,255	\$229,255
Federal Funds	\$168,106,242	\$168,106,242	\$0	\$168,106,242	\$168,106,242

Requested Increase for Categorical Programs	FY 2023-24 Total Funds Appropriation	Deduct Federal Funds	Deduct Reappropriated & Other Funds	Total
FY 2023-24 Categorical Programs	\$666,743,429	(\$168,106,242)	(\$679,255)	\$497,957,932
OSPB Inflation Forecast (September 2023)				5.0%
FY 2024-25 Categorical Program Increase				\$24,897,897

Appendix A: Requested Increase for Categorical Programs									
	Special Education Program for Children with Disabilities /1	English Language Proficiency Programs	Public School Transportation	Career and Technical Education Programs	Gifted and Talented Programs	Expelled and At-risk Student Services Grant Program	Small Attendance Center Aid	Comprehensive Health Education	Total
A. FY 21-22 Total District Expenditures	\$1,218,403,808	\$292,088,445	\$258,173,127	\$131,764,984	\$38,936,186	\$8,223,858	\$1,599,991	\$852,260	\$1,950,042,659
B. FY 21-22 Total State / Federal Distributions	<u>-422,288,108</u>	<u>-75,671,545</u>	<u>-63,390,893</u>	<u>-35,064,949</u>	<u>-12,386,862</u>	<u>-8,689,340</u>	<u>-1,314,250</u>	<u>-727,894</u>	<u>-619,533,842</u>
C. FY 21-22 Funding Gap Between District Expenditures and State / Federal Revenues	\$796,115,701	\$216,416,900	\$194,782,233	\$96,700,035	\$26,549,324	(\$465,482)	\$285,741	\$124,365	\$1,330,508,817
D. Proportional Percentage of Total Excess Expenditures	59.835%	16.266%	14.640%	7.268%	1.995%	-0.035%	0.021%	0.009%	100.000%
E. FY 23-24 State Approps subject to inflation increase	\$340,858,304	\$31,294,098	\$68,379,237	\$30,514,944	\$14,677,532	\$9,499,542	\$1,599,991	\$1,134,284	\$497,957,932
F. R-2 Allocation of the inflation adjustment (see notes)	14,897,764	4,049,823	3,644,972	1,809,554	496,819	-8,711	5,347	2,327	\$24,897,897
G. Base & Other Requests	469,034	16,721	7,676	0	15,256	13,895	0	10,958	\$533,540
H. State funds transferred from other Departments/Programs	191,090	0	450,000	0	0	0	0	0	641,090
I. FY 24-25 Est. Federal Funds	<u>156,822,839</u>	<u>11,283,403</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>168,106,242</u>
J. FY 24-25 Subtotal for the Categorical Programs adjusted by Inflation	\$513,239,031	\$46,644,045	\$72,481,885	\$32,324,498	\$15,189,607	\$9,504,726	\$1,605,338	\$1,147,569	\$692,136,701
FY 22-23 Total Request for Categorical Programs (All Funds and Request Items Included)									\$692,136,701
General Fund									\$163,765,474
CF - State Education Fund & Public School Transportation Fund									\$360,073,895
Reappropriated (Transferred) Funds									\$191,090
Federal Funds									\$168,106,242

Notes for Appendix A:

Row A: FY 2021-22 total expenditures related to state and federal funding provided to school districts, the Charter School Institute, and Boards of Cooperative Educational Services by the Department. Source of information is School District Data Pipeline Financial Reporting.

Row B: FY 2021-22 total state and federal distributions by made CDE to school districts, the Charter School Institute and Boards of Cooperative Educational Services by the Department. Source is CORE Financial Data Warehouse Reports.

Row C: Row A minus Row B equals the estimated gap in unfunded expenditures covered by the school districts, the Charter School Institutes, and the Boards of Cooperative Educational Services.

Row D: The proportional percentage of each categorical program’s unfunded expenditures in relation to the total categorical programs unfunded expenditures.

Row E: The FY 2023-24 state funds appropriation excluding federal funds, state funds appropriated from other programs, and public school transportation funds pursuant to Section 22-51-103, C.R.S.

Row F: Shows the Governor’s Office recommended distribution of the inflationary increase.

Row G: Shows the FY 2024-25 base adjustments, such as Salary Survey and other request items that impact a categorical program.

Totals: The FY 2023-24 total request for all categorical programs

N/A