

Amendment 39
School District Spending Requirements

1 Two ballot proposals establish requirements for school district spending.
2 **Amendment 39, discussed below, proposes a change to Section 17 of Article IX of the**
3 **Colorado Constitution. Referendum J, discussed on page 2, proposes a change to**
4 **state statute.** Voters may choose to vote for one, both, or neither of the proposals. Neither
5 proposal is dependent upon passage of the other. If both proposals pass and any provision
6 of Referendum J is found to conflict with a provision of Amendment 39, then that
7 provision of Referendum J will not be enforced. Both proposals:

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

18 Additionally, Referendum J:

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

22 **Summary and Analysis**

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

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 Amendment 39**

13 Arguments for Referendum J appear on page _.

14 1) Amendment 39 increases funding for classroom instruction, without increasing
15 taxes. It requires that school districts focus their resources on educating students in the
16 classroom and be more efficient with other spending. As a result, more money may be
17 available for teaching professionals. The most recent data available indicate that spending
18 in the classroom could increase by as much as \$278 million.

19 2) Amendment 39 establishes a constitutional standard for school district spending.
20 School district taxpayers across the state will know that at least 65 percent of the district's
21 budget is being spent in the classroom without having to examine each district's financial
22 documents. School boards in each district will decide how to meet the requirement, which
23 may result in new spending priorities.

24 **Arguments Against Amendment 39**

25 Arguments against Referendum J appear on page _.

26 1) Amendment 39 fails to account for the important differences among the 178
27 school districts across Colorado and does not necessarily improve student achievement.
28 School districts vary greatly in the characteristics of their pupil population, geography, and
29 community values. These differences should be addressed by locally elected school boards
30 with input from parents, teachers, taxpayers, and others in the district rather than by an
31 amendment to the state constitution.

32 2) School districts not meeting the new requirement may have to divert money
33 from support functions and positions that help teachers to teach and students to learn.
34 Nurses, guidance counselors, and principals are essential to a well-run school but do not

1 count toward the 65-percent spending requirement. In addition, costs for student
2 transportation, utilities, and hot lunches, which are often beyond a district's control, do not
3 count toward the 65-percent requirement.

4 **Estimate of Fiscal Impact**

5 Determining school district compliance with Amendment 39's expenditure
6 requirements is expected to increase state costs by about \$50,000 per year and may also
7 increase school district costs by requiring more detailed tracking of expenditures and
8 additional budget planning to conform with the amendment. Additionally, while the
9 amendment does not increase funding for public education, an estimated 166 of 178
10 districts will have to increase spending on the specified items by a total of \$278 million to
11 meet its requirements. This estimate is based on 2004-05 spending.