

# INDEPENDENCE INSTITUTE ISSUE BACKGROUNDER

## AMENDMENT 66: UNFAIR AND OVERPRICED

BY BEN DeGROW • IB-E-2013 • AUGUST 2013

### INTRODUCTION

Amendment 66 on the November 2013 Colorado ballot proposes a nearly \$1 billion statewide income tax increase to pay for a new school finance formula and other education funding priorities. A majority vote at the polls would activate the policy changes in Senate Bill 213, approved by the legislature's Democratic majority and Gov. John Hickenlooper. The policy package tied to approval of the tax increase proposal raises four primary concerns:

- A redistribution scheme that unfairly burdens taxpayers in certain communities
- A constitutional mandate that restricts the legislature's ability to allocate resources
- A funding formula that creates inequities based on where a student is enrolled
- Inadequate policy changes that offer no real hope of better student outcomes

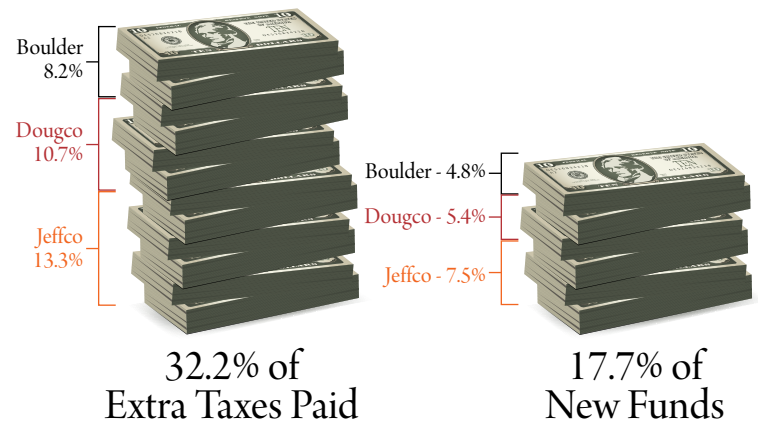
### SPREADING WEALTH AROUND

Legislative analysts estimate Amendment 66, by raising state income tax rates, will yield an extra \$950 million a year for Colorado public education, with that amount likely to increase in future years. The proposal would replace the existing 4.63 percent flat income tax with a two-tier scheme. Annual taxable income up to \$75,000 would be assessed at a new 5.0 percent rate, while all income above \$75,000 would be taxed at a considerably higher 5.9 percent. State tax liability for lower-income households would increase by 8 percent. Higher incomes would face a marginal increase of 27 percent.

If the initiative succeeds, the formulas already adopted in SB 213 will determine how much school districts receive in future years. One-third of districts are slated to receive funding increases less than 8 percent; 20 rural districts actually would receive fewer dollars per student. An analysis of 45 charter schools found four would lose revenue under the tax increase.<sup>1</sup>

Residents in Boulder, Douglas, and Jefferson counties would pay out substantially more in additional taxes than their local school districts would receive in additional

revenues. As shown below, the three counties combined will pay nearly one-third of the new income taxes,<sup>2</sup> but their school districts will receive little more than half those dollars in direct funding.



### BUDGETARY HANDCUFFS

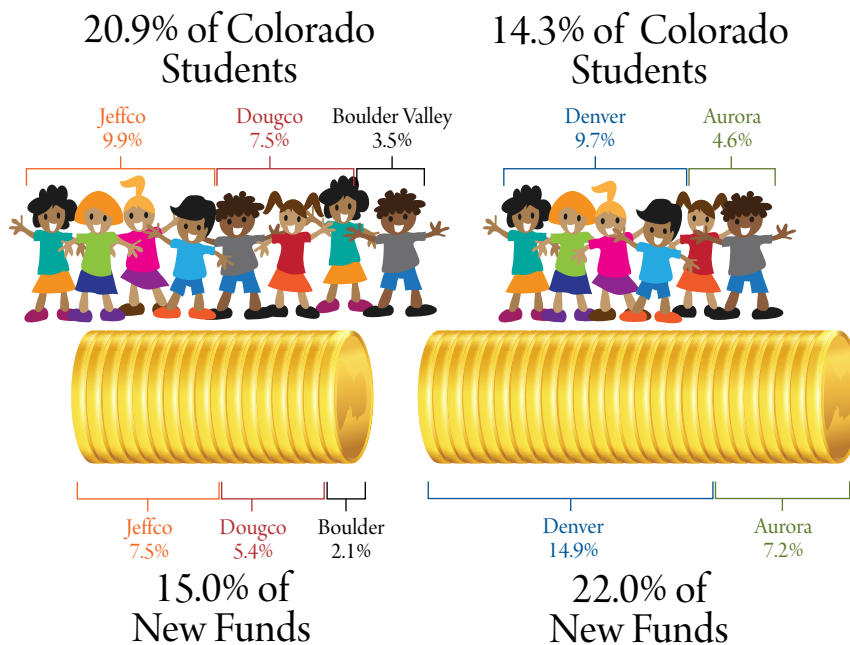
Amendment 66 also would repeal requirements to increase base education funding each year at the rate of inflation. Instead, the state constitution would be changed to require at least 43 percent of all state income, sales, and excise tax revenue be set aside to finance preschool through high school education. Elected legislators' authority to appropriate state funds would be significantly limited by this unique standard.

### MORE EQUAL THAN OTHERS

Colorado's current School Finance Act adjusts districts' Per Pupil Revenue (PPR) amounts from a base figure based on district size, cost of living, and the number of "at-risk" students (those who qualify for the federal Free and Reduced Lunch program). SB 213's formula removes the cost-of-living factor and much more heavily weights dollars toward non-native English speakers and low-income students. A low-income, Spanish-speaking child would be allocated at least 40 percent more than a middle-class native speaker in the same district.

The SB 213 formula also gives even more dollars for each English Language Learner or low-income student to districts that have higher concentrations of these students. A girl with identical at-risk characteristics on one side of the boundary in Denver would bring in hundreds of more dollars than if she attended

school a couple blocks away in Jefferson County. The net result is a huge funding increase for Denver and Aurora at the expense of Jeffco, Dougco, and Boulder Valley school districts.



SB 213 fixes the ratio of school finance dollars at 60 percent state to 40 percent local, with districts receiving different shares based on local property wealth. Districts that fail to collect a “sufficient” amount of local taxes will be threatened with the loss of some state dollars.

## WHERE’S THE BEEF?

From 2002 to 2012, Colorado’s K-12 per-pupil spending outgrew inflation. The recession has led to some modest actual cuts for many districts, yet education funding overall remains at historically high levels. According to the National Education Association, Colorado public schools spent \$10,001 per student on yearly operations in 2011-12, placing the state at 26th nationally. Only three of the 11 states in our region spend more per student.<sup>3</sup>

If Amendment 66 is ratified, SB 213 authorizes additional funds to be allocated as follows:

1. **\$420 million** to fill and expand the general school funding formula, including funding all kindergarten students as full-time (1.0 FTE), rather than 0.58 FTE, and providing half-time preschool for all low-income families
2. **\$366.7 million** flat per-pupil expenditure to districts for every enrolled public school student in Colorado, known as the “Teacher and Leadership Investment” (TLI)
3. **\$100 million** for the newly-created Innovation Education Grant Fund, which gives preference to low-performing districts and initiatives that expand learning time rather than introduce technology to help make educators’ work more productive
4. **\$80 million** for special education services and programs
5. **\$7 million** for gifted and talented learning programs
6. **\$6 million** “to provide additional career opportunities for highly effective educators”

7. **\$5 million** for the Colorado Department of Education (CDE) to create student count and financial transparency technical systems
8. **\$1.3 million** for regional education service delivery
9. **\$1 million** for CDE to “provide professional development programs”
10. **\$1 million** to underwrite the costs of administering local school tax elections

Item 7 represents the only clear potential for positive improvements in Colorado’s school funding system. Yet even counting students according to a year-long average enrollment rather than an October count date (starting in 2017-18) will not alleviate the inequity of funding some students who are no longer in the system. Districts with declining enrollments still will be able to average up to five years of student counts for funding purposes. Further, proponents claim the new scheme will “treat principals like CEOs,” but even the 3 to 4 percent of total dollars supposedly designated for school-level control must be approved at the district level.

SB 213 requires CDE to submit a cost study to the legislature every four years. But the measure allocates no dollars to reward success. The State Education Fund is forecast to have \$1.6 billion in 2013-14. Yet the General Assembly has failed to use any of these funds to implement new student count and financial transparency systems. SB 213’s few modest improvements essentially are being held hostage to a statewide tax increase, making Amendment 66 a heavily overpriced proposition

## CONCLUSION

Amendment 66 promises to redistribute wealth and create new inequities rather than to provide better operation of schools and delivery of instruction. Starting at a billion dollars per year, Colorado parents and other taxpayers deserve more.

## ENDNOTES

<sup>1</sup> Colorado General Assembly, Legislative Council, “Impacts of SB 213 as Adopted by the General Assembly,” Table 3B; “Charter School Funding Comparison, Current Law vs. SB 13-213.” See <http://education.i2i.org/k-12-issues/finance/amendment-66-and-sb-213/> for more resources.

<sup>2</sup> Taxable income data provided by Colorado Department of Revenue. Projections made using annual economic growth data provided by Legislative Council and U.S. Census Bureau population estimates.

<sup>3</sup> NEA Rankings and Estimates (December 2012), pg 55, Table H-11.

A pdf of this Issue background can be found at: <http://education.i2i.org/2013/08/amendment-66-unfair-and-overpriced/>.