

## CSFP Briefing Document: Colorado's Constitution - How it Impacts the State's Budget, a Quick Lesson on Gallagher, TABOR, Amendment 23

The **Gallagher Amendment** was passed by the legislature in 1982 to control for residential and commercial fluctuations in property tax support for local governments. It created a formula that could fluctuate mill levies up and down and adjust for economic changes in residential and commercial growth patterns.

**Article 10 Section 20** – also known as the **TABOR Amendment**, was passed by the voters of Colorado in 1992. Article 10 Section 20 added numerous changes and limits to Colorado's constitution:

- **Operations of state and local governments:**
  - no taxing authority
  - both a revenue and a spending cap for state and local governments.
- **Election process:**
  - mandates all revenue increases be voted on by voters
  - defines when and in what year elections can be held
  - states specific language terminology that must be used when asking voters to raise revenue.
- **Situations not contemplated:**
  - Adjustments in revenue and spending limits to state and local budgets when there is a change in revenue tax collections or a change in the economy
  - impact of Gallagher to state and local government budgets in conjunction with Article 10 Section
- **Referendum C: passed by voters in 2005 to address the revenue limit in Article 10 Section 20.** A time-out was granted and the ratchet effect in Article 10 Section 20 was removed. This gave temporary relief to the state's budget.

**Amendment 23 passed by the voters in 2000.**

- **Citizen's initiative** which was to **prevent cuts from education funding and over a ten year time span to restore funding to 1988-89 levels.**
- It was **not a tax increase**, but a **diversion of 1/3 of 1% of income tax** to be **deposited into the State Education Fund.**
- **State Education Fund** dollars to be used for K-12 and increase funding by at least growth plus inflation and additional 1% for the first ten years through 2010. After 2010 and beyond it would increase K-12 funding by growth plus inflation.
- **Categoricals** are **outside the school finance formula** and **were to grow by inflation every year.** Categoricals are dollars the state allocates to districts for special education, English language learners, Gifted and Talented, Small Schools, transportation and Vocation education.
- In **2009-2015 the legislature created the "negative factor" (takes dollars away from school districts).** The 2015 ruling of the Supreme Court has determined that the "negative factor" created during the recession is legal and that the voters in 2000 allowed for the legislature to reduce funding. The "negative factor" has reduced funding totaling almost \$4 billion dollar over the 5 years.