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MEMORANDUM

July 22, 2009

TO: Interim Committee on School Finance

FROM: Marc Carey, Economist (303) 866-4102
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SUBJECT: Categorical Funding by School District

This memorandum provides information on state funding of categorical programs. The first section briefly describes each program and how funding levels have changed since passage of Amendment 23. Subsequent sections examine individual programs in greater detail by describing funding formulas and district-by-district allocations of money in FY 2007-08.

Overview. Programs designed to serve particular groups of students (e.g., students with limited proficiency in English) or particular student needs (e.g., transportation) have traditionally been referred to as "categorical" programs. Unlike public school finance funding, there is no legal requirement that the General Assembly increase funding commensurate with the number of students eligible for any particular categorical program. However, Section 17 of Article IX of the Colorado Constitution, commonly known as Amendment 23, requires the General Assembly to increase total state funding for all categorical programs annually by at least the rate of inflation plus one percent for FY 2001-02 through FY 2010-11, and by at least the rate of inflation for subsequent fiscal years. For example, based on the actual inflation rate for calendar year 2008 (3.9 percent), the General Assembly is required to increase state funding for categorical programs by at least \$10.7 million (4.9 percent) in FY 2009-10.

The General Assembly determines how to allocate the required increase among the various categorical programs. The following list describes each program and **Table 1** shows how the appropriation of state funds has changed in the nine years since FY 2000-01. The table also illustrates that funding increases have not been uniform across categorical programs.

- **Special education - children with disabilities.** Pursuant to federal and state law, administrative units (usually a school district or a board of cooperative educational services) are required to provide all necessary services to disabled children between the ages of 3 to 21. State and federal funding is available to cover a portion of the associated costs.