



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

## Memorandum

October 21, 2024

**TO:** Interested Persons  
**FROM:** Anna Gerstle, Principal Fiscal & School Finance Analyst, 303-866-4375  
**SUBJECT:** New School Finance Formula in House Bill 24-1448

### Summary

House Bill 24-1448 enacted a new school finance formula, to begin in FY 2025-26 and be phased in over a 6-year period. This memorandum provides an overview of the new formula, the six-year phase-in period, and the parameters that would result in pausing implementation of the new formula. It does not include provisions of HB24-1448 that are not directly related to the new formula, including changes to mill levy override limits, the mill levy override match program, and capital construction funding.

### Background

#### Public School Finance Act of 1994

**Overview.** The Public School Finance Act of 1994 established a school finance formula used to distribute state and local funding to Colorado's 178 school districts. The formula determined an amount of funding for each school district, known as total program. Total program is paid for in part by local property taxes and specific ownership taxes, with the state covering the difference between local tax revenue and total program.

**Formula structure.** Under the 1994 formula, districts receive a base per pupil amount for each pupil. The base per pupil funding amount is adjusted based on a district's cost of living and size. This adjusted per pupil amount is multiplied by a district's funded pupil count. Districts then receive additional funding for at-risk, English language (ELL), online, and extended high school students. Each of these adjustments or funding amounts has specific, detailed calculations specified in state law.

The 1994 formula structure is multiplicative, meaning that district adjustments made to the base for the cost of living and size factors flow through to the amount of funding that districts receive for at-risk students and English language learners.



During the 2024 legislative session, the General Assembly passed Senate Bill 24-188, which added rural funding to the 1994 formula.

**Calculation of funded pupil count.** A district's funded pupil count is used to calculate its total program funding. Under the 1994 formula, funded pupil count is the greater of a district's current year kindergarten through twelfth grade student count, or a two-, three-, four-, or five-year average of student counts, plus online and extended high school enrollment. Each half day kindergartener is counted as 0.58 of a student, and a district's total funded pupil count cannot be less than 50 student FTE.

**Changes to 1994 formula.** The formula in the Public School Finance Act of 1994 has been modified over the years, such as adding funding for English language learners; however, the basic, underlying structure of the formula had not changed until the passage of HB 24-1448.

## Overview of New School Finance Formula

Under the new formula in HB 24-1448, a district's total program funding is calculated as shown in Figure 1. Each component of the new formula and how it differs from the 1994 formula is discussed in more detail below.



**Figure 1**  
**New School Finance Formula Under HB24-1448**

**District Total Program Funding =**

**Foundation funding**

$$\text{Base Per Pupil}^1 \times \text{Funded Pupil Count}^2$$

+

**At-risk funding**

$$\text{Base Per Pupil}^1 \times 0.25 \text{ or } 0.32^5 \times \text{At-Risk Student Count}$$

+

**English language learner (ELL) funding**

$$\text{Base Per Pupil}^1 \times 0.25 \times \text{ELL Student Count}$$

+

**Special education funding**

$$\text{Base Per Pupil}^1 \times 0.25 \times \text{Special Education Count}$$

+

**Cost of living funding**

$$\text{Base Per Pupil}^1 \times \text{Cost of Living Factor} \times \text{Funded Pupil Count}^2$$

+

**Size funding**

$$\text{Base Per Pupil}^1 \times \text{Size Factor} \times \text{Funded Pupil Count}^2$$

+

**Locale funding**

$$\left( \text{Base Per Pupil}^1 \times \text{Locale Factor} \times \text{Funded Pupil Count}^2 \right) + \$100,000 \text{ for some districts}^3$$

+

**Online and extended high school funding**

$$\text{Flat Per Pupil Rate}^4 \times \text{Online and Extended High School Count}$$

<sup>1</sup> Statewide base per pupil funding, which is constitutionally required to increase each year under Amendment 23

<sup>2</sup> Funded pupil count excluding online and extended high school students

<sup>3</sup> Districts with a locale designation of Rural Remote or Town Remote receive an additional \$100,000

<sup>4</sup> Online and extended high school students are funded at a flat per pupil rate, different than the base per pupil rate.

<sup>5</sup> Only districts with less than 7,000 funded pupils and greater than 70 percent at risk students receive the 0.32 factor weight.



## Structure of New Formula

The new formula is additive, meaning that each factor is calculated directly using the base per pupil amount in the new formula (unless otherwise noted below), and then funding for each factor is additively summed to calculate district total program funding. This is in contrast from the multiplicative structure of the 1994 formula.

Additionally, the district total program amounts calculated using the new formula are funded in the same way as the 1994 formula, with the state paying the difference between the local share (local property taxes and specific ownership taxes) and the total program amounts.

## Foundation Funding

Foundation funding is the funding associated with the statewide base per pupil amount that is constitutionally required by Amendment 23<sup>1</sup> to increase each year by at least the rate of inflation. For FY 2024-25, this amount is \$8,496.38 per pupil. The base per pupil amount is multiplied by the district's funded pupil count, excluding online and extended high school students, to determine the district's foundation funding.

## Student Factors

House Bill 24-1448 modified two of the 1994 student factors (the at-risk and ELL factors), and created a new factor that provides funding based on the number of special education students in a district. This section explains the student factors under the new formula.

**At-risk funding.** At-risk funding is calculated by multiplying the district's at-risk factor by the base per pupil amount and the number of district at-risk students. For most districts, the at-risk factor is set at 0.25, except that districts with a funded pupil count of less than 7,000 and an at-risk percentage of more than 70 percent receive an additional 0.07, for a total at-risk factor of 0.32.

HB 24-1448 did not change how at-risk students are counted. Currently, students who are eligible for free and reduced price meals are counted as at-risk for funding purposes; however, a new method for counting at-risk students was approved in House Bill 22-1202 and is currently set to go into effect in FY 2025-26. Exact parameters of that new method have not yet been determined.

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<sup>1</sup> Colo. Const. art. IX, § 17.



**ELL funding.** Under the new formula, ELL funding is calculated by multiplying the 0.25 ELL factor by the base per pupil amount and the number of district ELL students.

**Special education funding.** The new special education factor funding is calculated by multiplying the 0.25 special education factor by the base per pupil amount and the number of students who have a disability. The number of students eligible for categorical Tier A special education funding are used for the calculation of this factor. The bill did not change categorical funding for special education.

**Online and extended high school funding.** HB 24-1448 did not change how online and extended high school funding are calculated, compared to FY 2023-24, with extended high school and online students funded at a flat per student rate (\$9,738 in FY 2023-24) that grows annually by the rate of inflation.

House Bill 24-1393 made two changes to the program, including limiting the per student rate for an ASCENT program participant beginning in FY 2024-25, and limiting enrollment in the ASCENT program, beginning in FY 2025-26. However, HB 24-1448 does not include these two changes; as a result, neither change is expected to be in place when the new formula begins.

## **District Factors**

HB 24-1448 modified the calculation of the size and cost of living factors and created a new locale factor for some districts.

**Cost of living funding.** Under 1994 formula, district cost of living factors are applied only to the portion of the base per pupil amount that is associated with personnel costs. The factors for each district are calculated every two years, and can never decrease.

Under the new formula, a district's cost of living factor is multiplied by the full base per pupil amount and the district's funded pupil count, excluding online and extended high school students. The factors are established by comparing each district's cost of living to the lowest cost of living district and are recalculated every two years. District cost of living factors can thus increase or decrease when recalculated, but they cannot exceed 0.23.

**Size funding.** Under the new formula, a district's size factor is multiplied by the full base per pupil amount and the district's funded pupil count, excluding online and extended high school students. The new formula utilizes the same size factor calculation structure as the 1994 formula, except that only districts with a funded pupil count of 6,500 or less may receive size factor funding. The new formula does not include the size factor smoothing and charter school subtraction provisions in the 1994 formula.



**Locale funding.** HB 24-1448 also adds a new district factor based on a district's locale designation, as determined by the federal National Center for Education Statistics. These designations are based on the geography and population of the school district. Only districts with the following locale designations receive funding, at the weight in parenthesis.

- Rural Fringe (0.15)
- Rural Distant (0.2)
- Rural Remote (0.25)
- Town Fringe (0.025)
- Town Distant (0.05)
- Town Remote (0.10)

A district's locale factor is multiplied by the base per pupil amount and the district's funded pupil count, excluding online and extended high school students. Districts classified as rural remote or town remote receive the amount calculated using the locale factor, plus \$100,000.

If the federal locale factor designation does not align with a district's actual characteristics, the Colorado Department of Education (CDE), in consultation with Legislative Council Staff, may adjust the designation accordingly.

### Changes to Funded Pupil Count

HB 24-1448 made two changes to the calculation of a district's funded pupil count as detailed below.

**Averaging of student counts.** Under the 1994 formula, a district's funded pupil count is the greater of a district's current year student count, or a two-, three-, four-, or five-year average of student counts. HB24-1448 shortens the averaging horizon, so that the funding pupil count is the greatest of the current year student count or the average count over two, three, or four years.

**Minimum funded pupil count.** Under the 1994 formula, a district receives funding for the greater of their calculated funded pupil count or 50 pupils. HB 24-1448 increases the minimum funded pupil count to 60.

### Hold Harmless & Phase In

The new formula is phased in over six years, and includes a hold harmless provision for districts over that period. Under the bill, districts receive the greater of the following:

- their total program under the 1994 formula plus 0.5 percent; or
- their total program under the 1994 formula, plus:
  - 18 percent of the difference between the total program calculated under the current formula and the new formula in FY 2025-26;
  - 34 percent of the difference in FY 2026-27;



- 50 percent of the difference in FY 2027-28;
- 66 percent of the difference in FY 2028-29; and
- 82 percent of the difference in FY 2029-30.

The hold harmless provision remains in place through FY 2029-30, the last year of the phase-in period. Beginning in FY 2030-31, a district's total program is calculated based solely on the new formula.

## **Review & Implementation**

### **Sustainability Plan**

During the six-year phase-in period, the Joint Budget Committee (JBC) must monitor the fiscal impact of district total program determinations, and consider economic conditions, the trend of statewide local share and State Education Fund, and any other relevant factors. On or after January 1, 2025, the JBC must develop a sustainability plan with recommendations for how to fully fund new total program amounts, with the plan reviewed annually, beginning on or after January 1, 2026.

### **Conditions to Pause Implementation**

HB 24-1448 establishes three conditions that may potentially pause the implementation of the new formula during the phase in period:

- the change in local share of total program is less than inflation minus 2 percent over the prior year in a property tax assessment year;
- the local share decreases by at least 2 percent over the prior year in a property tax non-assessment year; or
- the March revenue forecast used by the JBC for the budget estimates that the income tax diversion to the SEF will decrease by 5 percent or more in the current or next budget year.

If any of these conditions are met, the JBC must notify the legislature and the Commissioner of Education and CDE must calculate district's total program using the formula used for the budget year when the condition occurred.

### **Reporting**

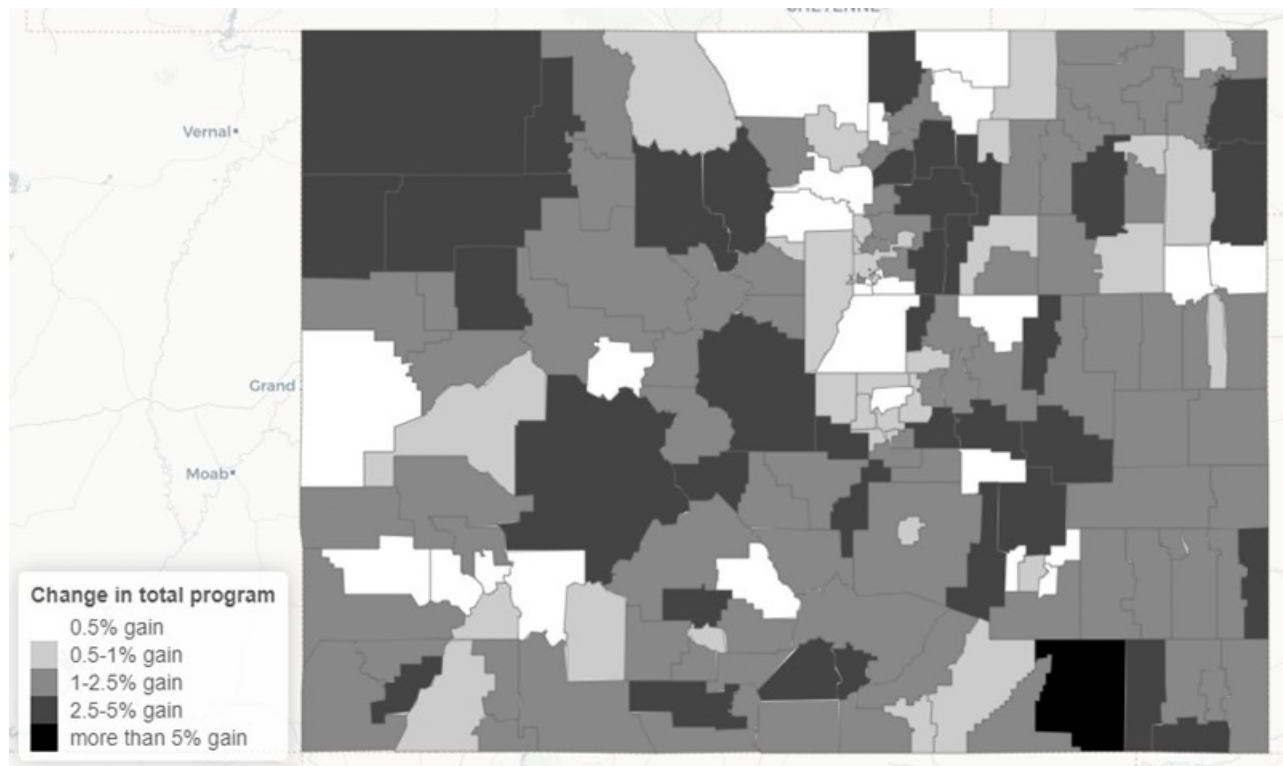
Beginning in January 2026, CDE must include in its annual SMART Act hearing an update on the implementation of the new school finance formula, including trends related to enrollment and certain per pupil funding amounts and how district total program funding is being used at the school level.



## Change in School District Funding

The new formula is expected to increase the total cost of school finance by approximately \$94.8 million in FY 2025-26, compared to the cost of the 1994 formula. The additional funding will increase annually over the six-year phase in period. A total increase of \$571.3 million is expected in FY 2030-31 when the new formula is fully phased in. District funding changes in FY 2025-26 are estimated in the [fiscal note](#) and illustrated in the figure below.

**Figure 8**  
**FY 2025-26 Projected Change in Total Program**  
Compared to 1994 formula; first year of phase in; including hold harmless



## Example

Table 1 shows two hypothetical district examples of how total program is calculated under the new formula, including the phase in and hold harmless.





**Table 1**  
**Example Calculations of FY 2025-26 Total Program**

| <b>Calculation</b>                | <b>Example 1 – Large District</b><br>Lower At-Risk, Not Eligible for<br>Size or Locale funding, No Hold<br>Harmless | <b>Example 2 – Small District</b><br>High At-Risk, Rural Distant, Hold<br>Harmless, No Online/Extended High<br>School |
|-----------------------------------|---------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------|
| Foundation                        | \$8,720 (base)<br>x 50,000 (funded pupil count*)<br><b>= \$436 million</b>                                          | \$8,720 (base)<br>x 175 (funded pupil count*)<br><b>= \$1.5 million</b>                                               |
| At-risk                           | \$8,720 (base)<br>x 0.25 (factor)<br>x 20,000 (at-risk students)<br><b>= \$43.6 million</b>                         | \$8,720 (base)<br>x 0.32 (factor)<br>x 125 (at-risk students)<br><b>= \$348,800</b>                                   |
| English Language<br>Learner (ELL) | \$8,720 (base)<br>x 0.25 (factor)<br>x 10,000<br><b>= \$21.8 million</b>                                            | \$8,720 (base)<br>x 0.25 (factor)<br>x 30<br><b>= \$65,400</b>                                                        |
| Special education                 | \$8,720 (base)<br>x 0.25 (factor)<br>x 9,000<br><b>= \$19.6 million</b>                                             | \$8,720 (base)<br>x 0.25 (factor)<br>x 25<br><b>= \$54,500</b>                                                        |
| Online/Extended High<br>School    | \$10,500 (flat per pupil rate)<br>x 400 (online/ext hs count)<br><b>= \$4.2 million</b>                             | <b>\$0</b> (no online/extended high school<br>students)                                                               |
| Cost of living                    | \$8,720 (base)<br>x 0.230 (factor)<br>x 50,000 (funded pupil count <sup>1</sup> )<br><b>= \$100.3 million</b>       | \$8,720 (base)<br>x 0.046 (factor)<br>x 175 (funded pupil count <sup>1</sup> )<br><b>= \$70,196</b>                   |
| Size                              | <b>\$0</b> (not eligible for size factor)                                                                           | \$8,720 (base)<br>x 0.9305 (factor)<br>x 175 (funded pupil count <sup>1</sup> )<br><b>= \$1.4 million</b>             |
| Locale                            | <b>\$0</b> (not eligible for locale factor)                                                                         | \$8,720 (base)<br>x 0.2 (factor)<br>x 175 (funded pupil count <sup>1</sup> )<br><b>= \$305,200</b>                    |



**Table 1 (Cont.)**  
**Example Calculations of FY 2025-26 Total Program**

| <b>Calculation</b>                                                                                                                | <b>Example 1 – Large District</b><br>Lower At-Risk, Not Eligible for Size or Locale funding, No Hold Harmless | <b>Example 2 – Small District</b><br>High At-Risk, Rural Distant, Hold Harmless, No Online/Extended High School |
|-----------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------|
| <b>Fully Implemented Total</b>                                                                                                    | <b>\$625.5 million</b>                                                                                        | <b>\$3.79 million</b>                                                                                           |
| <b>Phase in Total Program:</b><br>1994 formula funding plus 18% of the difference between new and existing formulas.              | \$605 million<br>+ (\$20.5 million x 18%)<br>= <b>\$608.7 billion</b><br>Increase of \$3.7 million            | \$3.75 million<br>+ (\$40,039 x 18%)<br>= <b>\$3.76 million</b><br>Increase of \$7,207                          |
| <b>Hold Harmless:</b><br>District get the greater of the 1994 formula funding plus 0.5% or new formula funding with the phase in. | The district does not qualify for hold harmless.                                                              | The district qualifies for hold harmless.<br><br>\$3.75 million + 0.5%<br>= <b>\$3.77 million</b>               |
| <b>FY 2025-26 Total Program</b>                                                                                                   | <b>\$608.7 million</b>                                                                                        | <b>\$3.77 million</b>                                                                                           |

\*Funded pupil count excluding online and extended high school.

## Resources

Additional district level information is available in the following resources:

- [HB 24-1448 Fiscal Note](#), which includes the non-formula changes in the bill, and district-by-district total program funding changes and new MLO limits; and
- [Legislative Council Staff School Finance Simulation Tool](#), which can be used to access additional district level information, such as individual district factors and funding amounts, and simulate other changes.