

What is the Gallagher Amendment?

- The Gallagher Amendment, passed in 1982, was designed to maintain a constant ratio between the property tax revenue that comes from residential property and from business property.
- The effect of Gallagher was to reduce the *assessment rate* (the percent of property value that is subject to taxation) whenever residential property values increased faster than business property values. As a result of the Gallagher Amendment, the assessment rate for residential property has declined by about two-thirds since 1982 due to population growth and increases in residential real estate values.
- The net effect has been a marked decline in revenues collected from property tax, which prior to Gallagher, provided the majority of school funding.

What is TABOR?

Passed in 1992, TABOR is the “Taxpayer Bill of Rights,” which imposes the strictest revenue and spending limits in the nation. TABOR:

- Prohibits any tax increase without a vote of the people;
- Places strict limits on how much revenue the state can keep and spend;
- Requires any revenue collected in excess of TABOR’s revenue limits – at every level of government including school districts – to be refunded to the taxpayers, unless the voters decide to “de-Bruce” (i.e., allow the government to retain the “excess”). This provision of TABOR was suspended at the state level for five years (2006-2011) as a result of the passage of Referendum C.

How have Gallagher and TABOR combined to affect public schools?

- Schools are funded by a combination of local (property) and state revenues. The Gallagher Amendment formula has limited local revenues by cutting the residential assessment rate by two-thirds since its passage in 1982.
- From 1982 until 1992 districts could make up for the lower assessment rate by increasing their mill rate (property tax rate). In addition, the state had the flexibility to increase state spending to make up for the amount that property taxes used to cover.
- But with the passage of TABOR in 1992, a combination of budget formulas made it increasingly difficult to fund schools. TABOR’s revenue limits automatically cut mill rates in districts across Colorado, and at the same time, TABOR limited the state’s ability to prop up school funding with state dollars.
- Note that the combination of Gallagher and TABOR has shifted the burden of school funding from local property taxes to the State General Fund. Thus, the State’s General Fund provides more than 60% of school funding whereas it used to be less than 40%. This explains the dramatic increase in the portion of the General Fund now spent on schools.

What is Amendment 23?

- In 2000, the voters passed Amendment 23 to reverse a decade of budget cuts experienced by Colorado school districts throughout the 1990s. Amendment 23 guarantees minimum annual per pupil funding increases of “inflation +1 percent” through 2011, and “inflation” after that.
- After nine years of Amendment 23, we are finally spending about as much per child as we did in 1989, adjusted for inflation. Notably, Amendment 23 uses an inflation measure that is much lower than the actual cost increases that school districts encounter because of what they purchase: health care, energy, transportation, pensions, etc. As a result, districts’ actual purchasing power is far below 1989 levels.
- Over the years, Amendment 23 has been treated as a ceiling for funding – rather than as a floor as it was intended to be. Now it appears that the legislature will reinterpret parts of Amendment 23 in a way that allows them to lower that floor/ceiling by up to a billion dollars.