

**Amendment 39 and Referendum I
School District Spending Requirements**

1 Two ballot measures establish requirements for school district spending.
2 Amendment 39 is a proposed amendment to the Colorado Constitution; Referendum I is
3 a proposed amendment to state statute. Voters may choose to vote for one, both, or neither
4 of the proposals. Both proposals:

- 5 ◆ require each school district to spend at least 65 percent of its operating budget
6 on specific items beginning in the 2007-08 school year, although the items are
7 different in each measure;
- 8 ◆ require any school district that spends less than 65 percent to increase its
9 spending on the specified items by 2 percentage points each year until the
10 65 percent threshold is met;
- 11 ◆ allow a school district to request a one-year waiver from the spending
12 requirement; and
- 13 ◆ allow the legislature to sanction any school district that fails to comply with the
14 spending requirement.

15 Additionally, Referendum I:

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

19 Arguments related to Referendum I and a discussion of the fiscal impact appear on
20 page _.

21 **Summary and Analysis**

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

1
2

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

	Included in Amendment 39?	Included in Referendum I?
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)		✓
Before- and After-School Programs		✓
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		
Central Administrative Functions (Payroll, Accounting, and Budgeting)		

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

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

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

31 Data on individual school district spending indicate that under both proposals some
 32 school districts would not have met the 65 percent requirement in the 2004-05 school year.

1 If the requirements were in place in 2004-05, 166 school districts would have fallen short
2 by a total of \$278 million under Amendment 39. Three districts would have fallen short
3 by a total of \$1 million under Referendum I.

4 To meet the 65 percent spending requirement a school district may have to shift
5 existing money, use new money, or both. A district that cannot comply must increase
6 spending on the specified items by 2 percentage points per year until the requirement is
7 met. Alternatively, a district may seek a waiver from the requirements.

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

14 **Arguments For Amendment 39**

15 Arguments for Referendum I appear on page _.

16 1) Amendment 39 increases funding for classroom instruction without increasing
17 taxes. It requires that school districts focus their resources on the core mission of
18 educating students. It also requires districts to be more efficient with other spending,
19 which may provide more money for teaching professionals. The most recent data available
20 indicate that spending in the classroom could increase by as much as \$278 million.

21 2) Amendment 39 establishes a constitutional standard for school district spending,
22 while preserving the flexibility of local communities to address their educational needs.
23 School district taxpayers will know that at least 65 percent of the district's budget is being
24 spent in the classroom without having to examine district financial documents.
25 Communities will decide how to meet the requirement, which may result in school boards
26 setting new spending priorities.

27 **Arguments Against Amendment 39**

28 Arguments against Referendum I appear on page _.

29 1) Amendment 39 fails to account for the important differences among school districts
30 across Colorado. School districts vary greatly in the characteristics of their pupil
31 population, geography, and community values. Funding priorities are established by
32 locally elected school boards with input from parents, teachers, taxpayers, and others
33 taking these differences into account. Local communities should decide where to put
34 education resources by working with their school board representatives who are
35 accountable to the voters in the district.

1 2) To meet the new requirement, school districts may need to cut some essential
2 support functions and positions that help teachers to teach and children to learn. Nurses,
3 guidance counselors, and principals are essential to a well-run school but do not count
4 toward the 65 percent spending requirement. In addition, costs for student transportation,
5 utilities, and hot lunches, which are often beyond a district's control, do not count.

6 **Estimate of Fiscal Impact**

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

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25
26
27
28
29
30
31

Referendum I
School District Spending Requirements

A detailed summary and analysis of Referendum I can be found on page _.

Arguments For Referendum I

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

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

Arguments Against Referendum I

1) Referendum I is unnecessary because nearly all school districts in the state already meet the 65 percent requirement. It also creates new administrative burdens for school districts without necessarily improving student achievement.

2) Referendum I fails to account for the important differences among school districts across Colorado. School districts vary greatly in the characteristics of their pupil population, geography, and community values. Funding priorities are established by locally elected school boards with input from parents, teachers, taxpayers, and others taking these differences into account. Local communities should decide where to put education resources by working with their school board representatives who are accountable to the voters in the district.

Estimate of Fiscal Impact of Referendum I

The Colorado Department of Education will determine school district compliance with Referendum I's expenditure requirements. This effort is expected to increase state costs by about \$62,000 per year. Additionally, while the amendment does not increase funding for public education, an estimated 3 of 178 districts will have to increase spending on the specified items by a total of \$1 million to meet its requirements. This estimate is based on 2004-05 spending.