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**Initiative #126**  
**Changing Education Funding and Ending Future TABOR Rebates**

**Amendment ?? proposes amending the Colorado Constitution to:**

- ◆ eliminate constitutionally required spending increases for preschool through 12th grade (P-12) education beginning in 2011;
- ◆ eliminate constitutionally required refunds that taxpayers receive when the state collects more than it is allowed, and spend the money on P-12 education; and
- ◆ set aside money in a new savings account for P-12 education.

**Summary and Analysis**

***What are the required increases for education spending and how are they changed?*** A constitutional provision known as Amendment 23 requires the state to increase the amount of money it spends on P-12 education. Spending must increase by at least inflation plus one percent through 2011 and by at least inflation each year thereafter. Amendment ?? eliminates the spending requirement after 2011.

***What is the state spending limit and how is it changed?*** Another constitutional provision known as TABOR limits the amount of money the state may spend each year. Any money collected above the limit is rebated to taxpayers unless the voters allow the state to spend it. Current projections do not show any rebates during the next five years. However, since the economy grows faster than the limit over time, tax collections will grow beyond the limit and rebates will occur at some point in the future. Beginning in 2011, Amendment ?? permanently eliminates these rebates and instead places that money in the State Education Fund.

***What is the State Education Fund?*** The State Education Fund is an existing state fund that receives and holds money that can be spent only on P-12 education. Under current law, a portion of state income taxes are deposited in the fund. Amendment ?? deposits the money that the state keeps above the spending limit into the fund, along with other money the legislature may transfer to the fund.

***What is the new savings account for P-12 education?*** Amendment ?? creates a savings account within the State Education Fund. It places ten percent of income taxes that are currently deposited in the fund into the savings account until a certain threshold amount is reached. This money, about \$46 million in the first year, may be spent only on P-12 education, and then only if two-thirds of the state legislature votes to do so. In years that statewide personal income in Colorado grows less than 6 percent, the state legislature may spend it with a simple majority vote.

***What else does the measure do?*** In addition to the TABOR spending limit mentioned above, the state has a yearly limit on spending increases for most state

1 programs. Any money the state has above this limit is spent on transportation and  
2 capital construction projects. The measure allows the legislature to transfer this money  
3 to the State Education Fund as long as certain other transfers for transportation have  
4 been made.

5 **Arguments For**

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7 1) Without raising taxes, Amendment ?? provides a future source of money for  
8 educating Colorado's children. This money may be used for P-12 education  
9 improvements, including expanding preschool and full-day kindergarten programs,  
10 reducing class size, expanding technology education, and providing performance pay  
11 for teachers. Providing new sources of money to invest in P-12 education helps  
12 schools teach children the skills needed for the jobs of the future. A well-educated  
13 workforce is necessary to attract new businesses, generate new jobs, and keep  
14 existing jobs in Colorado.

15 2) A savings account for education protects both P-12 schools and other state  
16 programs during economic downturns. Currently, Amendment 23 requires school  
17 funding to be increased every year, regardless of the economic situation. In difficult  
18 times, this required increase may result in cuts to other state programs such as health  
19 care, transportation, and higher education in order to fund P-12 education.  
20 Amendment ?? relieves pressure to cut other programs while protecting funding for P-  
21 12 education during an economic downturn.

22 3) TABOR's spending limit conflicts with Amendment 23's required spending  
23 increases. Amendment ?? solves this conflict while stabilizing and protecting funding  
24 for education and retaining the right of Coloradans to vote on tax increases.

25 **Arguments Against**

26 1) Amendment ?? permanently eliminates all future TABOR rebates to Colorado  
27 taxpayers. It is effectively a tax increase that will grow the size of state government.  
28 In addition, while the TABOR rebates are supposed to be spent on education, the  
29 money could instead replace existing education spending, allowing growth in other  
30 state programs. The measure also allows the only major source of money that is  
31 spent on the state's buildings to be transferred for spending on P-12 education at a  
32 time when the state is currently unable to keep up with building maintenance and  
33 construction needs.

34 2) Amendment ?? eliminates guaranteed funding increases for education and  
35 places future funding for education at the discretion of the state legislature. Without  
36 these guaranteed increases, legislators could provide less than inflationary increases  
37 for P-12 education in order to pay for other programs.

38 3) Without a limit on spending, government is more likely to increase fees.  
39 TABOR requires that money collected above the spending limit be returned to  
40 taxpayers. In these situations, the legislature has no incentive to raise fees because

1 the additional money is rebated to taxpayers. Therefore, Amendment ?? is likely to  
2 result in an increase in the amount of fees charged to people.

3 **Estimate of Fiscal Impact**

4 Beginning in 2010, ten percent of the income tax collections deposited into the  
5 State Education Fund will be placed in a savings account. The savings account will  
6 receive an estimated \$46 million in 2010 and \$50 million in 2011. Money will be  
7 placed in the savings account each year until the account balance reaches a certain  
8 threshold amount. The savings account is expected to reach the threshold in 2022.  
9 Under current projections, no new money will be deposited in the State Education  
10 Fund from TABOR rebates during the next five years.

11 Amendment ?? allows transfers of money to the State Education Fund above the  
12 state's yearly limit on spending for most state programs as long as certain other  
13 transfers for transportation have been made. Money is expected to be available for  
14 these transfers beginning in 2010. Any transfers would reduce spending on  
15 transportation and capital construction projects.