


CASB Conference
December 2007


21st Century School Finance
Complexities of Academic Expectations
and Tax Policy



Presenters:

- o Tracie Rainey – Colorado School Finance Project (CSFP)
- o Carol Hedges – Colorado Fiscal Policy Institute (CFPI)
- o Kathy Gebhardt – Children’s Voices
- o Lisa Weil – Great Education Colorado

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Basics – current system

- o Legislative Process
- o Per Pupil funding for every district
- o Categoricals
- o Capital - facilities

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● ● ● | Educational Reforms

- Funding not addressed
- Costing Out/Adequacy Analysis by CSFP
- Connection between Adequate Funding and Academic Proficiency
- Does more money matter?
- Capital - importance

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● ● ● | Colorado's dilemma

- Constitutional
- Tax Code
- Availability of Resources
- Rankings
- Public Good
- Tax Inequities

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Colorado Fiscal Policy
Institute

Carol Hedges

Colorado's Fiscal Constraints- the long and winding road

- 1982:** Voters pass Gallagher Amendment to protect residential property tax payers
- 1991:** Legislature passes Arveschoug-Bird 6 percent annual growth limit on the General Fund
- 1992:** Voters pass TABOR Amendment
 - requires voter approval of tax increases
 - sets tight revenue limits that shrink government and limit its ability to rebound after economic downturns
- 1997:** Legislature passes Senate Bill 1, for the first time committing General Fund revenues to transportation
- Late 1990s:** TABOR surpluses grow to more than \$1 billion per year. Legislature cuts income and sales taxes to avoid collecting future surpluses

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Colorado's Fiscal Constraints- the long and winding road (cont.)

- **2000:** Voters pass Amendment 23 to mandate a minimum level of per pupil funding for public schools
- **2001-03:** Economic recession and historic drop in state revenues. Surpluses vanish. Legislature cuts state services by \$1 billion annually and uses one-time stop-gap measures (including moving payday for workers and borrowing from cash funds) to balance budget
- **2002:** Legislature passes House Bill 1310, committing year end excess general fund revenues to transportation and non-school capital construction
- **2004-05:** Economy and revenues rebound, but TABOR's "ratchet effect" prevents critical state services from joining in recovery
- **2005:** Voters pass Referendum C to take a five-year time-out from the TABOR revenue limit. Legislature able to avoid future cuts, partially restore services

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Colorado has Fallen Behind

Colorado's fiscal constraints have worked:

Spending on government is comparatively low.

\$3.3 billion to reach national average in per capita total state spending.

\$4.9 billion to reach national average in spending per \$1000 of income.

The trade-offs are that services are constrained as well.

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Total Expenditures

State Spending per \$1000 of personal Income	RANK	49	Additional State funds needed
	US	\$144.30	
	25th	\$156.21	
	CO	\$107.30	
	Amt below US average	\$37.00	\$4.918 B*
	Amt below 25th	\$48.90	\$6.501 B*

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K-12

State Spending per \$1000 of personal Income	RANK	49	Additional State funds needed
	US	\$50.53	
	25th	\$49.98	
	CO	\$41.27	
	Amt below US average	\$9.26	\$1.524B
	Amt below 25th	\$8.71	\$1.433B

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Looking Forward | Colorado's fiscal prospects after Ref C

FY 2004-2005 Rankings

Total Expenditures	State Ranking
per \$1000 of income	49
per capita	44
K-12 education	
per \$1000 of income	49
per capita	34
Medicaid	
per \$1000 of income	49
per capita	47
Higher Education	
per \$1000 of income	48
per capita	48
Highways	
per \$1000 of income	44
per capita	39

Source: Carol Hedges, "Aiming for the Middle", Colorado Fiscal Policy Institute 2007, www.cfdonline.org.

THE BELL POLICY CENTER COLORADO CHILDREN'S CAMPAIGN COLORADO FISCAL POLICY INSTITUTE

Colorado's Taxes Are Low*

HOW COLORADO RANKS-2003-04		
	Per capita	Per \$1000 of income
Total CO Tax Revenues	26th	47th
Individual Income Tax	18th	30th
Corporate Income Tax	41st	42nd
Property Taxes	24th	33rd
General Sales Taxes	17th	27th
Motor Fuel Taxes	25 th	36th
STATE TAXES ONLY	48th	49th

All tax data from Center for Tax Policy "Taxpayer Report," 2006 Edition. ¹³

Percentage Share of Total CO Tax Revenues by Tax (FY 2003-04)

	state	local	combined
Property	0.0%	62.7%	32.4%
Sales and Gross Receipts	41.0%	33.1%	37.0%
<i>General Sales</i>	27.1%	30.0%	28.6%
<i>Selective Sales</i>	14.0%	3.2%	8.4%
Individual Income	48.4%	0	23.4%
Corporation Income	3.4%	0	1.6%
Motor Vehicle Licenses	2.7%	0.4%	1.5%
Other taxes	4.4%	3.7%	4.0%
TOTAL	48.4%	51.6%	100.0%

Lessons from Looking Forward*

1. State services have only partially recovered from the recession.
2. 2007 is probably as good as it gets in terms of service levels. Looking forward, we will have to work hard simply to maintain those levels.
3. State program budgets are interrelated and can only be addressed through a comprehensive and coordinated process. They cannot be addressed in isolation.

*Joint research effort by the Bell Policy Center, the Colorado Children's Campaign and Colorado Fiscal Policy Institute

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Looking Forward Findings

- General Fund revenues will exceed the total amount needed to sustain 2007 levels of services through 2013, including K-12 and higher education, Medicaid, human services and prisons.
- The 6 percent statutory restriction (Arveschoug Bird) may require service cuts in some years.
- Minor changes in estimates for future inflation can substantially change the projected appropriations.

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Looking Forward Findings (cont.)

- Revenues that exceed the 6 percent spending limit do not represent savings. Used mostly for state transportation and non-school capital construction.
- Transportation has become increasingly dependent on the spill-over of general fund revenues to make up for the declining purchasing power of traditional revenue sources, such as the gasoline tax.
- Looking forward the relative share of projected general fund appropriations will shift among the major agencies-- Corrections and Health Care Policy and Financing will increase 1% K-12 education and Human Services will decline by 1% each.

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Update on Current Litigation

CASB Convention 2007
Kathleen Gebhardt
Executive Director
Children's Voices

Giardino v. State Board of Education

- State still behind in payments
- Future payments already built into budget
- Giardino payments key to current plan proposed by Speaker Romanoff, Treasurer Kennedy, and President Groff

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Capital Construction Grants

- \$92 million in grant applications cycle 8
- Over 1,200 applications submitted in cycles 1-7
- More than 450 grants awarded
- \$488 million in grants submitted
- \$71 million in matching grants (local share)

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“The Times They Are a 'Changin'”

- “The funding shortfall is growing more urgent because too many of these districts must educate their children in decades-old, crumbling facilities with walls and floors that are sometimes literally held together with duct tape.”
- “Unfortunately, many state construction grants are barely enough to cover emergency maintenance, let alone sufficient to replace or refurbish existing structures.”

■ Rocky Mountain News Editorial Nov. 21, 2007

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Lobato v. State Board of Education

- Currently on appeal with Colorado Court of Appeals; Oral argument scheduled for January 9, 2008
- Critical issues: constitutionality of current finance system
 - Thorough and uniform
 - Local control

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Analysis of current system

- Three legged stool:
 - Equity
 - Adequacy
 - Efficiency
- Current system fails all three tests

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Other States

- Arkansas
- Arizona
- Missouri


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What's Next?

- Public Engagement
- Work towards ballot measure
- Potential tax equity suit?
- Stay engaged

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—Great Education Colorado



The Goal:

Moving from the Colorado that IS . . .

. . . To the Colorado we WANT!


The Research Makes it Clear:

Unless Colorado changes course, expect:

- Larger class sizes
- Older technology and textbooks
- Less student support (counselors, ELL, nurses)
- Narrower curriculum
- Greater teacher recruitment and retention challenges

How can we reverse the trend and create a brighter future for Colorado schools?

1. Show Colorado the consequences of underfunding our schools.
 - Tell your story to the School Stories Project
 - Arrange a showing of the School Stories Project video in your district




How can we reverse the trend and create a brighter future for Colorado schools?

2. Help Colorado create a vision for schools in the 21st century
 - Participate in local P-20 conversations
 - Contact Great Education Colorado about hosting a conversation in your area!



How can we reverse the trend and create a brighter future for Colorado schools?

3. Build a network of informed citizens who will take action to ensure reform is matched with necessary resources
 - Plug into Believe in a Better Colorado
 - Sign up for Great Education Colorado newsletters
 - Forward Great Ed newsletters to public school supporters, to help build the network





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