Colorado Department of Education

School Finance

Presenter: Corey Evans, School Finance Executive Director

School Finance 101

Scenario: It's lunchtime, and I'm responsible for buying lunch for everyone in this room However, I only have $1000 to spend on lunch.

Question: How should I distribute the money so everyone gets fed?

Things to Consider:

- We only have $1000, no matter what
- Some people have dietary restrictions that make lunch more expensive
- Some people already brought lunch
- Some people can afford to buy their own lunch, while others can't.

Congratulations!

The Big Picture

- Instead of negotiating funding district by district each year, Colorado uses one statewide formula that applies consistently to every school district.
- The formula is designed to support four broad goals:
  - **Equity:** Similar students should receive similar funding opportunities.
  - **Equalization**: State funding helps account for differences in local property wealth and a district's ability to raise revenue.
  - **Stability**: Districts need funding that is predictable enough to budget, hire staff, and plan for future years.
  - **Transparency**: Funding decisions are based on published rules that anyone can understand and calculate.

The Big Picture

- The School Finance Formula is the State's answer to the lunch dilemma for K-12 funding.
- The School Finance Formula is a set of rules used to distribute a limited amount of state funding to school districts based on the characteristics of their students and communities.
  - Those rules are written into law by the General Assembly.
  - The rules are expressed as a mathematical equation.
  - The equation applies the same rules consistently to every school district in Colorado.

- ***The formula doesn't decide what is important; it reflects what policymakers decide is important.***

The School Finance Formula

The School Finance Formula - L.028

Each *authorizer* is required to run the School Finance Formula for each of its charters beginning in FY 26-27 through FY 30-31

The School Finance Formula

- The School Finance Formula answers dozens of policy questions and translates those answers into one funding amount for each school district.
- The formula calculates each district's Per-Pupil Revenue (PPR), which is then used to help determine Total Program funding.
    - *Per-Pupil Revenue:* The amount of funding generated for each student.
    - *Total Program:* The total amount of funding a district generates

- To do that, the formula considers two broad categories:
    - Student Characteristics:
        - Who are the students being educated?
        - Do some students require additional resources?
    - District Characteristics:
        - Where are students being educated?
        - Are there characteristics of the district that affect the cost of providing an education?

The School Finance Formula

Student Factors (*Who is being educated*):

- English Language Learners (ELL)
- Special Education Learners
- At - Risk Students
- Online Students
- Multi-District Online Students (MDOL)
- P-Tech/T-Rep Students (Extended High School)

District Factors (Where are they being educated?):

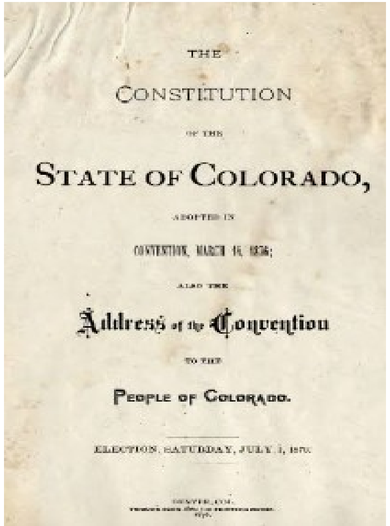
- Size
- Locale (Rural)
- Cost of Living
- Personnel
- Non-Personnel
- Averaging

Base Per-Pupil Revenue (PPR)

Article IX, Section 17 of the Colorado Constitution (Amendment 23)

- Requires the General Assembly to establish a statewide base per-pupil funding amount for Colorado's public schools.
- Requires the base per-pupil funding amount to increase annually by at least inflation
- Requires the state to appropriate sufficient funding to meet the constitutional minimum.
- Establishes the State Education Fund (SEF) as a dedicated funding source to help support constitutional education funding requirements.
- FY26-27: $8,900.4

"...the statewide base per pupil funding... shall grow annually... at least equal to the rate of inflation."



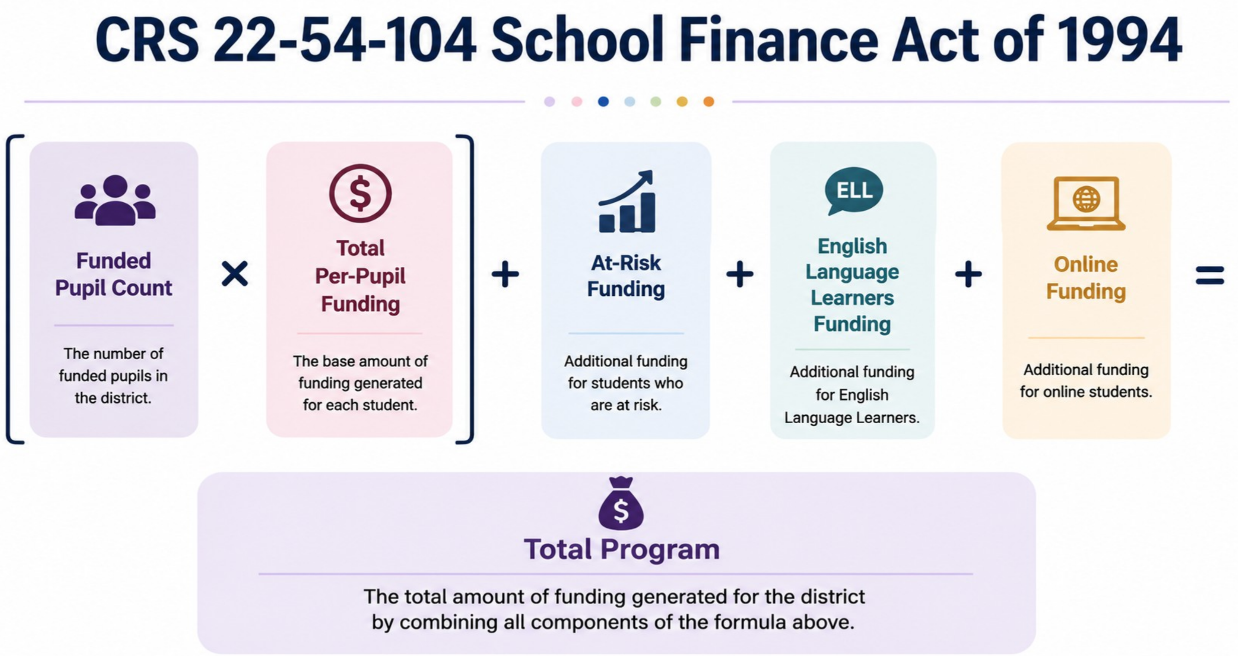
Per-Pupil Revenue (PPR)

- The Colorado Constitution establishes a statewide Base Per-Pupil Revenue (Base PPR).
- Each district's Per-Pupil Revenue (PPR) is calculated by dividing its Total Program by its Funded Pupil Count.
- District PPR includes all funding generated under the School Finance Act, not just the Base PPR.
- Each district has a different Per-Pupil Revenue amount.

District PPR = Total Program / Funded Pupil Count

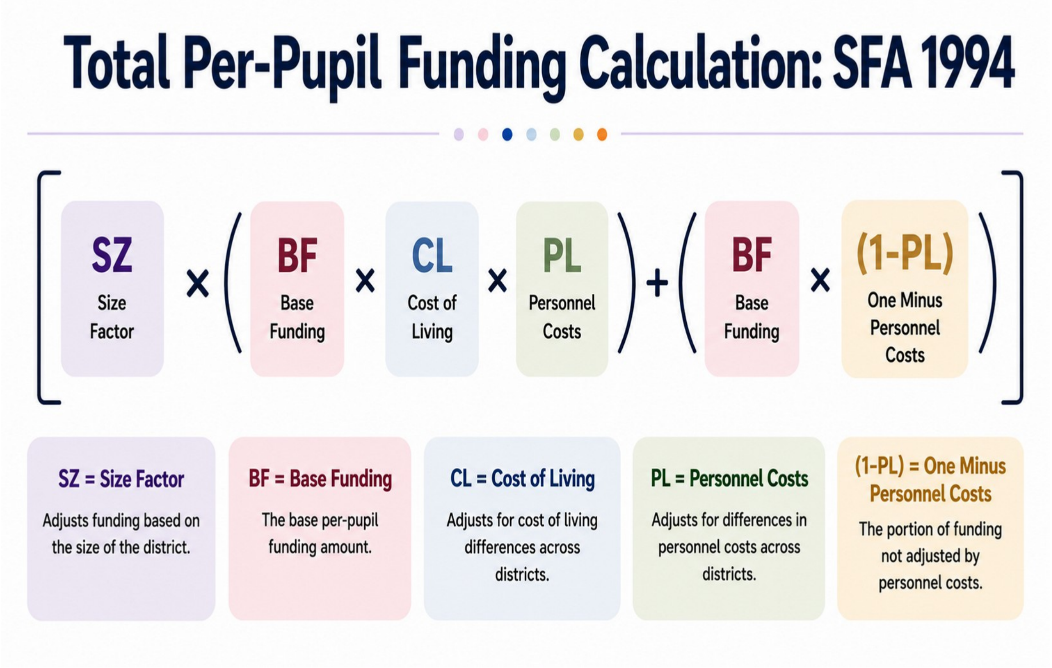
Colorado's Two School Finance Formulas - SFA 1994

- The 1994 formula starts with a base Per-Pupil amount and adjusts it using multiple funding factors.
- District characteristics are combined into the Total Per-Pupil Funding calculation before Total Program is calculated.
- Additional funding for At-Risk students, English Language Learners, and Online students is added afterward.



Colorado's Two School Finance Formulas - SFA 1994

- Combines several district factors into a single Per-Pupil funding calculation.
- District characteristics (Size, Cost of Living, and Personnel Costs) are multiplied together rather than added separately.



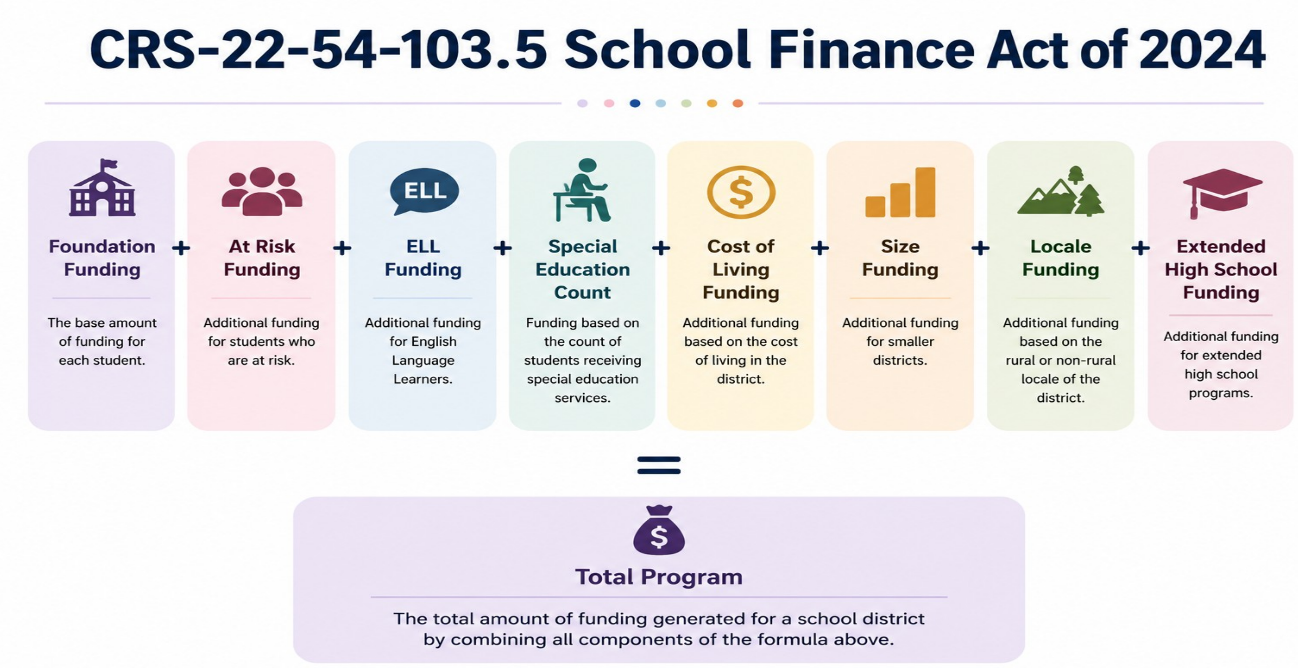
Colorado's Two School Finance Formulas - SFA 2024

"Our charge was to make recommendations for improvements to the Colorado School Finance Formula. The specific improvements the Legislature hoped for were outlined in the bill: simpler, less regressive, more adequate, understandable, transparent, equitable and student-centered. " - Chuck Carpenter, CFO, Denver Public Schools, The Public School Finance Report, 2023

- The 2024 formula was created with one primary purpose:
- *How do we make this easier to understand?*

Colorado's Two School Finance Formulas - SFA 2024

- Passed by the General Assembly in 2024.
- Reorganizes the formula into clear, additive funding components.
- Each funding adjustment is visible and tied to a specific policy decision.
- Scheduled to be fully implemented by FY 2031-32.



Colorado's Two School Finance Formulas

The old formula wasn't devoid of student characteristics, and the new formula isn't devoid of district characteristics. But the center of gravity changed.

1994 Formula	2024 Formula
Factors interact	Factors are additive
District-centered structure	More student-centered structure
Difficult to isolate individual components	Funding components are visible
Some student needs funded outside core calculation	Student characteristics are explicit components
Harder to explain why $1 was generated	Easier to trace funding to policy choices

Charter School Pass-Through (SFA 2026)

Charter School Pass-Through (SFA 2026)

- Authorizers are now required to run the School Finance Formula to determine how much to pass-through to each charter:
  - District Authorizers
  - Colorado Charter School Institute (CSI)

- An Authorizer must use a charter's count for the following calculations in the formula:
  - Current Year Pupil Count
  - At-Risk Counts and At-Risk Percentages
  - ELL Counts
  - Special Education Counts
  - Online and Extended High School Counts

Charter School Pass-Through (SFA 2026)

Greater of

Amount received in FY 25-26 plus one percent *(AKA Charter Hold Harmless)*	Amount generated under the School Finance Formula for FY 26-27

Charter School Pass-Through (SFA 2026)

- If a charter receives a *Hold Harmless* amount that is more than the amount their authorizer generated in FY26-27, the authorizer may receive funding through the State Education Fund
    - AKA *District Hold Harmless*
    - Applies to both District Authorized Charters and CSI
- When calculating funding a charter must receive the biggest amount, if this amount is larger than what the authorizer generated in funding, the state has created a *district hold harmless funding amount*

Charter - 1994 & 2024 Formula

Charter Calculations:

- Foundation Funding
- At-Risk Funding (Including Concentration)
- ELL Funding
- Special Education Funding
- Online and Extended High School

District Calculations:

- Size
- Locale (Charters receive a portion of this funding)
- Cost of Living
- Personnel

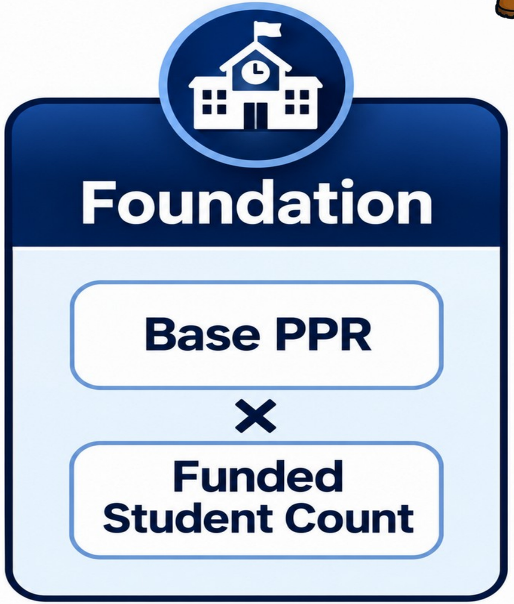
Now Let's put it all together - 2024 Formula

- Funded Student Count: 1,000
- At-Risk Count: 300
- ELL Count: 100
- Special Education Count: 100
- District Locale:
  - Town: Remote

Foundation Funding- Charter Pass-Through (SFA 2024)

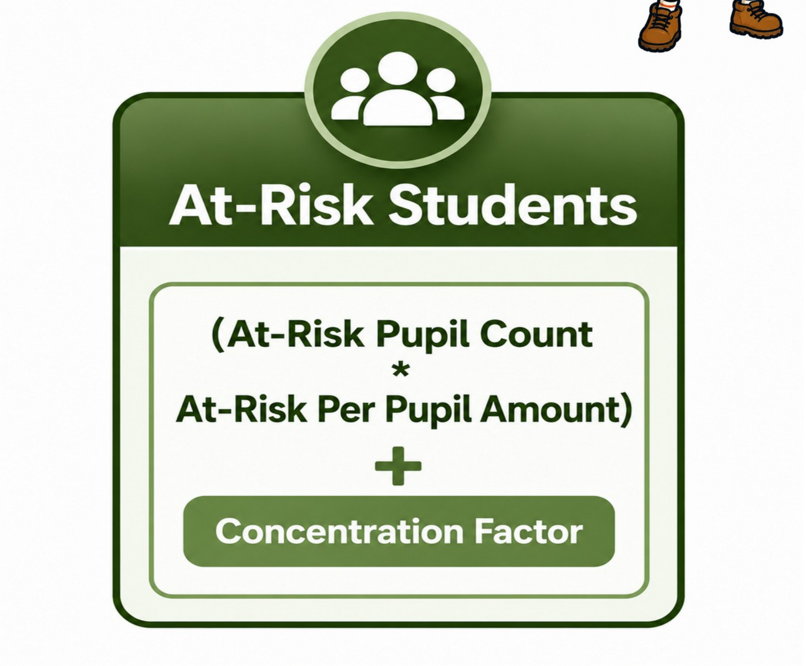
Example:

- $8,900.4 x 1000
- ***Foundation Funding is: $8,900,400***



At-Risk Funding - Charter Pass-Through (SFA 2024)

- All factors are a percentage increase of base PPR (25% or $2,225.10)
- At-Risk has more steps and checks than others
- At-Risk looks for a projected count vs actual count, the percentage of at-risk students vs all students, and a *concentration factor* (additional funding based on percentage of all at-risk students to all students)
- Example:
  - 300 At-Risk Students
  - 300 x $2,225.10
  - Total At-Risk Funding: $667,530



ELL Funding - Charter Pass-Through (SFA 2024)

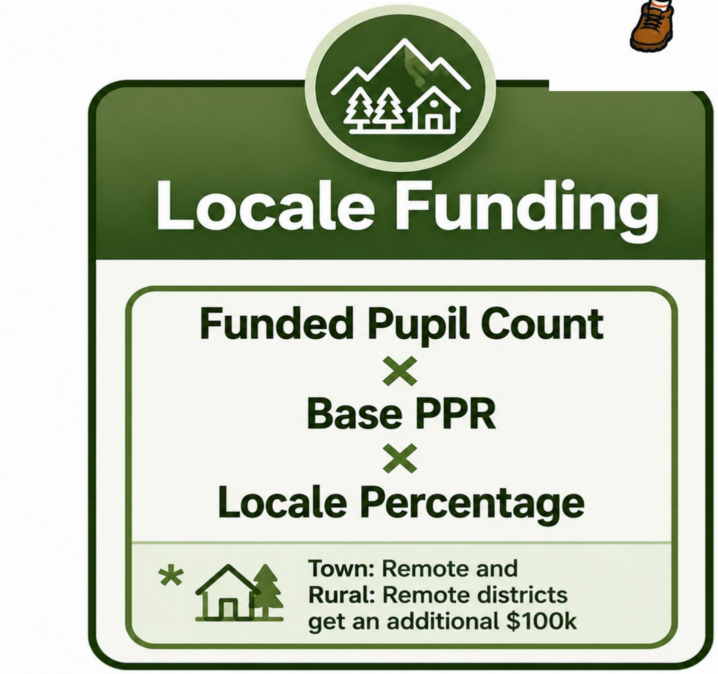
- All factors are a percentage increase of base PPR (25% or $2,225.10)
- Not the same as English Language Learner Proficiency (ELPA) funding
- Example:
  - 100 ELL Count
  - 100 x $2,225.10
  - ELL Funding: $222,510

Special Education Funding - Charter Pass-Through (SFA 202

- All factors are a percentage increase of base PPR (25% or $2,225.10)
- Not the same as the Special Education Categorical Funding under 22-20-114
- Example
  - 100 Special Education Students
  - 100 x $2,225.10
  - Special Education Funding: $222,510

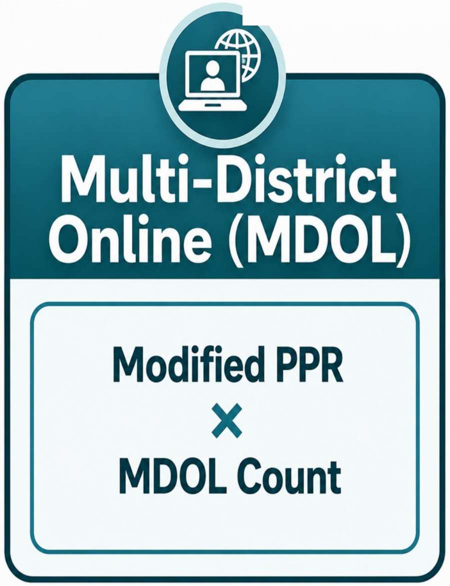
Locale Funding - SFA 2024

- Locale is determined by NCES (National Center for Educational Statistics)
- Based on student geographical location
- District gets a percentage of Base PPR based on locale
- (Locale Percentage x PPR) x Funded Count
- Town Remote and Rural Remote districts receive an additional $100k
- Example:
    - Town Remote: 10% of PPR
    - 1000 x $8900.4 x .1
    - $890,040 + $100,000
    - Total Locale Funding: $990,040



Extended High School Funding / Multi-District - SFA 2024

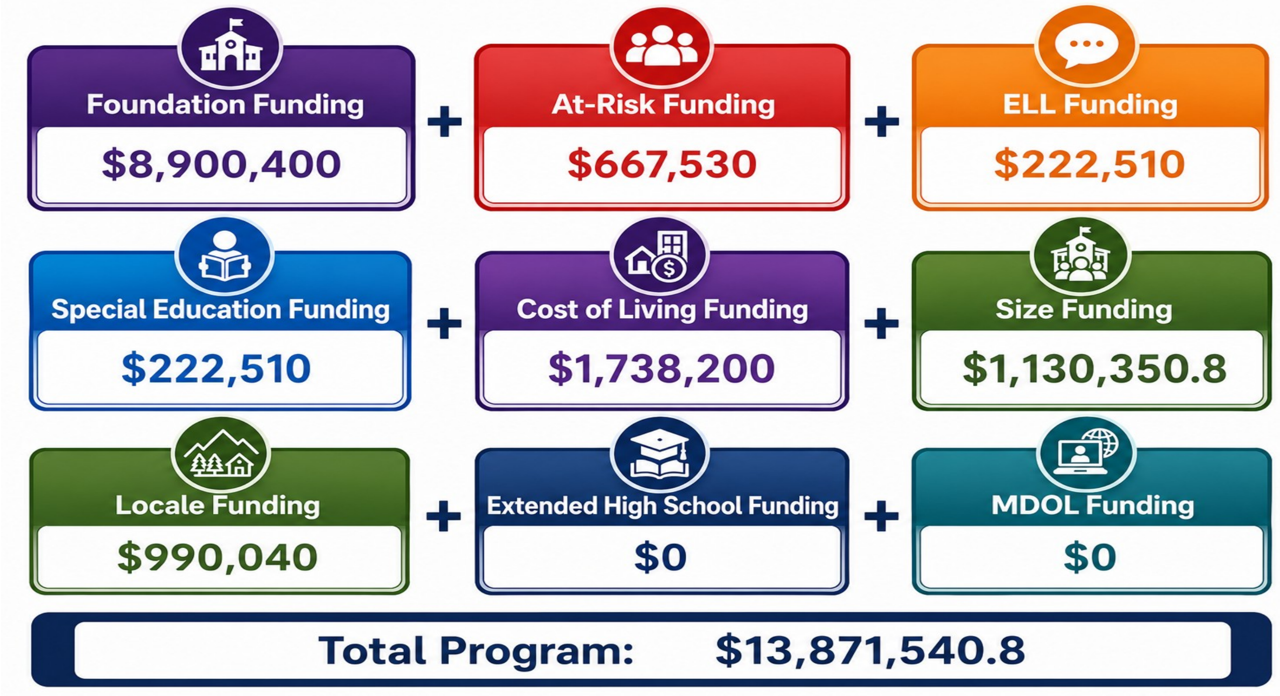
- Extended High School Students receive a modified base PPR amount
    - FY26-27: $10,732 for P-Tech Students
    - FY26-27: $7,104 for T-REP Students
- Multi-District Online (MDOL) students receive the same modified base PPR amount
    - FY26-27: $10,732
    - Charter MDOLs now are required to receive At-Risk/ELL/SPED calculations separately



Orange Mountain Academy - Total Funding (SFA 2024)

Charter Calculations:
- Foundation
- At-Risk
- ELL Special Education
- Parts of Locale
- Extended HS/Online/MDOL

District Calculations:
- Cost of Living
- Size
- Locale Location



Colorado's Two School Finance Formulas

- Colorado currently operates two formulas
  - 2024 Formula & 1994 Formula
  - “Phase-in” simply means that the 2024 formula is being used at a percentage basis with the 1994 formula
- The Department first calculates both formulas. It then applies the statutory phase-in percentage to the difference between them to determine each district's Total Program funding.

1994 Formula Amount + ((2024 Formula - 1994 Formula Amount) * Phase in %))	1994 Formula for FY 24-25 AKA: *Hold Harmless*

Colorado's Two School Finance Formulas

- 30% Phase in is NOT 30% of the New Formula
  - 30% of the difference between the two formulas
- The state is moving 30% of the distance from the old formula to the new formula.

SFA 1994 Total:
$10 Million

SFA 2024 Total:
$13.8 Million

30% Total Phase-In = $11.14 million

NOT

30% of Total = $14.14 million

What does Orange Mountain Academy Receive?

2024 Formula + 1994 Formula

Total Program FY26-27 (Orange Mountain Academy):

$11.14 Million

FY25-26 Received by OMA

FY25-26 Amount (Orange Mountain Academy):

$15 Million

What OMA Should Receive in FY26-27

FY 26-27 Actual Funding Amount

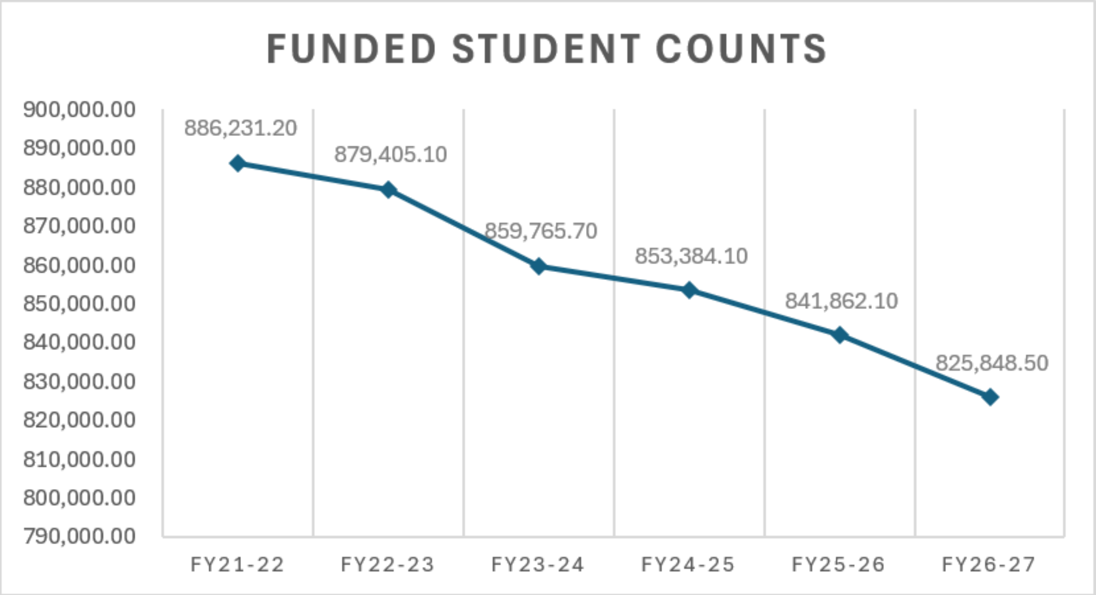
$15.15 Million

2026-27 and Beyond

2026-27 and Beyond (State-Wide)

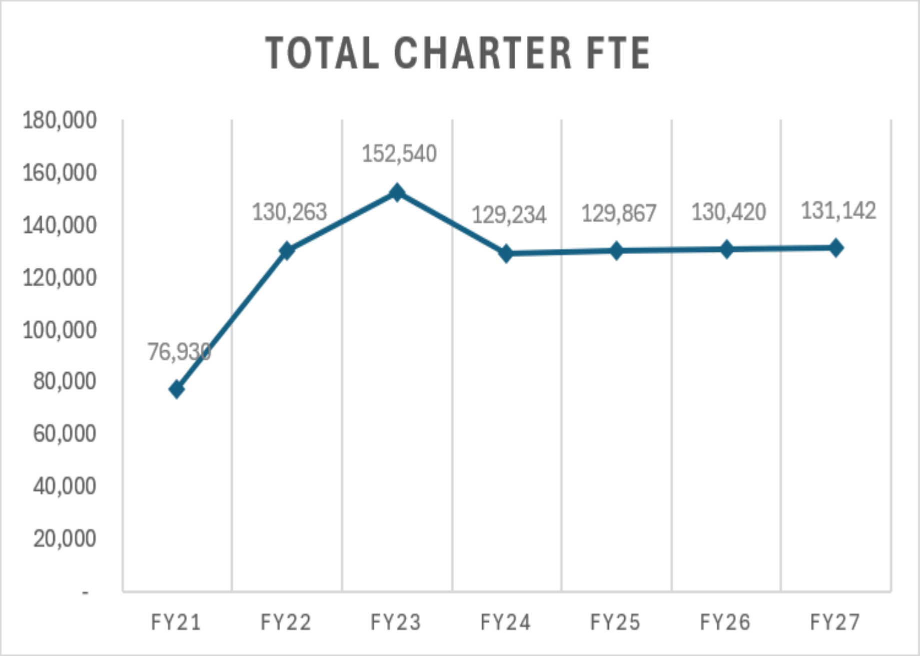
Since FY20-21 (Seven Fiscal Years)

- Total program has increased on average 6%
- Funded Pupil Count has decreased by an average of 1.4%
- State and Local Share have increased by an average of 4.88% and 7.59%



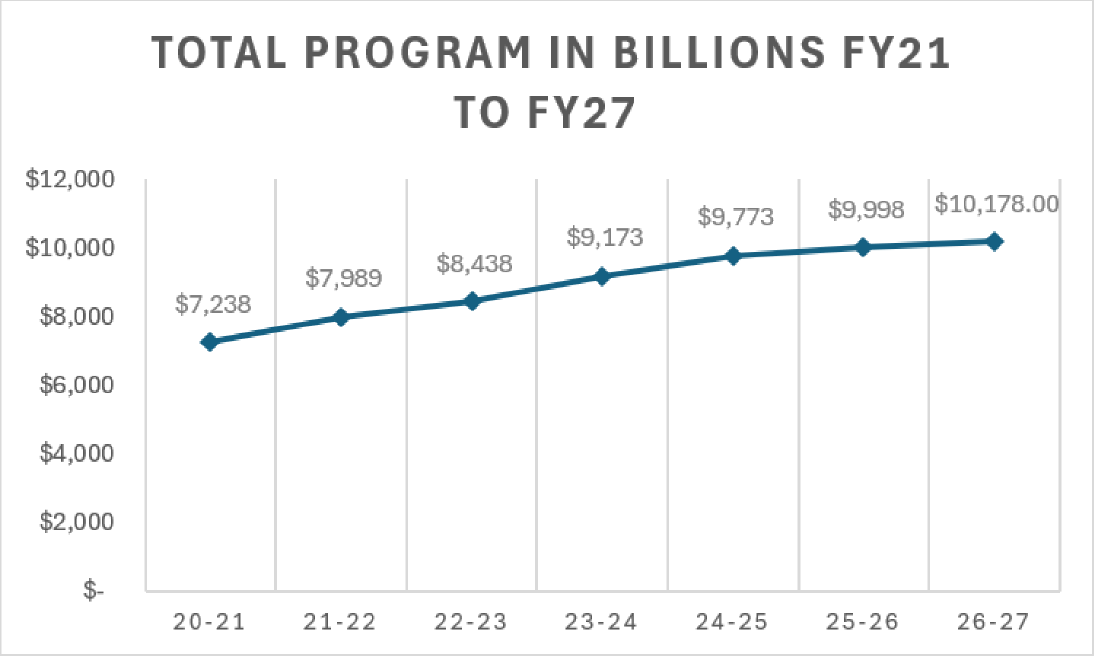
2026-27 and Beyond (State-Wide)

- Enrollment (FTE) for CSI/District Authorized Charters FY26-27 (estimate): 131,142



2026-27 and Beyond (State-Wide)

- Full implementation of the 2024 formula is not expected to happen until FY31-32
- Changes to the formula structure and mechanisms occur every legislative session



What Should Charter Schools Expect?

1. Your student composition matters much more than before
2. Your authorizer’s calculation matters.
3. Hold harmless can mitigate some formula impacts initially.
4. Changes likely to come during the legislative session
    a. The formula is still moving and likely to change again

Questions?

Contact Information:

evans_c@cde.state.co.us

schoolfinance@cde.state.co.us