

# Amendment 23

## Protecting public schools, but at what price?

### How Colorado funds public schools

In Colorado, public schools are funded by local property taxes (about 40% and shrinking) and by state sales and income taxes (60% and growing). In 1994, a legal requirement known as “equalization” was implemented to compensate poorer districts with low property tax revenues. “Equalization” requires that all 178 Colorado school districts receive an equitable amount of per-pupil funding. Public school funding is the state’s largest program, accounting for 43% of Colorado’s General Fund budget.

### Recent history of Colorado’s K-12 spending

Public school spending did not keep pace with inflation for most of the 1990s. By 2000, when Amendment 23 appeared on the ballot, Colorado had dropped from 11th (1982) to 32nd in the nation in per-pupil spending. According to Amendment 23’s proponents, increasing per-pupil funding by inflation plus 1% would stop the backward slide in education spending and “catch Colorado up” to the national average by 2011.

### Amendment 23 facts

- Citizen initiative passed in 2000 by 53% of Colorado voters;
- Mandates increases in per-pupil funding as well as increases for several specific education programs;
- Annual K-12 education increases must be at least inflation plus 1% for 10 years, and at least inflation thereafter;
- Establishes the State Education Fund and earmarks about 7% of state income tax revenues for the fund. Money comes from TABOR surpluses when they are available, thereby reducing rebates to taxpayers;
- Allows the State Education Fund to be depleted in a recession.

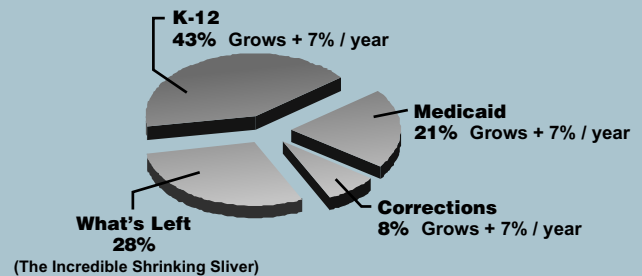
### The State Education Fund

The State Education Fund was established to provide money for the additional spending required by Amendment 23. In the absence of a recession, funding comes from surplus revenue that would otherwise be refunded to Colorado taxpayers under TABOR. In bad economic times, when there are no surpluses, increases are still required, substantially reducing the total amount available for other competing state programs. This is often referred to as “crowding out.”

Although the money in the fund was intended for public education increases, it can also be used by the legislature in hard times for other purposes. The temptation to exploit the fund jeopardizes its long-term solvency. At the current rate, Legislative Services predicts that the fund could be empty as early as 2006. But regardless of where the money comes from, the state is required to deliver the inflation plus 1% increases required by Amendment 23.

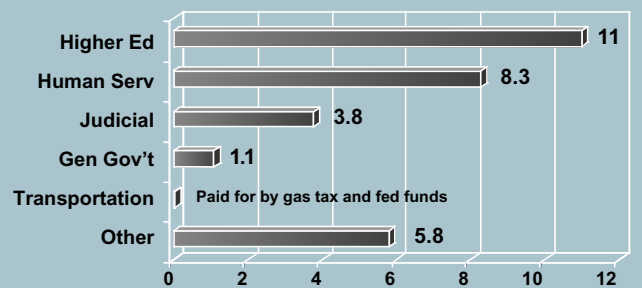
Twenty years ago, before equalization or the passage of the Gallagher Amendment, TABOR, and Amendment 23, local property taxes paid for about 60% of public school education costs and the state paid 40%. Today the percentages are reversed: the state picks up 60% of the cost while local government pays 40%. And the state share is growing.

### The “Crowding Out” Effect



Percent of General Fund Budget

### So... What's in What's Left?



Percent of General Fund Budget

### The “maintenance of effort” clause

In an effort to insure the long-term solvency of the State Education Fund, the drafters of Amendment 23 included a “maintenance of effort” provision that requires General Fund spending on K-12 be increased by 5% each year, however in a down economy the maintenance of effort provision is waved. This provision was added to help ensure that lawmakers will not substitute the State Education Fund for K-12’s share of the General Fund.