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**Initiative #126**  
**Changing Education Funding and Ending TABOR Refunds**

Amendment ?? proposes amending the Colorado Constitution to:

- ◆ eliminate required spending increases for K-12 education beginning in 2011;
- ◆ eliminate refunds that taxpayers receive when the state collects more than it is allowed and spend the money on K-12 education; and
- ◆ create a savings account for K-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 kindergarten through twelfth grade education, or K-12 education. Spending must increase by at least inflation plus one percent through 2011 and by at least inflation each year thereafter. This measure 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 refunded to taxpayers unless the voters allow the state to spend it. Current projections do not show any refunds during the next five years. However, since tax collections grow faster than the limit over time, refunds will occur at some point in the future. Beginning in 2011, the measure permanently eliminates these refunds and instead places them in the State Education Fund.

***What is the State Education Fund?*** The State Education Fund receives money dedicated for K-12 education. Under current law, it receives a portion of state income taxes. Under this measure, the fund also receives the new money that the state keeps above its spending limits.

***What is the new savings account?*** This measure creates a separate savings account within the State Education Fund. It deposits ten percent of income taxes that are already deposited in the fund under current law into the savings account. This money, about \$46 million in the first year, may be spent for K-12 education if legislation is passed by a two-thirds vote of the state legislature. However, in years that personal income in Colorado grows less than 6 percent, the money may be spent if legislation is passed with a simple majority vote.

***What else does the measure do?*** Currently, the state is limited to an increase of 6 percent on spending for most state programs. This measure allows the legislature to transfer money to the State Education Fund for spending on K-12 education outside of this 6 percent limit, as long as certain transfers for transportation funding have been

1 made. Under current law, the money would be spent on capital construction and  
2 transportation projects.

3 ***Does the measure affect annual income tax refunds?*** No. A taxpayer receives  
4 a state income tax refund when the taxpayer pays more in state income taxes than he  
5 or she owes. The TABOR refunds affected by this measure are different than  
6 individual income tax refunds.

7 **Arguments For**

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9 1) Without raising taxes, the measure provides new money to educate Colorado's  
10 children. This money may be used for a number of K-12 education improvements,  
11 including expanding preschool and full-day kindergarten programs, reducing class size,  
12 expanding technology education, and providing performance pay for teachers.  
13 Investing in education helps provide children with the skills needed for the jobs of the  
14 future. A well-educated workforce is necessary to attract new businesses, generate  
15 new jobs, and retain existing jobs in Colorado.

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

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

26 **Arguments Against**

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

34 2) This measure 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 K-12 education to fund other programs.

1           3) This measure removes a constitutional control on state spending and weakens  
2 control over fee increases. TABOR requires that money collected above the spending  
3 limit be returned to taxpayers. When this happens, the legislature has no incentive to  
4 raise fees because the additional money is refunded to taxpayers. If adopted, this  
5 measure is likely to result in an increase in the amount of fees charged to people.

## 6   **Estimate of Fiscal Impact**