



**Legislative Council Staff**  
*Nonpartisan Services for Colorado's Legislature*

# Memorandum

September 27, 2024

**TO:** Interested Persons  
**FROM:** Anna Gerstle, Principal Fiscal Analyst, 303-866-4375  
**SUBJECT:** Financing Public Schools for FY 2024-25

## Summary

This memorandum summarizes the primary funding changes to school finance for FY 2024-25. Several enacted bills during the 2024 legislative session and August 2024 special session substantively impact the financing of public schools in Colorado, including:

- Senate Bill 24-188, the School Finance Act, which established funding levels for districts in FY 2024-25 and made a variety of changes related to education programs;
- House Bill 24-1393, which modified the Accelerating Students through Concurrent Enrollment (ASCENT) program;
- House Bill 24-1448, which established a new school finance formula beginning in FY 2025-26, modified distribution of interest earned on state land revenue, and made several other changes to school finance law in Colorado; and
- Senate Bill 24-233 and House Bill 24B-1001, which modified property tax assessment rates and established a limit on school district property taxes.

This memorandum focuses on FY 2024-25 and thus, reflects SB 24-188, HB 24-1393, SB24-233, and only the components of HB 24-1448 and HB 24B-1001 that impact FY 2024-25. An overview of the formula changes contained in the new school finance formula in HB 24-1448, which begins in FY 2025-26, is available in the final fiscal note [here](#).

Estimates in this memorandum will be adjusted during the 2025 legislative session based on actual pupil counts and local property tax collections.



## Overview of School Finance Funding and Changes

### School Finance Act

The School Finance Act is expected to provide about \$9.7 billion in total program funding to school districts in FY 2024-25. The state provides 57 percent of this amount, or about \$5.5 billion, while local property and specific ownership taxes are projected to provide about \$4.2 billion.

**Change from FY 2023-24.** School district funding is expected to increase by 6.1 percent, or \$560.7 million in FY 2024-25, compared to the prior year. The change in funding will come from a \$36.9 million increase in school district property and specific ownership taxes, and a \$523.8 million increase in state funding for school finance.

Base per pupil funding. SB24-188 established the base per pupil funding amount at \$8,469.38 in FY 2024-25, which reflects a 5.2 percent inflation rate, as required by Amendment 23.

**Statewide average per pupil funding.** In FY 2024-25, statewide average per pupil funding is expected to increase from \$10,670 to \$11,448, an increase of \$778, or 7.3 percent.

### Funding Formula Changes

Legislation adopted during the 2024 legislative session made several changes to the school finance formula for FY 2024-25:

- **Rural factor.** SB24-188 created a new factor to the school finance formula to provide funding to small rural districts with fewer than 1,000 pupils and rural districts with between 1,000 and 6,500 pupils. Due to the new formula going into effect in FY 2025-26, the rural factor is expected to be in place for FY 2024-25 only.
- **ASCENT.** HB24-1393 made a variety of changes to the Accelerating Students in Concurrent Enrollment (ASCENT) program, including capping the per pupil rate in FY 2024-25, limiting participation in the program at FY 2024-25 levels, and modifying participation requirements.
- **At-risk funding.** SB24-188 delayed the implementation of the new at-risk measure until the FY 2025-26 school year.



### **Mill Levy Override Limit**

HB24-1448 allows a district's levy mill levy overrides (MLO) limit to increase if the FY 2024-25 funding attributable to certain factors under the new school finance formula is less than funding for those factors in the current formula.

### **Mill Levy Override Match Program**

HB 24-1448 modified the district allocations for the MLO match allocations for FY 2023-24 only and created a working group to make recommendations for the program.

### **Property Tax Changes**

SB24-233 and HB24B-1001 lowered assessment rates for most classes of property, decreasing the local share of school finance and correspondingly increasing the state share by approximately \$374 million. HB24B-1001 also established a school district property tax limit, beginning in the 2025 property tax year (FY 2025-26).

### **Additional Changes**

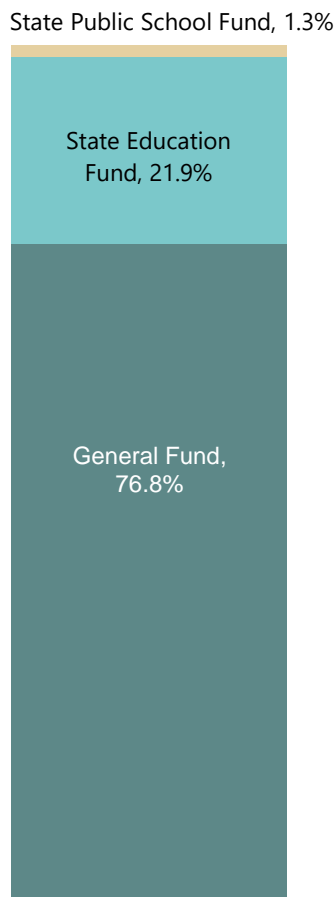
HB24-1448 modified how interest earned on the Permanent Fund is distributed, thus providing additional funds for capital construction. SB24-188 made several other technical, administrative, and funding changes to education-related laws and programs that are discussed below.

### **Sources of State School Finance Funding**

The General Assembly appropriates money for the state share from three funds - the General Fund, the State Education Fund, and the State Public School Fund – as shown in Figure 1. This chart reflects appropriations made in 2024 legislative session; HB24B-1001 lowered the state share but did not include a change in appropriations for school finance.



**Figure 1**  
**Sources of State Share**



### **General Fund**

The General Fund is the primary source for state aid to schools, accounting for 77 percent of the state share, or \$4.2 billion, in FY 2024-25.

### **State Education Fund**

The State Education Fund provides the next largest share at 22 percent, or \$1.2 billion in FY 2024-25. This fund was created by Amendment 23 and receives a portion of state income tax, which is exempt from the state’s TABOR limit. Money in the fund can only be spent for certain educational purposes specified in the state constitution.

### **State Public School Fund**

The State Public School Fund provides the remaining 1.3 percent, or \$74.4 million, in FY 2024-25. This fund consists of interest earned by the Public School Fund (Permanent Fund), federal mineral leasing revenue dedicated by state law for public education, as well as a portion of marijuana tax revenue and rent and royalties from state school lands.

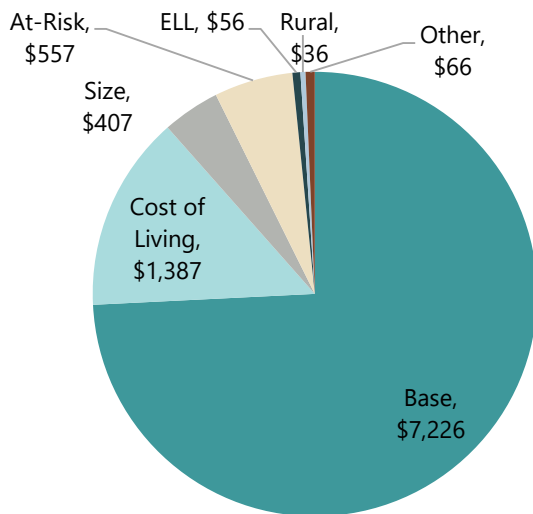
## **Base Per Pupil Funding**

Amendment 23 requires that the General Assembly increase the statewide base per pupil funding amount by at least inflation each year. Inflation for the calendar year 2023 was 5.2 percent, and SB 24-188 increased the statewide base by \$419.97 to \$8,496.38. The statewide base is the dollar amount to which each district’s size, cost of living, and personnel costs factors are applied in order to determine the district’s preliminary per pupil funding.



Under HB24-1393, the per pupil rate for students in the ASCENT program is capped at FY 2023-24 levels. As a result, the per pupil rate for ASCENT students is \$9,588, and the rate for online students and those in the other extended high school programs increases to \$10,244 in FY 2024-25.

**Figure 2**  
**Formula Factors FY 2024-25**  
*Dollars in millions*



## Contribution of Formula Factors

Figure 2 shows the allocation of funding through each factor in the school finance formula, including the new rural schools factor discussed below.

## Rural Schools Funding

SB 24-188 adds a new factor to the school finance formula to provide funding to eligible rural and small rural districts as designated by CDE. To be eligible, a small rural district must have fewer than 1,000 pupils and a rural district must have between 1,000 and 6,500 pupils.

A district's rural funding is calculated as the greater of \$100,000 or the district's funded pupil count multiplied by either the rural district rate (\$177.80 per pupil) or the small rural district rate (\$470.75 per pupil), whichever is applicable. In FY 2024-25, this component increases the state share of total program by \$32.7 million. The rural and small rural rates increase by inflation beginning in FY 2025-26.

## ASCENT

The ASCENT program allows participating students to enroll in postsecondary courses in a fifth year of high school, paid by the LEP. Participating students are counted in a district or CSI extended high school pupil enrollment count and are funded through the school finance formula at a flat per pupil rate.



**Changes for FY 2024-25 only.** HB24-1393 makes two changes to the program:

- beginning in FY 2024-25, limiting the per student rate for an ASCENT program participant at the 2023-24 extended high school per pupil rate of \$9,588, reducing state funding distributed for the ASCENT program by about \$1.1 million; and
- beginning in FY 2025-26, limiting enrollment in the ASCENT program by each local education provider to the number of participants in FY 2024-25.

However, the new school finance formula created in HB 24-1448 begins in FY 2025-26 and does not include these two changes. As a result, the limit on the per student rate is currently expected to be in effect for FY 2024-25 only and the limit on enrollment is not expected to go into effect.

**Other changes.** HB24-1393 requires that CDE submit a report to the legislature by December 1, 2024 that includes an analysis of costs to offer the ASCENT program and recommended changes to improve program outcomes. It also allows the State Board of Education to establish selection criteria that a local education provider may choose to use to designate participating students; and requires participating students to complete a state or federal application for financial aid.

## At-Risk Students

House Bill 22-1202 established a new mechanism for counting at-risk students in the school finance formula. The mechanism was scheduled to go into effect in FY 2024-25. SB 24-188 delays implementation of the new measure until FY 2025-26, and specifies that for the FY 2024-25 budget year, a district's at-risk funding is the greater of the district's FY 2023-24 at-risk funding or the amount calculated for FY 2024-25. SB24-188 also provides funding for CDE to collect data from school districts required to implement the mechanism.

## Categorical Programs

Categorical programs provide funding for specific educational purposes. Amendment 23 defines certain programs, including special education and pupil transportation, among others, as categorical programs and requires state funding for these programs in the aggregate increase by at least inflation each year. Table 1 shows the appropriations for categorical programs in FY 2024-25.



**Table 1**  
**Appropriations for Categorical Programs**

Dollars in Millions

<b>Categorical Program</b>	<b>FY 2023-24</b>	<b>FY 2024-25</b>	<b>Change</b>	<b>Percent Change</b>
Special Education	\$340.9	\$375.6	\$34.7	10.2%
English Language Proficiency	\$31.3	\$34.6	\$3.3	10.6%
Transportation	\$68.4	\$71.4	\$3.0	4.4%
Vocational Education	\$30.5	\$32.0	\$1.5	4.8%
Gifted and Talented	\$14.7	\$15.7	\$1.1	7.2%
Expelled & At-Risk Student Services	\$9.5	\$9.49	-\$0.007	-0.1%
Small Attendance Centers	\$1.6	\$1.6	\$0.0	0.3%
Comprehensive Health Education	\$1.1	\$1.1	\$0.0	0.2%
<b>Total</b>	<b>\$498.0</b>	<b>\$541.5</b>	<b>\$43.5</b>	<b>8.7%</b>

Source: Joint Budget Committee Staff

## Total Program Reserve Fund

Under current law, school districts that are fully locally funded and whose property taxes also fully fund their categorical programs must deposit remaining property tax revenue into a total program reserve fund. Money in the fund may only be used to offset a future reduction in total program from the budget stabilization factor. If the amount in the reserve is greater than the funding reduction from the budget stabilization factor, then the district may spend the excess.

SB 24-188 repeals existing statutory provisions related to the total program reserve fund and total program reserve mill levies on July 1, 2025, and requires that affected districts assess at least the number of mills they did in the prior year. Any revenue generated from these mills is to be generally available to the district to fund the costs of providing public education.

For FY 2024-25, nine districts are projected to assess mill levies that will contribute to their total program reserve fund, generating \$17.7 million dollars in revenue through the levy of these mills. This amount would instead be available to districts to determine how to spend.

## Mill Levy Override Cap

Under current law, school districts can levy MLOs that generate up to 25 percent of their total program funding (30 percent for small rural districts). HB24-1448 modifies a district's MLO cap if the funding attributable to the district's cost of living, personnel costs, and size factors under the new formula in FY 2024-25 is less than the funding attributable to those factors under the current formula in FY 2024-25. CDE must calculate that difference as a percent of the district's



total program in FY 2024-25, and the district's MLO cap is allowed to increase by that same percentage. Districts may ask voters to approve MLOs up to the new caps through July 1, 2030.

Potential new district MLO caps range from their current limit (25/30% of total program) to up to 50 percent (Telluride). Actual changes to district MLO caps will be calculated by CDE after the midyear adjustment in FY 2024-25.

## State Match for MLO Revenue

SB 22-202 directed CDE to distribute to each eligible school district and institute charter school an amount of state matching money for local money raised through voter-approved MLOs. The distribution is based on a formula that calculates a district's MLO maximum, MLO capacity, and the amount of state funds for which the district is eligible.

**FY 2023-24.** The program initially received \$21.1 million in funding for FY 2023-24, to be distributed to 22 districts. However, HB 24-1448 specifies that for FY 2023-24 only, districts receive the greater of the MLO match amount calculated under current law and the amount calculated using an alternative calculation that targets districts that are below the median assessed value per pupil per one-half mill, currently have voter-approved MLOs, and have not reached their statutory maximum MLOs. This increased funding for the program by \$11.4 million to \$32.5 million, and resulted in 42 districts receiving funding.

**FY 2024-25.** SB24-188 transferred \$15.7 million from the State Education Fund to the Mill Levy Override Match Fund in FY 2024-25 for the program. This amount is anticipated to fully fund the program, with funding distributed to 20 districts at the end of FY 2024-25. HB24-1448 also created the MLO match working group to make recommendations on how to ensure more equitable funding distribution and greater access for eligible districts and state authorized charter schools.

## Property Tax Changes

SB 24-233 reduced residential and some nonresidential property tax assessment rates beginning in the 2024 property tax year. HB24B-1001, passed during the special session in August 2024, reduced assessment rates for lodging property in the 2024 property tax year, and then further reduced most assessment rates beginning in the 2025 property tax year. By reducing assessment rates, these bills reduce the local share of school finance, correspondingly increasing the state share of school finance. Combined, the two bills increase the state share of school finance by approximately \$374 million in FY 2024-25.





## Other Provisions

SB 24-188 and HB 24-1448 made various other changes to school funding and education programs, as outlined below.

### Other Provisions in SB 24-188

SB24-188 also makes the following changes:

- increases the portion of appropriations for the Ninth Grade Success Grant Program that may be used for CDE administrative costs from 5 percent to 8 percent;
- clarifies that a student with disabilities who receives transition services and has postsecondary goals in their individualized education program is eligible for concurrent enrollment courses;
- allows special education high cost grants to be distributed to administrative units whose most recent audit was one year prior to the preceding budget year, if the preceding year audit is not available;
- exempts the Educator Licensure Cash Fund from the cash fund reserve limits;
- delays reporting deadlines related to facilities schools by one year, and
- makes conforming amendments related to the contingency reserve fund and the elimination of the budget stabilization factor, as well as to the daily rate that a school district receives for educational services for juveniles awaiting trial.

### Other Provisions in HB 24-1448

HB 24-1448 reduces the distribution of Permanent Fund interest into the State Public School Fund by \$10.0 million in FY 2024-25, \$16.0 million in FY 2025-26, and \$21.0 million beginning in FY 2026-27, eliminating it as an ongoing distribution. Instead, it increases the amount deposited in the Public School Capital Construction Assistance Fund by the same amounts, and allocates a portion for charter school capital construction.

The bill also increases state funding to cover the programs currently paid out of the State Public School Fund and increases the limit on certificates of participation for public school capital construction programs from \$125 million to \$150 million, beginning in FY 2024-25.