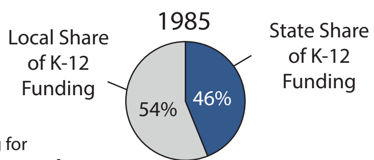
Shrinking Funding for Colorado's Schools
A Timeline of School Finance Legislation and Consequences

Colorado Fiscal Institute

1982

Gallagher Amendment
Residential assessment rate to be adjusted every two years, and the state will adjust property tax assessment rates to maintain proportional relationship between revenue raised from residential and business property (With business representing 55% and residential 45%).



Funding for schools comes from two sources: local dollars (generated by property tax) and state dollars (from income and sales tax).

1992

TABOR (Taxpayer's Bill of Rights)
Set limits on amount of revenue that can be collected by state and local governments, imposed a limit on property taxes, and eliminated the ability of elected officials to increase revenue or change property assessment rates.

1994

School Finance Act
Determines how most of the funding from state and local tax collections are distributed across Colorado's 178 school districts through a formula reflecting student and district characteristics, attempting to make adjustments for equity.

2000

Amendment 23
Established minimum increase in "base" per pupil funding by at least the rate of inflation and created the State Education Fund with the goal of catching K-12 funding up to 1988-89 levels adjusted for inflation.

2005

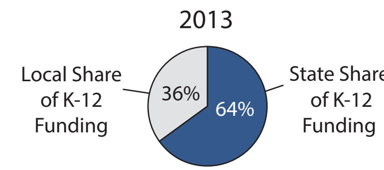
Referendum C
Allowed Colorado to retain and spend revenue collected above TABOR limit for five years and allows the state to retain and spend all revenue up to a "cap," which is equal to the previous year's revenue allowance plus inflation and population growth.

2007

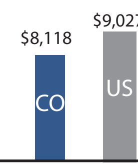
Mill Stabilization
SB07-199 fixed the 1994 school finance law that automatically cut local property taxes (mill levies) when collections were estimated to exeed TABOR provisions on property tax collections.

2009

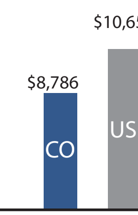
"Negative Factor"
Legislators decide that only certain parts of the school finance formula must grow by inflation. This allowed the creation of a budget stabilization factor that amounts to a reduction in revenue for schools. This allowed compliance with A23 while cutting K-12 funding.



In the early 1980s Colorado spent $466 more per student than the national average.



By 2000, Colorado was spending $909 less per student than the national average.



The latest figures show that Colorado spends $1,872 less per student than the national average.

In 1982, near the end of a period of strong economic growth, voters passed the Gallagher Amendment to shield homeowners from large property tax increases as home values rose rapidly. Over time, residential property tax collections fell, meaning fewer local dollars available for school districts. This shifted more of the responsibility to finance education to the state. . .

. . . Statewide growth in residential property values outpaced commercial property and that pushed down residential assessment rates to comply with the Gallagher requirement of a consistent relationship between revenue generated by home and business property. To counter falling assessment rates, local leaders could float mill levies so a school district's total dollars remained constant. At that time, the state still had the flexibility to increase taxes. . .

. . . But with the passage of TABOR, the ability to fund schools was restricted because (1) TABOR prevented mill levies from floating (2) state law automatically cut mill rates in districts whose prior year's spending exceeded the limit, which led to falling local dollars and (3) TABOR's revenue restrictions limited the state's ability to prop up school funding with state dollars. . .

. . . Falling local dollars put greater pressure on the state to provide extra school funding, which meant less budget flexibility and less funding for other public programs that are funded by state tax dollars including: higher education, prisons, courts, health and human services until. . .

. . .voter-approved Referendum C temporarily eased budget pressures by letting the state keep money above the TABOR limit. This allowed the state to retain several billion dollars in revenue that would have otherwise been returned to taxpayers. Also, a state law change meant that local districts that passed a "de-brucing" measure no longer had to reduce mill rates. This helped stabilize the local share . . .

. . .Then the Great Recession hit, and Colorado's tax collections fell by 13 percent, making it nearly impossible to fund all the public programs financed with tax dollars and provide the education dollars necessary to comply with A23. So the state determined that A23 didn't apply to all parts of the school funding formula, which helped introduce the "Negative Factor". . .

. . . Funding for K-12 education in Colorado in 2013 was more than $1 billion below where it would have been without the Negative Factor, which has reduced each school district's yearly funding by about 15 percent.

The local share of K-12 has fallen significantly since the 1980s, and the state now spends nearly $2,000 less per student than the national average.