

#137 - Funding for Public Schools

The proposed amendment to the Colorado Constitution:

- ◆ repeals required funding increases to public schools and the income tax transfer to the State Education Fund after June 30, 2011;
- ◆ before the repeal, allows the legislature to delay a portion of the required funding increases to public schools if certain economic conditions are met; and
- ◆ takes effect only if voters approve Amendment __, which changes constitutional limits on the amount of money that state and local governments may keep and spend.

Background

Current law. Amendment 23 modified the state constitution to require funding increases for preschool through twelfth grade public education beginning in school year 2001-02. It guarantees increases for basic school funding and special purpose programs. For the first ten years, it guarantees an increase of at least one percentage point above the rate of inflation. The one percentage point equals \$60 to \$70 per pupil each year. By the tenth year, funding for public schools from the one percentage point increase is estimated to total over \$500 million per year, or about ten percent of total funding for public schools at that time. After ten years, funding must increase by at least the rate of inflation.

Amendment 23 also requires the state to transfer a portion of income taxes to the State Education Fund. Money in the fund can be used to pay for required funding increases or for other education programs, such as a class size reduction or expanding preschool and kindergarten programs. The income tax transfer averaged \$250 million in each of the last three years.

Public schools receive money from the state and from local property taxes. The TABOR amendment in the constitution restricts local property taxes for public schools. At the same time, Amendment 23 guarantees minimum increases for school funding. As a result, funding requirements for public schools account for a growing proportion of the state's budget, and lawmakers have less discretion over budgetary decisions

Proposed changes to current law. This proposal allows the legislature to suspend all or a portion of the required one percentage point increase in school funding if state personal income grows less than 4.5 percent. Personal income is a measure of economic

1 activity in the state. It includes all of the money that individuals earn or receive in
2 government assistance payments. The one percentage point requirement is extended by one
3 year each time it is suspended. This extension guarantees funding increases of "inflation
4 plus one" for a minimum of ten years, the original time frame established by Amendment
5 23.

6 If there is no suspension, the proposal repeals Amendment 23 after June 30, 2011,
7 eliminating all required funding increases for public education and the income tax transfer
8 to the State Education Fund. The income taxes that are now earmarked for education will
9 become available for any program or service. Today, about 11 percent of state money for
10 basic school funding and specific purpose programs comes from the State Education Fund.

11 **Arguments For**

12 1) The proposal restores legislative flexibility to fund state services. During the
13 economic recession in budget year 2002-03, the legislature increased state education
14 spending by \$240 million, while cutting funding for other programs by approximately \$245
15 million. If the legislature had been allowed to suspend the one percentage point
16 requirement in that year, there would have been approximately \$50 million available to fund
17 other state programs. Moreover, relaxing state revenue limits and repealing all public
18 school funding requirements after June 30, 2011, gives the legislature even more budgetary
19 discretion.

20 **Arguments Against**

21 1) The additional one percent increase for public schools is necessary regardless of
22 downturns in the state economy. It allows public schools to make up for funding increases
23 of less than inflation in the early 1990s. By suspending the one percent, the proposal further
24 delays the ability of schools to catch-up in terms of teacher salaries, program needs, and
25 new educational innovations.

26 2) The repeal of all minimum funding requirements for public schools after June 20,
27 2011, allows the legislature to allocate a smaller fraction of state resources to education.
28 This could hurt the overall quality of public schools in Colorado.