

## Referendum J School District Spending Requirements

Two ballot proposals establish requirements for school district spending. **Referendum J, discussed below, proposes a change to state statute. Amendment 39, discussed on page **?**, proposes a change to Section 17 of Article IX of the Colorado Constitution.** Voters may choose to vote for one, both, or neither of the proposals. Neither proposal is dependent upon passage of the other. If both proposals pass and any provision of Referendum J is found to conflict with a provision of Amendment 39, then that provision of Referendum J will not be enforced. Both proposals:

- ◆ require each school district to spend at least 65 percent of its operating budget on specific items beginning in the 2007-08 school year, although the items are different in each proposal;
- ◆ require any school district that spends less than the 65-percent threshold to increase its spending on the specified items by two percentage points each year until the threshold is met;
- ◆ allow a school district to request a one-year waiver from the spending requirement; and
- ◆ allow the legislature to sanction any school district that fails to comply with the spending requirement.

Additionally, Referendum J:

- ◆ allows voters to exempt a school district from the 65-percent requirement; and
- ◆ requires each school district to submit an annual budget in a standardized format to the state.

### Summary and Analysis

Decisions on how to spend money to operate public schools are made by locally elected school boards in each school district, with certain exceptions. Under current law, districts have to set aside money for school supplies and books, buildings and insurance, and services for at-risk students. On average, these earmarked purposes accounted for roughly \$600 per pupil in school year 2004-05, or nearly 8 percent of school district operating budgets. Both Amendment 39 and Referendum J propose to add a new requirement: that each school district spend at least 65 percent of its operating budget on the items listed in Table 1.

**Table 1: Examples of Items Included in the 65-Percent Requirement in Amendment 39 and Referendum J**

School District Expenditure Items	Included in Amendment 39?	Included in Referendum J?
Teachers, Classroom Aides, and Tutors	✓	✓
Libraries and Librarians	✓	✓
Books and Other Instructional Materials	✓	✓
Classroom Computers	✓	✓
Field Trips, Athletics, Arts, and Music	✓	✓
Principals		✓
Support Staff (Guidance Counselors, Nurses, Bus Drivers, and Food Service Workers)		✓
Support Services Provided at the School Level (Teacher Training, Student Testing, College Placement Services, Student Health and Medical Services, Food Services, and Transportation)		✓
Superintendents and School Boards		
Building Construction, Maintenance, and Repairs		
Central Administrative Functions (Payroll, Accounting, and Budgeting)		

In addition to applying the 65-percent requirement to different items, the two proposals define an operating budget differently. As a result, the proposals will affect districts differently. Table 2 compares spending on the items required by each proposal using average school district spending per pupil from the 2004-05 school year, the most recent year for which data are available.

**Table 2: Comparison of 2004-05 Spending on Items Specified in Referendum J and Amendment 39**

Statewide Average	Amendment 39	Referendum J
Total Operating Budget Per Pupil	\$7,942	\$7,863
Actual Spending on Specified Items	\$4,784	\$6,521
Percent Currently Spent on Specified Items	60%	83%

Data on individual school district spending indicate that under both proposals some school districts would not have met the 65-percent requirement in the 2004-05 school year. If the requirements were in place in 2004-05, 166 school districts would have fallen short

1 by a total of \$278 million under Amendment 39. Three districts would have fallen short  
2 by a total of \$1 million under Referendum J.

3 A district that spends less than the 65-percent threshold must increase spending on  
4 the specified items by two percentage points per year until the requirement is met.  
5 Alternatively, a district may seek a waiver from the requirements.

6 Each year, school district spending records are audited and reported to state and  
7 federal education agencies. The data are organized by category to show the amount spent  
8 on such items as classroom instruction, support staff, administration, and buildings. These  
9 reports will be used to determine compliance with the 65-percent requirement, although  
10 some modification to the categories may be required. The State Board of Education is  
11 responsible for approving the types of data that are reported in each category.

## 12 **Arguments For Referendum J**

13 Arguments for Amendment 39 appear on page \_.

14 1) By including all school functions in the 65-percent spending requirement,  
15 Referendum J recognizes that students and teachers benefit from the support provided by  
16 principals, guidance counselors, nurses, bus drivers and many others who are outside the  
17 classroom.

18 2) Referendum J establishes a standard for school district spending that can be  
19 changed in the future by the state legislature as the delivery of education services changes.  
20 And, it preserves the flexibility of locally elected school boards to respond to the needs and  
21 desires of the community. School boards in each district can still decide whether school  
22 spending should be for teachers, counselors, classroom materials, technology,  
23 transportation, or hot lunches.

## 24 **Arguments Against Referendum J**

25 Arguments against Amendment 39 appear on page \_.

26 1) Referendum J is unnecessary because nearly all school districts in the state  
27 already meet the 65-percent requirement. It also creates new data and budget reporting  
28 requirements for school districts without necessarily improving student achievement.

29 2) Referendum J fails to account for the important differences among the 178  
30 school districts across Colorado. School districts vary greatly in the characteristics of their  
31 pupil population, geography, and community values. These differences should be  
32 addressed by locally elected school boards with input from parents, teachers, taxpayers, and  
33 others in the district.

1     **Estimate of Fiscal Impact of Referendum J**

2             The Colorado Department of Education will determine school district compliance  
3 with Referendum J's expenditure requirements. This effort is expected to increase state  
4 costs by about \$62,000 per year. Referendum J may also increase school district costs by  
5 requiring more detailed tracking of expenditures, additional budget planning to conform  
6 with the amendment, and a new standardized budget submission. Additionally, while the  
7 amendment does not increase funding for public education, an estimated 3 of 178 districts  
8 will have to increase spending on the specified items by a total of \$1 million to meet its  
9 requirements. This estimate is based on 2004-05 spending.