COLORADO
Department of Education

FY2025-26 School Finance Implementation Update

Submitted to:
The Senate Education Committee and The House Education Committee

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Per
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Executive Summary

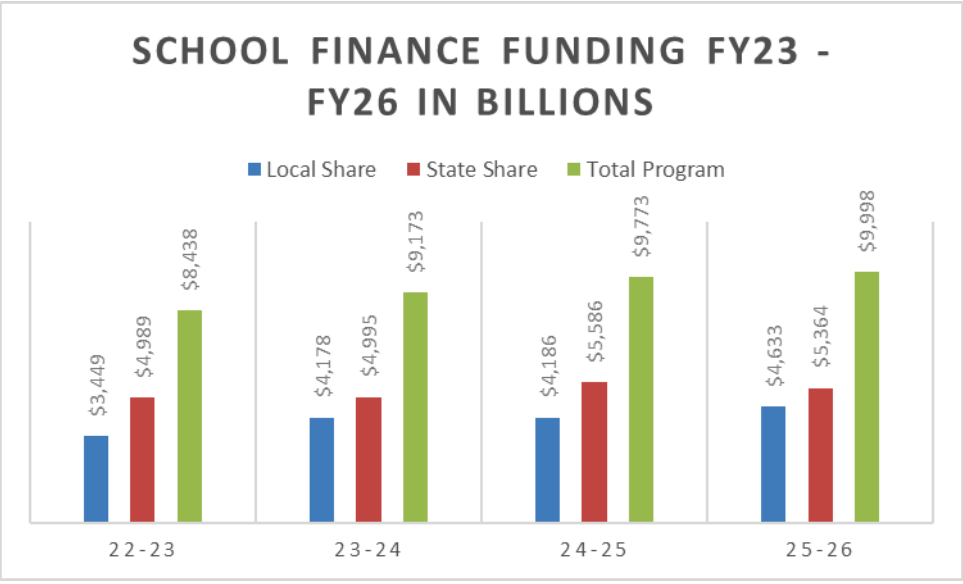
The Colorado School Finance Formula created under HB24-1448 (C.R.S. 22-54-103.5) mandated the Colorado Department of Education (CDE) implement a new school finance formula to establish total program funding for all 178 of Colorado's school districts. This formula is to be implemented in phases in conjunction with the previous school finance formula (C.R.S 22-54-104) over the next six fiscal years (FY25-26 to FY30-31) with full implementation intended to begin in FY31-32.

The school finance formula determines the total amount of state-issued public funding each school district receives by running a series of calculations determined by statute. Each school district first receives funding from their local governments determined by the property taxes and specific ownership taxes (*Local Share*) which are collected at the local county level, after which the state (*State Share)* offsets the difference.

Total Program Funding for the state of Colorado in FY25-26 is $9,998,058,062.99 with the local share portion as $4,633,283,690.32 and the state share portion of $5,364,774,372.32. The total program funding increase year-over-year is $219 million. The statewide base per-pupil revenue rate (PPR rate) for FY25-26 increased to $8,691.80 from $8,496.38. The statewide average PPR rate (total program divided by total funded pupils) increased to $11,876.12 from $11,451.65.

Funded FTE dropped in FY25-26 to 841,862.1 from 853,934.1 in FY24-25. The October K-12 Student Count (student enrolled and attending on count day October 1, 2025) dropped to 772,081 in FY25-26 from 785,348.5 in FY24-25.

In recent years, the state has experienced an increase in funding levels and a decrease in enrollment. The implementation of the New School Finance Formula and the elimination of the Budget Stabilization factor have reduced the negative fiscal impact of declining enrollment for districts.



School Finance Formula

New and Old Formula

HB24-1448 requires the department to operate both the new funding formula and the pre-existing formula from 1994 in conjunction with each other. The department is required to determine the total program funding calculated under the 1994 formula. then the total amount of funding calculated under HB24-1448 and apply a percentage of the new formula to the old formula to determine the amount of "phased in" funding. The phase in percentages were updated under HB25-1320 as the following:

Fiscal Year	Phase In Percentage
FY25-26	15%
FY26-27	30%
FY27-28	45%
FY28-29	60%
FY29-30	75%
FY30-31	90%

In FY25-26 and FY26-27, a school district cannot receive less funding than what the school district received in FY24-25 under the previous formula. This is commonly referred to as the "hold harmless" provision. A district that would be calculated to receive less under the new formula than they would receive under the 1994 formula would receive the amount they would have received in FY24-25, plus the phased-in percentage amount. Beginning in FY27-28, a district will either receive the old formula base plus the phased-in percentage or the old formula base plus 1% of the old formula calculation, whichever is greater.

Public School Finance Act of 1994

Each school district's annual revenue and growth is capped under the 1994 formula to its pupil enrollment rate plus the rate (in percentage) of inflation. The formula determines a base per-pupil revenue rate (PPR rate) and each district is constitutionally required to receive at least this base PPR rate, plus the annual increase of inflation in each fiscal year.

Funding for each school district is based on the annual October pupil count. Each school district counts pupils meeting funding requirements (including attendance and scheduling) as of the official pupil count day (typically October 1st). In general, pupils are counted as full or part-time depending on the instructional time scheduled for each pupil as of the count day. The total number of full and part-time pupils amount is often referred to as the full-time eligible (FTE) Pupil Count.

To stabilize districts' funding for fluctuating enrollment, a district's FTE Pupil Count is the higher of the current year count or current year averaged with up to the previous four years of October pupil counts. This is done to potentially mitigate declining enrollment scenarios for school districts. The districts' total FTE Pupil Count under this formula is the sum of the district's multi-district online (MDOL) Pupil Count, the district's Supplemental Kindergarten Enrollment, the district's Accelerating Students through Concurrent Enrollment (ASCENT) (this program was eliminated under SB25-315), the Extended High School Pupil Count, and the higher of the current year enrollment or averaged enrollment.

Total Program - 1994 Formula Districts receive funding based on a PPR rate determined by the statutorily defined formula. The formula provides a base PPR rate determined by the funded pupil count plus additional funding used to address disparities in district type: (a) cost-of-living, (b) personnel costs, and (c) size. The total program funding also includes additional funding for At-Risk pupils and English Language Learner (ELL) pupils.

Total Per-Pupil Funding and Formula Factors

Base Funding: The Base amount of funding for each pupil in fiscal year 2025-26 is $8,691.80. Each of the following factors are broken into a percentage based and added to the base PPR rate.

Cost-of-Living Factor: The Cost-of-Living (COL) factor is used to reflect the differences in housing, goods, and services among the 178 school districts in the state. The COL index is updated every two fiscal years.

Personnel Cost Factor: The Personnel Cost factor varies by school district based on enrollment. It was created to assist districts with their largest expenses of employee salaries and benefits. This factor uses historical data to determine a projected percentage amount to apply to the base PPR rate ranging from 0.80 to 0.91 in FY25-26.

Size Factor: The Size Factor is determined using an enrollment-based calculation and is wholly unique to each school district. This factor is used to address the disparity that smaller and more rural districts face in costs and purchasing power. The categories for the size factor are separated into the following: ***Small*** (districts with 5,000 or less pupils) and ***Moderate*** (5,000 plus pupils). Moderate districts receive a smaller percentage adjustment or sometimes no adjustment.

At-Risk Funding: Districts receive additional funding for pupils determined to be “At-Risk.” This factor uses free and reduced-priced eligibility to participate in the federal lunch program to determine each school district's At-Risk population. A district will receive a funding amount based on the enrollment of its At-Risk pupils as a percentage of its Total-Program (12% to 30%). A district can receive more funding if its At-Risk population is higher than the statewide average.

English Language Learner Funding: Starting in FY22-23, a new factor was added to address the additional cost of educating English Language Learners (ELLs). Districts receive funding for five years for pupils who are non-English speaking or are determined to be limited English speaking as measured by the district’s ELL identification and reidentification process. The ELL factor is 8% of the district’s PPR rate. **Budget Stabilization Factor:** The Budget Stabilization Factor was eliminated in FY24-25. This factor adjusted funding downwards for school districts and served to proportionally reduce the base PPR rate for all school districts.

Total Program Funding: Once the district’s PPR rate is determined (Base funding x COL x Personnel Cost x Size), it is multiplied by the total funded pupil count. At-Risk Funding and ELL Funding are then calculated and added to the previous calculation to determine the full amount a district will receive between the local share and state share.

School Finance Formula HB24-1448

The New School Finance Formula makes structural changes to the 1994 formula. In the previous iteration of the formula, the base PPR rate was determined by multiplying a district's size factor and COL factor to determine the base PPR rate for the new fiscal year. This new rate was then used to calculate the At-Risk and ELL amounts. The base structure of the formula was multiplicative, in which the factors all were primarily multiplied together to determine the total amount.

HB24-1448 simplified this process by eliminating the multiplicative nature of the formula and changed it to be additive. The base PPR rate is calculated as required by the state constitution and is then used individually in each factor and not determined on the outcome of other factors. The factors are At-Risk, ELL, Extended High School, MDOL, Special Education, COL, Locale and Size. For each factor, the base PPR rate is multiplied against a rate for that specific factor that is then multiplied by the pupil population of the factor in order to obtain additional funding for that factor. Finally, the additional funding determined for each factor is added together with all the other factors to determine a total funding amount. While the way the funding for each factor is calculated, the eligibility criteria for each factor have not significantly changed.

In order to calculate the district funded pupils, the new formula also reduces the number of years that can be used in calculating the average funded pupil count to the previous three fiscal years. HB25-1320 further specified that the number of years used in calculating the average may increase to four years if certain statutory requirements are met beginning in FY26-27. The minimum funded pupil count for a district to be funded was raised from 50 pupils to 60 (i.e. a district with 10 pupils will receive funding as if they had 60).

Base Funding

Similar to the 1994 Formula, the base PPR rate is constitutionally required to increase by at least the rate of inflation each fiscal year. In FY24-25, the base PPR rate was $8,496.38. In FY25-26, the base PPR rate amount is $8,691.80, an increase of 2.3% which is consistent with the change in inflation. This base PPR rate is used in each factor to determine the total amount of individual factor funding. The overall base funding is the base PPR rate times the amount of district funded pupils. Additionally, a pupil can be counted multiple times in each factor if qualified. While the way the funding for each factor is calculated, the eligibility criteria for each factor has not significantly changed.

At-Risk Factor

The At-Risk Factor increased from 12% to 25% of the base PPR rate under the new formula. However, districts that have a funded pupil count of 7,000 or less and more than 70% of the district's pupil membership is At-Risk, an additional 7% of the base PPR is multiplied by the At-Risk pupil count. For those districts, the At-Risk total factor is 32%.

English Language Learner Factor

The English Language Learner (ELL) Factor increased from 8% to 25% times the base PPR rate.

Special Education Factor (New)

The Special Education Factor was added to help provide additional funding for special education pupils, initially set at 25% times the base PPR rate. This funding is in addition to the categorical funding provided through C.R.S 22-55-107(1)(b).

Online and Extended High School Factor

No changes were made to the Online and Extended High School Factor. Online and Extended High School pupils are funded at the base multi-district online (MDOL) PPR rate that increases annually by inflation.

Cost of Living Factor

The Cost-of-Living (COL) Factor was updated to be multiplied by the base PPR rate instead of by two separate factors (COL and Personnel). The COL percentage is still determined every two years; however, that percentage is

now compared against the lowest COL in-district in the state. Previously, a district's COL factor percentage would never decrease; the new formula allows the COL factor percentage to increase or decrease when recalculated, but it cannot exceed 23%.

Size Factor

The Size Factor was updated to apply to districts with a funded pupil count of 6,500 or less. Multi-district online pupils and Extended High School pupils are not included in the funded pupil count for this factor.

Locale Factor (New Factor)

The Locale Factor was designed to more accurately reflect the geographical and operational realities of Colorado's school districts. This factor is based on the National Center for Educational Statistics (NCES) locale designations, which determines a district's "*locale factor*" by a combination of population density and distance to urban areas. A district will receive additional funding if the designation falls under "*Town*" or "*Rural*" (A district with a "*City*" or "*Suburban*" designation receives no additional funding from this factor). Each locale factor designation is associated with a percentage by which the base PPR rate is multiplied.

The designations and percentages are as follows:

1. City (Large, Midsize, Small) – Schools within principal cities of metropolitan areas, further divided by population size.
2. Suburban (Large, Midsize, Small) – Schools outside principal cities, but within metropolitan areas.
3. Town (Fringe, Distant, Remote) – Schools in small urban clusters, separated from larger metro areas
    - Town: *Fringe* - 0.025 or 2.5%
    - Town: *Distant* - 0.05 or 5%
    - Town: *Remote* - 0.1 or 10%
4. Rural (Fringe, Distant, Remote) – Schools located outside urbanized areas, further categorized by their proximity to towns.
    - Rural: *Fringe* - 0.15 or 15%
    - Rural: *Distant* - 0.2 or 20%
    - Rural: *Remote* - 0.25 or 25%

Total Program

The total amount of money the state and counties are legally obligated to provide to school districts is determined by running the historical October Pupil Count, October Pupil Count, and district demographic data in the two school finance formulas. The resulting amount is designated Total Program Funding amount.

The formulas are structured to produce the Total Program Funding calculated for each school district, with the legal split between what the counties provide (*Local Share*) and what the state provides (*State Share*). If the local governments can fulfill the entire Total Program Funding amount, then the state does not provide additional funding.

State Share

The amount of funding the state is statutorily required to provide is determined by the two school finance formulas termed State Share. The total State Share to be distributed for FY25-26 will be approximately $5.36 billion or about 54% of all school finance funding.

Local Share

School districts have the authority to collect property tax levies to operate. The amount of funding raised by each school district is termed Local Share. The Local Share offsets the amount of funding the state provides via state share. The total Local Share collected in FY25-26 will be approximately $4.63 billion, about 46% of total program funding.

Additional Local Share Sources

School districts' local funding primarily relies on property taxes generated by property owners located within a school district's boundaries or through bonds.

Mill Levies

The total amount of funding received through property taxes is determined by the county assessor taking a property owner's Assessed Value (AV) and multiplying it by the Total Mill Levy statutorily required.
Each Colorado school district has a different tax base and different capacities to raise or alter property taxes; thus, each school district has a different Local Share amount applied to the funding formula. Districts are required to certify the total amount of available mill levies for Local Share with their county commissioners by December 15 and traditionally will receive their local funding from the counties in March. The school districts must notify the Department of Education of these certified mill levies in order for the funding formula calculation to take place.

The AV is the actual value of a property multiplied by the Assessment Rate. The Actual Value of a property is determined by each county's assessors every two years, using comparable sales.

The Assessment Rate is determined by state statute and is for the following Tax Year 2025 (January 2025-December 2025):

- Residential Properties:
  - 7.05% for School Districts
  - 6.25% for Local Government
- All other properties have a flat rate of 27%

Each year, each county works in conjunction with all school districts within it's boundaries and other branches of local governments to determine the amount of taxable revenue needed and allowable to operate the school district. Traditionally, this tax rate is expressed in "mills," where one mill equals $1 of tax for every $1,000 of a property's AV. An increase in mills is an increase in the taxable amount collected, ten mills would be $10 of taxes for every $1,000 of a property's AV. Once the mill levy amount is set, the counties will multiply the AV by the Mill Levy amount to determine the total tax amount to be collected. This total amount collected across the county is what is used to determine a district's Local Share.

School districts have two primary streams of additional local funding, which in general require voter approval: Mill Levy Overrides (MLO's) and Bonds (not included in the calculation of the school finance formula).

Mill Levy Override (MLOs)

All school districts have the ability to request funding above the statutory total program mill levy rate but must obtain voter approval. This process is referred to as a Mill Levy Override (MLO).

Districts may request funding up to 25% of their total program funding determined under the school finance formula (30% for small rural districts).

Each district must report the additional amount of revenue collected from all MLOs to the Department of Education. This funding is not used as a calculation of total program funding.

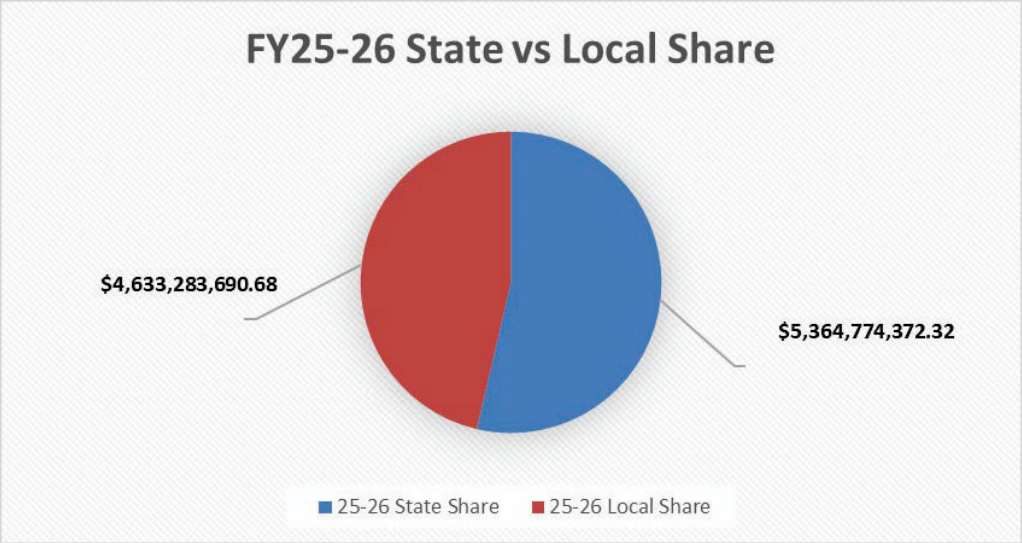
Bonds

Each school district has the authority to request via ballot proposal the ability to do two things in regard to bonds - incur debt and increase property taxes in said district to pay off the newly incurred debt. This revenue generated can only be used for one-time expenses as outlined in the ballot language. This funding is not used as a calculation of total program funding

FY2025-2026 School Finance Updates

Under the New School Finance Formula, the State of Colorado will provide $9,997,859,356.18 billion dollars in public education funding through the blending of the two funding formulas. For 2025-26, the State Share will be $5,365,278,001.09 and Local Share will be $5,364,575,959.99 with a total program amount of $9,778,950,899.51

Graph State Share Vs Local Share



This is up from FY24-25's total funding of $9,778,950,899.51. The State Share in FY25-26 was down from FY24-25 State Share of $5,592,212,027.28 and Local Share is up from $4,186,738,872.32

Fiscal Year	Local Share	State Share	Total Program
25-26	$5,633,283,690.68	$5,364,774,372.32	$9,998,058,062.99
24-25	$4,186,738,872.32	$5,586,413,876.79	$9,778,950,899.51
Difference (Year over Year)	$446,544,818.36	$(221,639,504.47)	$219,107,163.48

The New School Finance Formula created a provision that protected districts from significant changes in funding. For both FY25-26 and FY26-27, a district cannot receive less funding than received in FY24-25 (*hold harmless)*. Currently, 39 districts are being held harmless, which is resulting in a difference of $20,301,296.60 (these districts would lose this amount of total program funding without this provision).

The gap between being fully implemented into the New School Finance Formula for FY25-26 and the current 15% amount phased-in amount is $398,002,758.03 (the state would need to invest approximately $400 million to go from 15% phased-in to full implementation). The difference between the 1994 Formula and FY25-26's phased-in amount is $75,361,626.03

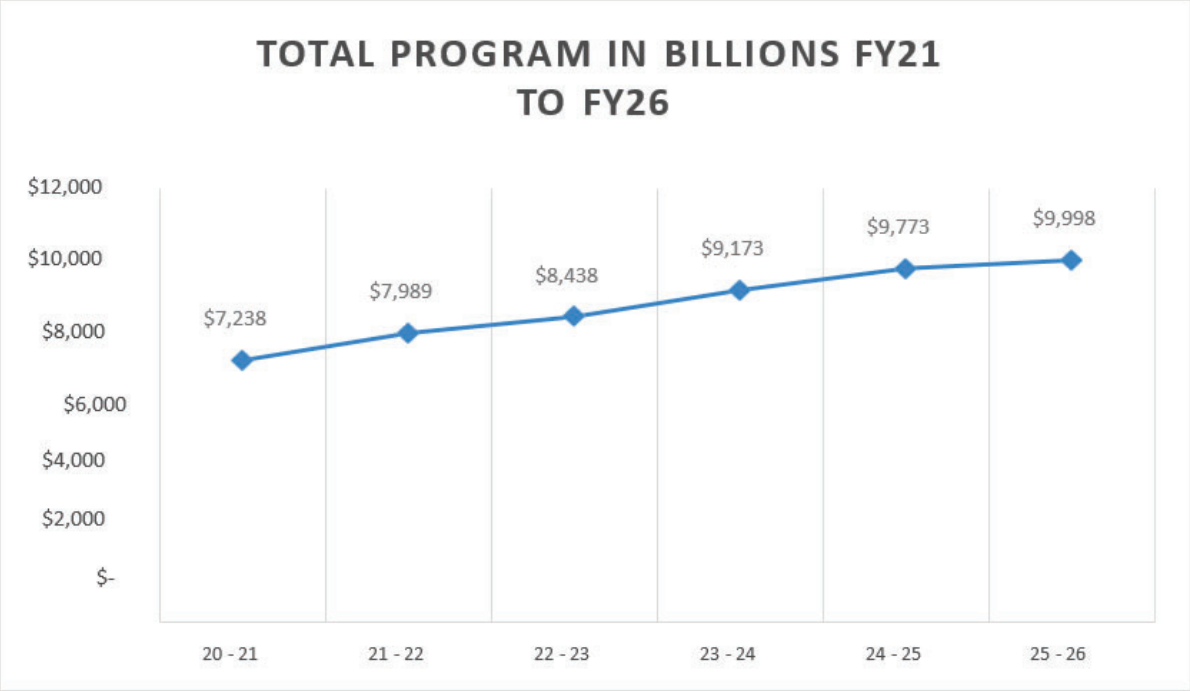
Funding	Amount
FY25-26 SFA-1994 Total	$ 9,902,387,236.32
FY24-25 SFA-1994 Total (Used for HH)	$ 9,778,950,899.51

FY25-26 HB24-1448 Total	$ 10,396,060,821.02
FY25-26 15% Phase-In	$ 75,361,626.03
FY25-26 Hold Harmless Amount	$ 20,301,296.60
Current HB24-1448 Funding Gap	$ 398,002,758.03

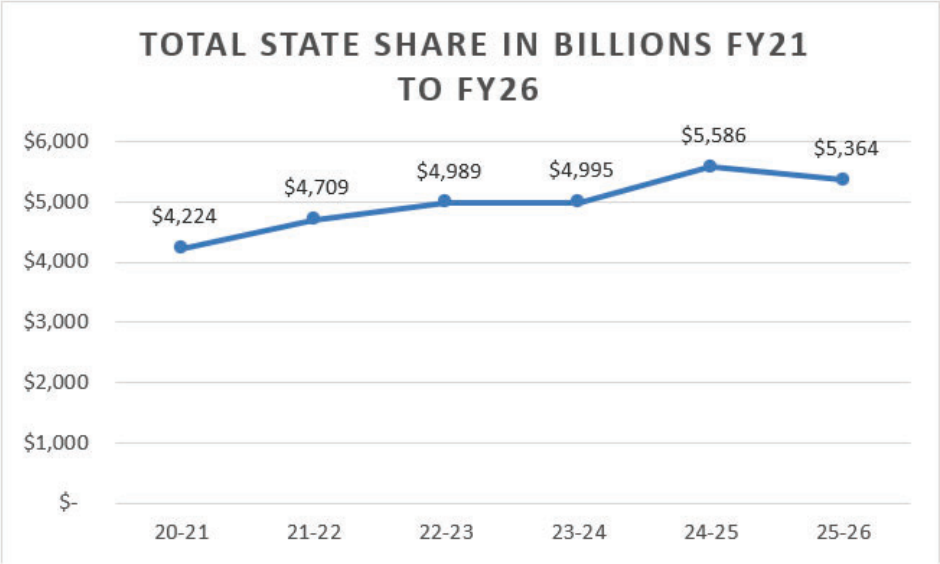
Historical School Finance Funding

The state has made significant changes to how the funding formula works over the course of the previous five fiscal years. These changes include; changes to averaging for funded years, the elimination of the Budget Stabilization Factor, the New School Finance Formula, the addition of the English Language Learner factor, and changes to how Pre-K and Kindergarten students are counted. Due to the number of changes, comparing individual funding factors across the previous fiscal years will not provide significant insight to changes year over year. The charts below show changes in total program, pupil counts, and At-Risk and ELL counts, as these show changes in total state investment and changes in student behavior.

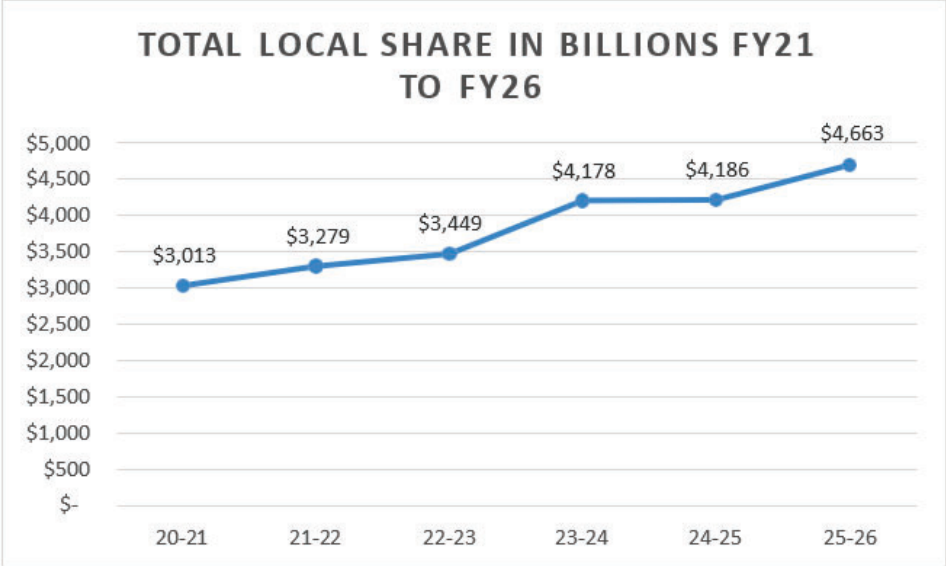
Total program has increased on average 6.7% over the last five fiscal years, with a net growth of $2.7 billion dollars.



This increase has been the result of increases to both state share and local share. State share has increased on average 5% over the last five fiscal years, with a net growth of $1.1 billion dollars.



Local share increased on average 9.35% over the last five fiscal years, with a net growth of $1.6 billion dollars.



State-Wide Averages

In the supporting documentation, the Per-Pupil Revenue (PPR) rate for each individual district have been provided alongside the total funding, 1994 At-Risk Amounts, 1994 ELL Amounts, and for reference, the 2024 Special Education Amounts. The current base per pupil revenue for FY25-26 is $8,691.80. This is the constitutionally required amount of funding each district must receive. The average statewide total program PPR rate is $11,876.12. This is the total program funding divided by the total funded FTE count.

Since each district has unique characteristics and differing populations, each district receives a different amount of funding and has a unique PPR rate. This amount is the calculation of total state funding received (Local and State Share) divided by total amount of funded FTE. The district-wide average PPR rate for FY25-26 is $16,135.5 (this is the average of all individual district PPR rates), with highest per-pupil revenue being $47,253.40 and the lowest per-pupil revenue being $11,048.50.

FY 25-26	District Funded FTE	District PPR	District Local Share	District State Share	Total District Funding
Totals	821,156	$ 11,876.12	$ 4,633,283,690.68	$ 5,364,774,372.32	$ 9,998,058,062.99

With the implementation of the new school finance formula and the elimination of the Budget Stabilization Factor, the district average per-pupil revenue has increased significantly since FY20-21. The average district PPR moved from $8,121 to $11,876 over that period, while the state base PPR moved from $7,083 to $8,691.80.

Fiscal Year	State Base PPR rate	Average District PPR rate
20-21	$7,083	$8,121
21-22	$7,225	$8,014
22-23	$7,478	$9,595
23-24	$8,076	$10,669
24-25	$8,496.38	$11,451.65
25-26	$8,691.80	$11,876.12

Enrollment Trends

Funded pupil enrollment in Colorado is determined by the number of pupils meeting attendance requirements as of the official count day (typically October 1st) and meeting instructional time requirements to be designated eligible for either full or part time funding. Historically, a district's funded pupil count for the year is the higher of the current fiscal year's count or the average of the previous two, three, or four budget years.
HB25-1320 updated the New School Finance Formula's averaging to beginning in FY25-26 to be the greater of the average number of pupils over the previous two or three budget years or the current year count. In FY26-27 the updates drop the averaging to the previous two budget years or the current year count. All previous fiscal years maintained the historical averaging requirements.

The funded pupil count is the number of single-district online pupils, multi-district online (MDOL) pupils, extended high school pupils, and charter school pupils are then added to the funded pupil count determined in the previous phase. The State's funded pupil count consists of each district's funded pupil count plus the Colorado Charter School Institute's (CSI) funded pupil count (CSI's funded pupil count is subject to the same averaging rules as the public K-12 districts, which is calculated separately).

It's important to note that the department uses several data points to track enrollment. There is a difference between *membership* (number of individual pupils who are enrolled as of the October Count date and *full-time eligible (FTE) pupil counts* (number of FTE pupils meeting attendance and instructional hour requirements). Note that a full-time pupil would be 1.0 FTE while a part-time eligible pupil would be 0.5 FTE.

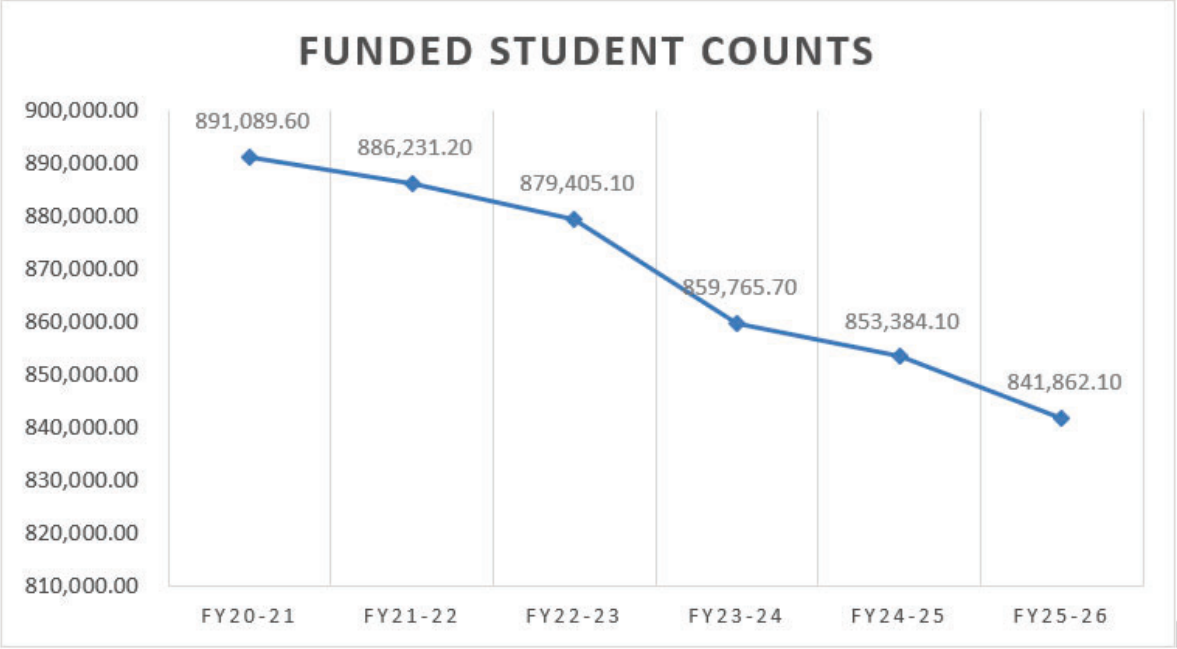
The Department also tracks the total membership count of all districts preschool through 12th grade, district charter schools, CSI's pupil count, the Colorado School for the Deaf and the Blind (CSDB), Boards of Cooperative

Educational Services (BOCES), and detention centers. The total membership number for FY25-26 is 885,805 (not all of these students are eligible for funding through school finance). The FTE trends below focus primarily on the two counts that impact funding for school districts; FTE pupil counts and membership counts.

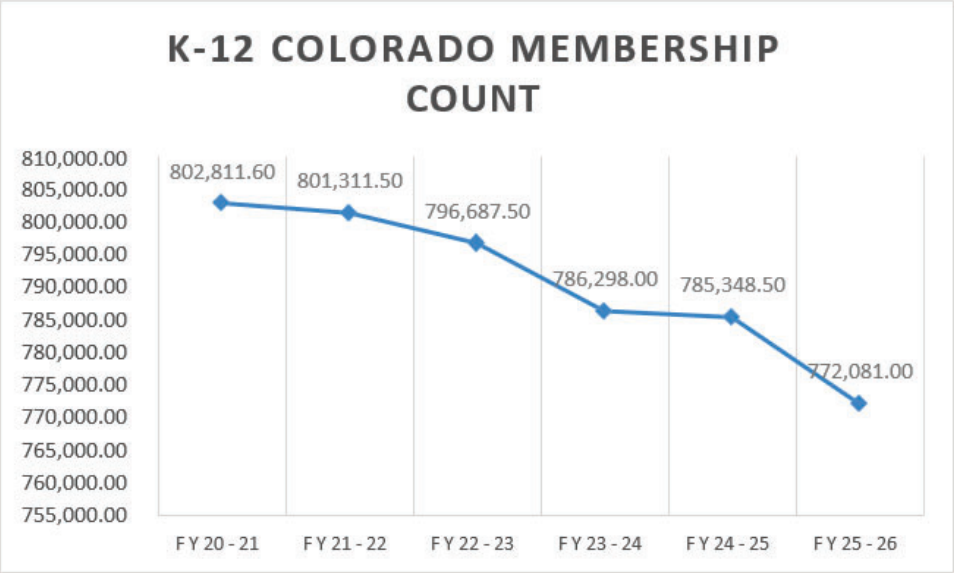
In FY25-26, the State's FTE Pupil Count (K-12, excluding online and extended high school) is 772,081.01.0, a decrease of 13,263 from the FY24-25 count of 785,348.5. CSI's funded pupil count for FY25-26 is 20,705.20, a decrease of 442.0 from the FY24-25 count of 21,147. The State's total funded pupil count for FY25-26 is 841,967.3.6, down 11,416.80 from the FY24-25 count of 853,384.1.

Fiscal Year	CSI Funded FTE	District Funded FTE	Total Funded FTE*
24-25	21,147.0	832,787.1	853,934.1
25-26	20,705.2	821,156	841,862.1
Difference	-441.80	-11,631.1	-12,072

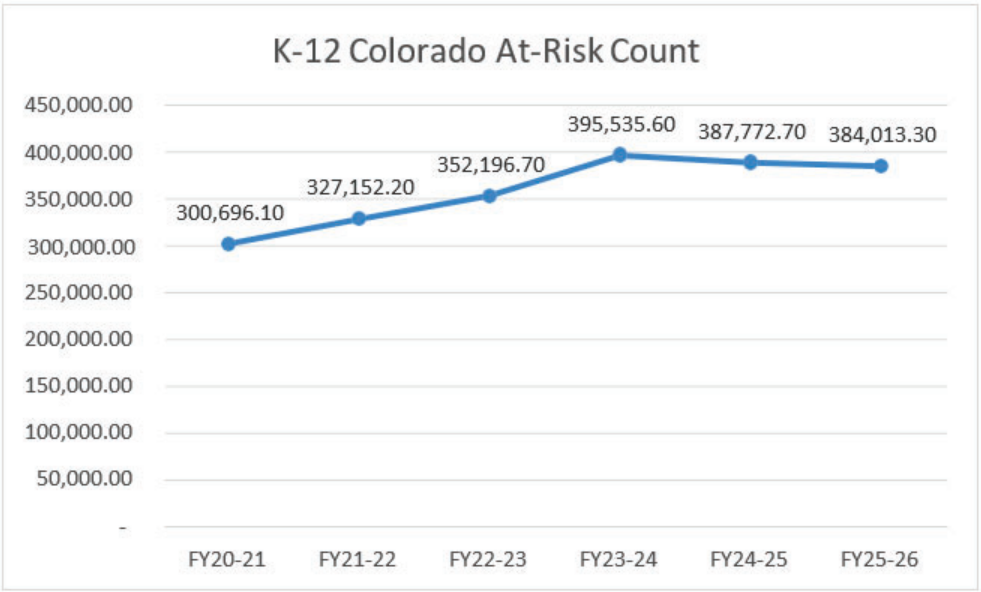
*Total Funded FTE includes CSI and District Funded pupils and current averaging laws.



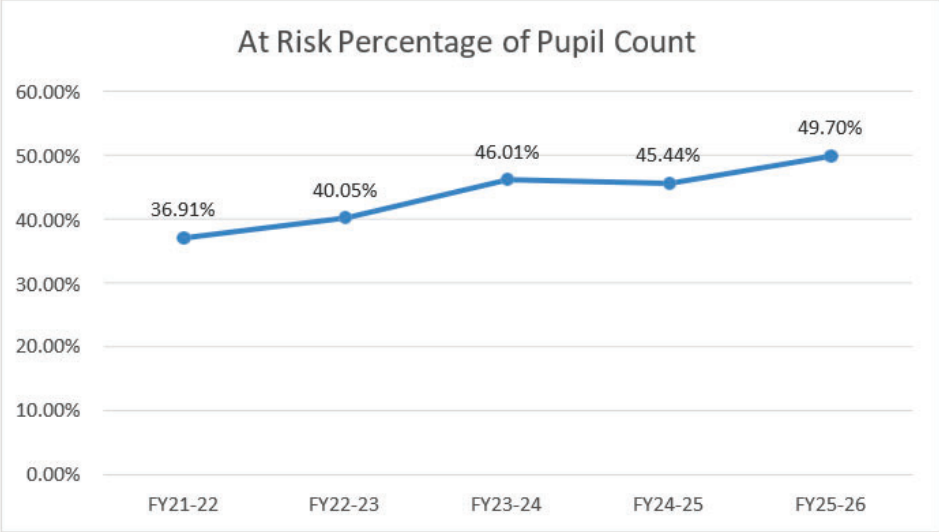
The State is experiencing declining enrollment across the board for its K-12 population. Since FY21-22 the Funded Student Count has declined on average 1.1%. The net change from FY21-22 to FY25-26 is a decrease of 49,227.5 funded students. The funded pupil count is reflective of averaging of student count and not always resulting from enrollment changes.



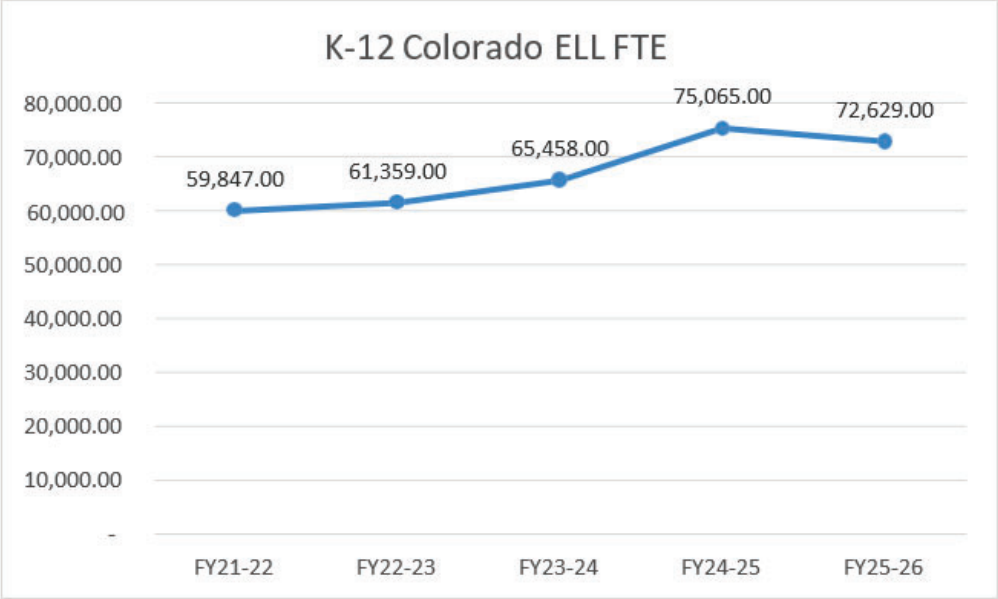
The State's membership count is the direct reflection of the current year K-12 public school population. For FY2025-26 the State's student count is 772,081, a decrease of 13,267 from FY2024-25 students of 785,085.5. Over the last five fiscal years, the state student count has decreased at a rate of 0.8%. This has translated to a net decrease of 13,263 students from FY2020-21 to FY2025-26.



While the state has experienced declining funded pupil counts, certain populations have seen significant increases and changes over the last five fiscal years. The State's At-Risk population has experienced significant growth from FY21-22. In FY25-26, the funded At-Risk funded count is 383,633.60. While this represents a decrease of 4,139.1 from the FY24-25 count of 387,772.7, the state has seen a five-year average increase of 5.1% for this population. The net change from FY21-22 to FY25-26 is an increase of 56,481.4 funded At-Risk students. Further, the percentage of total funded pupils as remained relatively constant for three years, and is significantly higher than in FY21-22.



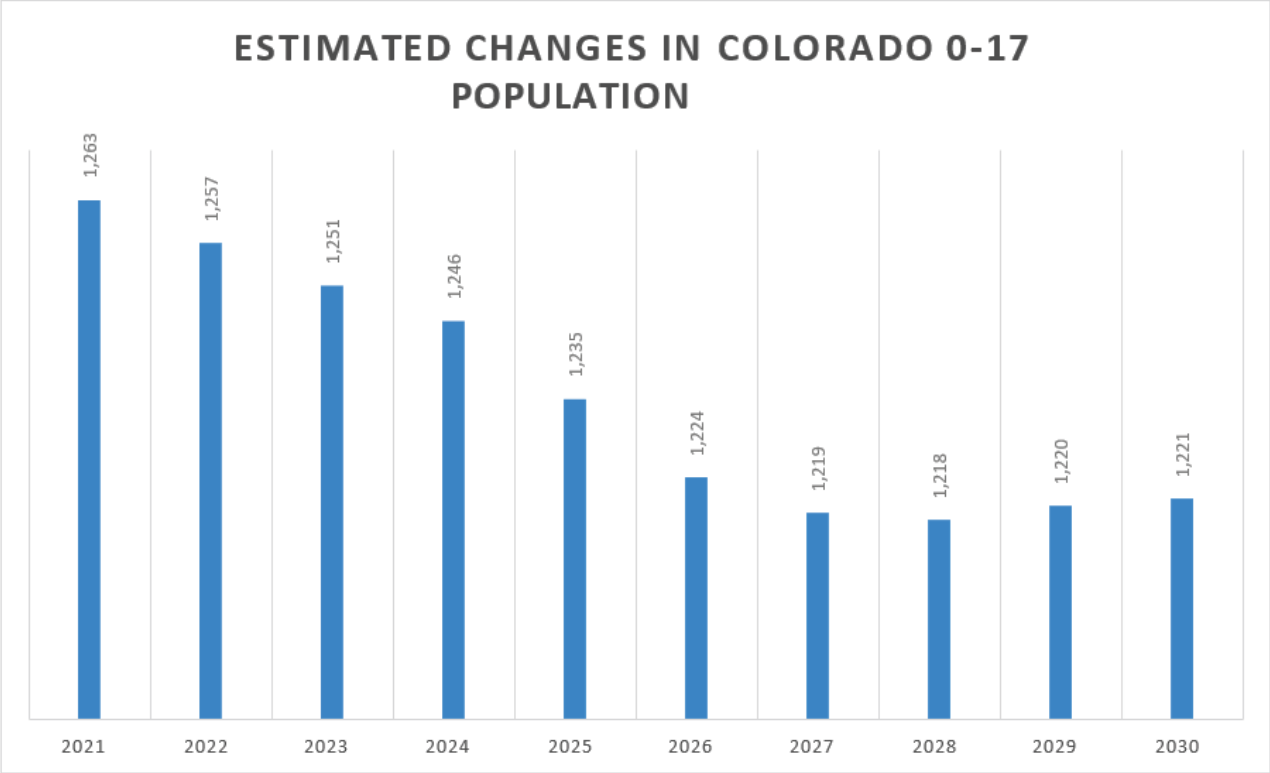
For FY25-26, the At-Risk student count is 49.7% of the pupil count for the state.



SB21-268 mandated that the school finance formula must include a separate funding factor for English Language Learners (ELLs) beginning in FY21-22. There has been an increase in funded ELLs through the formula since implementation in FY21-22. The state has since an average increase of 5.2% from FY21-22 to FY25-26, with the net change being a growth of 12,782 funded students. In FY25-26, the ELL funded count is 72,629, a decrease of 2,436 students from FY24-25 count of 75,065.

State Demographics Forecast

The State Demography Office located within the Colorado Department of Local Affairs provides annual updates on current year population statistics and forecasts future year population statistics (link). The Demography Office compares data from July 1st of any given year to July 1st of the next year, like the State's Fiscal Year calendar. Since educational funding is directly tied to student enrollment, it's important to take note of population trends within the state. The State Demography Office has the forecasted population of children aged 0-17 years for 2025 (July 1st 2024 to July 1st, 2025) to be 1,235,140. The projection for children aged 0-4 is 315,909.



Since 2020, the state demographic office has estimated a decrease in the number of children aged 0-17 within the state. The estimated ten-year average rate of change from 2020 to 2030 is anticipated to be -0.39%. The State Demographer's Office is forecasting a total 0-17 population of 1,221,648 in 2030, down 49,295 from the 2020 number of 1,270,943. The forecasted decrease is anticipated to continue from 2025 to 2029, with the population anticipated to level off in 2029. Changes in population can have impacts on K-12 funding in Colorado.

Implementation Updates

The current phasing of the Public School Finance Act of 1994 and the New School Finance Act have created a few significant implementation challenges. The department has found that some of the data statutorily required for this report is information that cannot be provided accurately due to the phased-in nature of the new formula or the timing of the requested data.

The department calculates each of the two formulas (1994 formula and New School Finance Formula) by hand (via spreadsheets) and then calculates the percentage of the total amount to be phased into the old formula from the new. In FY25-26, the phase-in percentage amount is 15%. It is important to note that statute requires that the

phase-in amount be 15% of the difference between the old formula and the new formula, not 15% of the new formula. This phasing makes it impossible to determine how much funding a district is receiving under each individual new factor until the new formula is fully implemented. For instance, if a district is receiving $1 million dollars of total program under the original formula and would have received $1.2 million dollars under the new formula, a district would receive 15% of the difference ($30,000) instead of 15% of the new formula ($180,000). Thus, a district will not receive 15% of each individual factor until the formula is fully implemented, and the department cannot accurately provide funding information under each factor at the district or school level. However, the department has provided a chart detailing the total amount of At-Risk and ELL funding received by districts under the 1994 factors.

The School Finance Act of 1994 calculates multiple factors for funding based on state-wide averages (Cost of Living, Personnel, Size) and calculates those percentages into a district-wide per-pupil revenue (PPR) rate. CDE then adds in the calculations for At-Risk and English Language Learners (ELL).

C.R.S 22-54-103.2 requires the department to calculate how much revenue each individual district and school should generate under the new requirements. The department is unable to accurately calculate this number due to the manner in which the previous formula relied on averaging for its factors. Under the new formula, each factor that is student-centric can be applied at the school level to determine funding; however, the 1994 formula does not allow for such determinations as it is structured heavily on district characteristics and averages. As such, until the new formula is fully implemented, the department cannot accurately report this data point.

Though these data elements specified in statute cannot be calculated, the department has provided each district's base PPR rate under the 1994 formula and under the HB24-1448 formula. As noted above, until full implementation of the new school finance formula, the department will not be able to provide an accurate representation of what each individual school should generate in revenue. Furthermore, because expenditures and revenues are collected mid-year (all finance data is collected from school districts by February the previous fiscal year), the timing of this report makes it impossible to compare current fiscal year formula amounts to current fiscal year spending. In other words, what an individual school received in funding for School Year 2025-2026 from its district will not be reported to CDE until February of 2028. An accurate comparison of what was generated and what was received by an individual school cannot be determined until the next fiscal year and also cannot be provided until the full implementation of HB24-1448.

The calculations of both school finance formulas have created a significant workload burden on staff. The department has been running the 1994 formula on a combination of spreadsheets and internal programs since its inception. The school finance formulas require constant updates to student counts, local government information, and district information. Each update must be hand calculated by staff and the formulas must be rerun and then redistributed out to all 178 districts. All audit updates to student counts must also be reincorporated into the formulas and then rerun. Each process and calculation is meticulously verified and thoroughly processed, however, the manual nature in which each change must be entered via spreadsheet can be subject to human error. Both formulas have been subject to significant statutory changes and will likely be subject to on-going statutory adjustments until full implementation is achieved. The constant changing requirements from the 1994 formula began to cause the internal programs utilized to fail, which in turn caused more work to be done on spreadsheets. Due to changes in the 1994 formula, the department has submitted a request to modernize this system and create a digital program for the school finance formula. This request was submitted prior to the introduction of HB24-1448. The addition of another formula has only exacerbated the stress on the current system and has led to a greater need to modernize the software.

Conclusion

The State of Colorado has been in a declining enrollment environment since Fiscal Year 2021-2022. Current student count averaging laws have mitigated the impacts of declining enrollment, but if trends continue school districts in Colorado will likely face stricter budgetary constraints. Forecasts have indicated that enrollment is unlikely to stabilize in the immediate future.

Colorado has made significant investments in school finance; $1.1 billion over the previous five fiscal years. The elimination of the Budget Stabilization factor in FY23-24 and the beginning of the implementation of the New School Finance Formula has seen an immediate increase of $824 million since FY2020-21. These changes have been driven primarily by HB24-1448 and HB25-1320. The differences between the 1994 formula and HB24-1448 is currently making it impossible for the Department to fully report out on received funding of each of the new or student centric individual formula factors (Special Education, English Language Learners, At-Risk) or the estimated revenue each individual school is generating due to the way the new formula is phased in as a percentage of a the total.

The changing nature of the School Finance Formula and the long implementation timeline of HB24-1448 will continue to make the dual calculations of the formula's difficult until the new software is implemented or full implementation is completed.

Endnotes and/or Appendices

All district calculations and PPR rates can be found on the spreadsheet titled HB24-1448 District Data attached to this report and located on the Public School Finance Units website. All data by district can be found on the "Data by District" tab, and a individualized district look up tool can be found on the "District Look Up" tab.