

The 2025 School Finance Act Draft

March 14, 2025

Background:

Legislators across the aisle worked together last year to secure two enormous victories for Colorado kids. First, the state eliminated the budget stabilization factor, a recession era budgeting mechanism that drew 10 billion out of public education funding over its lifetime. Second, the state updated the school funding formula for the first time in 30 years, which, if fully implemented, promises to deliver an additional \$500 million to public schools each year. Schools serving students living in poverty, students learning English, and students with special needs should see the largest proportional increases.

Months after securing these enormous victories, the state's budget outlook changed. The state must cut state spending by \$1.2 billion dollars this session. In his 2025 budget proposal, the Governor suggested that the state eliminate a school district accounting practice called enrollment averaging and use the savings (\$190 million) to pay for the school funding increases driven by the new funding formula.

We cannot pull the budgetary rug out from under our school districts, and so we must find a compromise that continues to resource our schools while accounting for fiscal realities. The below proposal begins implementation of the new formula, delivers increased funding to Colorado school districts in July 2025, and ensures predictability and sustainability in the state's work to increase funding for public schools.

Speaker's Proposal	What it means for students
Extends the implementation of the new school funding formula by one year, from 6 to 7 years.	We move forward with implementing the new formula and its funding increases while reducing strain on the GF and SEF.
Implements 10% of the new funding formula in 25-26 instead of 18%, with changes to the increases outlined in 1448 in each of the following years.	We will still deliver more funding to school districts in July 2025 and reduce the strain on the GF and SEF. Because of the implementation of the new formula, almost all districts will be realizing new money in 25-26 over what they would have received with the 1994 formula.
Maintains 4-year averaging in 25-26, <ul style="list-style-type: none">○ 3-year averaging in 26-27,○ 2-year averaging in 27-28 each year after, unless the legislature adopts a smoothing factor	We slowly implement changes to multi-year enrollment averaging, giving the Legislature time to determine further measures to address declining enrollment.
Holds schools harmless to 24-25 funding in the 25-26 school year.	Our goal is to ensure that no school's funding falls below the amount it received in the 2024-25 school year.
Continues JBC oversight to review fiscal impacts annually and develop a sustainability plan for full funding of the new formula.	We maintain the JBC and Legislature tools provided in 1448 to ensure stable, predictable funding increases for our schools year after year.