CASB 2025 Winter Convention

Colorado K-12 Funding
School Finance Handbook

December 10-13, 2025

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COLORADO SCHOOL FINANCE PROJECT

Support Children - Support The Future

Colorado School Finance Project

Mission: To compile, collect and distribute research-based, non-partisan information and data on topics related to school finance for state and local policymakers. CSFP also supports school districts by providing expertise, technical assistance and capacity building related to best practices in school finance.

The CSFP changed to a formal entity in 2014. We are a non-profit, Colorado-based company. The CSFP was originally created in 1995, following the passage of the 1994 School Finance Act.
Our website, www.cosfp.org, contains a wealth of current and historical information on school finance with topics ranging from national funding comparisons to Colorado's legislative history on school finance.
Our sincere thanks to the many school districts and organizations (CASE, CASB, CEA, Colorado BOCES, DBO, AFT, CASBO, and Rural School Alliance) who financially support our work. The CSFP could not do our work without their support.

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How to Make the Most of Your CSFP Membership

Your CSFP membership connects you to a network of education leaders and trusted experts working to ensure every Colorado student has access to a well-funded public education. Here's how to take full advantage of it:

1. Stay Informed

- **Visit** cosfp.org for current and historical information on school finance, mill levies, legislation, and research briefs.
- **Subscribe to CSFP Updates** to receive timely legislative analyses, fiscal forecasts, and funding model summaries straight to your inbox.
- **Attend the virtual monthly advisory meetings** from October to May.

Scan here to be added to our email list

2. Use the Tools

- **Briefing Documents and Talking Points:** Simplify complex topics for board discussions, staff presentations, or community outreach.
- **Individual District Finance Data:** Explore your district's revenue mix, mill levy comparisons, and student funding trends through individualized fact sheets.
- **CSFP Presentations:** Request customized presentations or workshops to strengthen your team's understanding of school finance.
- **CSFP Informational Videos**: Watch and share a variety of videos on the topics of school finance.

3. Engage and Connect

- **Attend the CSFP Conference in the Fall and CSFP sessions** at CASB, CASE, and CASBO conferences to hear the latest policy and fiscal updates.
- **Reach out directly** to Executive Director Tracie Rainey or Senior Fellow Justin Silverstein for technical assistance and fiscal analysis.
- **Collaborate with peers**: share district stories, budget strategies, and advocacy successes that strengthen our statewide network.

4. Be a Voice for Public Education

Use CSFP data and communication resources to inform local conversations, educate community members, and guide evidence-based decision making that supports Colorado students.

Welcome to Board Service: Your Guide to Colorado School Finance

Congratulations on your election or appointment to the school board! As a board member, you play a critical role in ensuring that all students have access to a high-quality public education. One of your most important responsibilities is understanding and overseeing school finance—how funding flows into your district, how budgets are developed, and how financial decisions impact student opportunities. This handbook is designed to be your go-to reference for navigating Colorado's complex school finance system. Inside, you'll find essential information about funding sources, timelines, budgeting responsibilities, and your fiduciary duties as a public official. Whether you're brand new to school finance or looking for a refresher, use this guide throughout your board service to build confidence and make informed decisions that support your students and community.

🎥 **This handbook uses videos to bring complex topics to life — look for the video icon throughout. All videos can be found on the CSFP website at cosfp.org/csfps-informational-videos.**

WHO ARE COLORADO'S STUDENTS?

Colorado Membership 2024-25: 881,065 students
178 School Districts
Colorado Charter School Institute (CSI)
21 BOCES

Get to Know Colorado's Students

Who Are Colorado's Students? (1:49 min)

Before we talk about dollars and spreadsheets, it's important to remember **who** we're funding. This short video highlights the diversity of students in Colorado's public schools—across race, language, geography, income, and special needs.

Understanding their backgrounds helps clarify why some students and schools may require different levels of support.

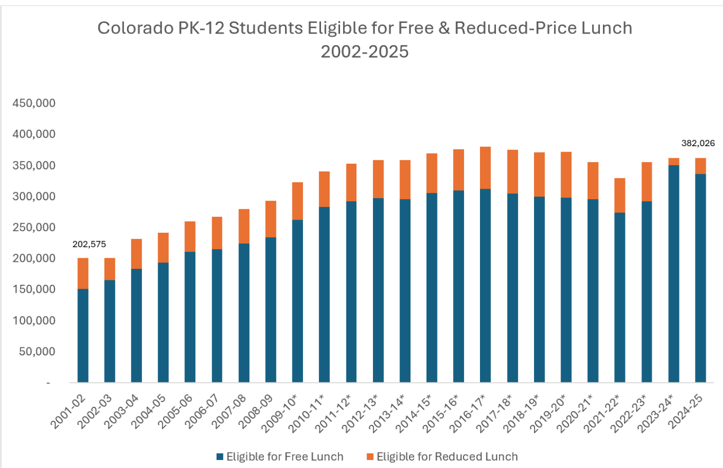
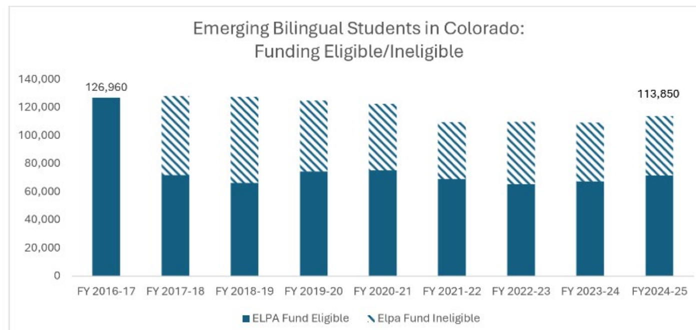
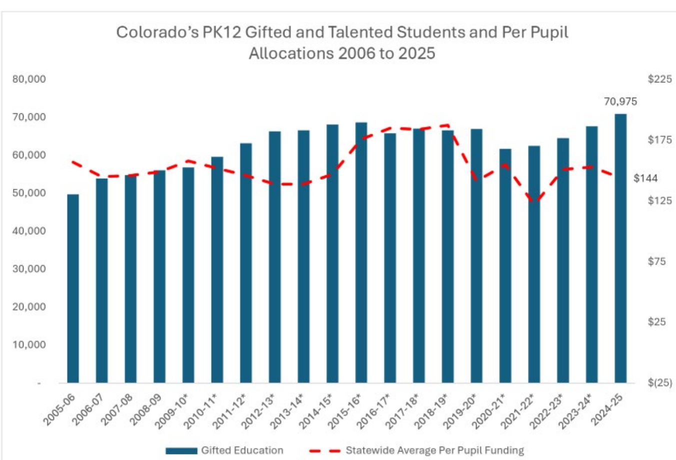


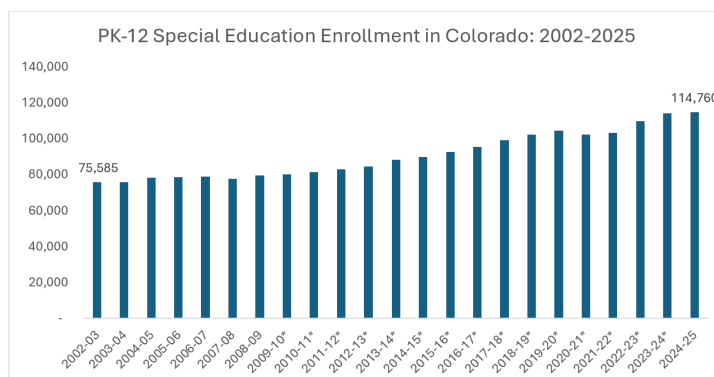
Chart: Colorado School Finance Project *Budget Stabilization (Negative) Factor and COVID-19 year

Free and Reduced Lunch students – 382,026 students, 44%



English Language Learners (Emergent Bilingual) students – 119,686 students, 14%





*Budget Stabilization (Negative) Factor and COVID-19 year- accuracy of numbers are subject to change

Special Education students – 114,760 students, 13%

Gifted and Talented Students – 70,975 students, 8%

Where does the Money Come From?

Watch This First:

How Colorado Schools Are Funded (2:25 min)

Curious how dollars actually flow into your district? This short video by the Colorado School Finance Project (CSFP) breaks down how **local property taxes**, **state equalization**, and **federal contributions** work together to fund schools. It also introduces the **Budget Stabilization Factor**—one of the biggest reasons Colorado schools have struggled with adequate funding for over a decade.

Local Revenue is First: Understanding Mill Levy

$300,000

Actual Values

$300,000

×

Residential Assessment Rate (RAR)

7.05%

Assessment Rate

27%

Non-Residential Assessment Rate

=

$21,150

Assessed Value

$81,000

- *Assessed Value Per Pupil* measures a district's property tax base on a per pupil basis – and determines how much a given mill levy will generate per pupil.

The *Mill Levy* is the tax *rate.*

- A mill is equal to 1/1000, so each mill generates one dollar per $1,000 of assessed value.

$21,150

Assessed Value

$81,000

x

27

Mills

27

=

$571.05

Property Taxes

$$$

$2,187.00

Source: Legislative Council Staff presentation 9.17.21

CSFP BRIEFING DOCUMENT:
HOW ARE COLORADO SCHOOL DISTRICTS FUNDED?

School districts are funded by a combination of sources defined in the School Finance Act.

The formula for total program funding is defined by the legislature in the School Finance Act. Local revenue + State revenue = Total Program Funding for a district.

1. How are the local and state revenues determined?

    a. **Local revenue is determined first:** Generated by local property taxes and specific ownership tax. You will also hear this referred to as local share.

    b. **Next local share are the first dollars in, then the state adds dollars, so every district starts with the same level of "base" funding.**

    c. **The result is the State revenue portion**. (State revenue comes from sales and income tax.) You will also hear this referred to as state share or state backfill.

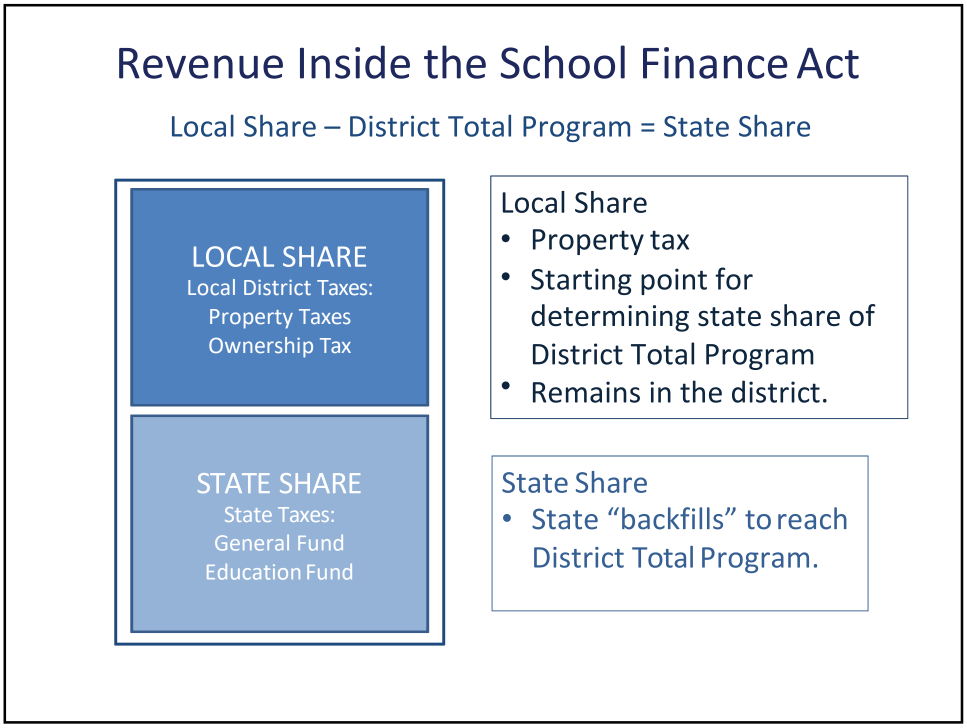
Additional revenue streams to districts:

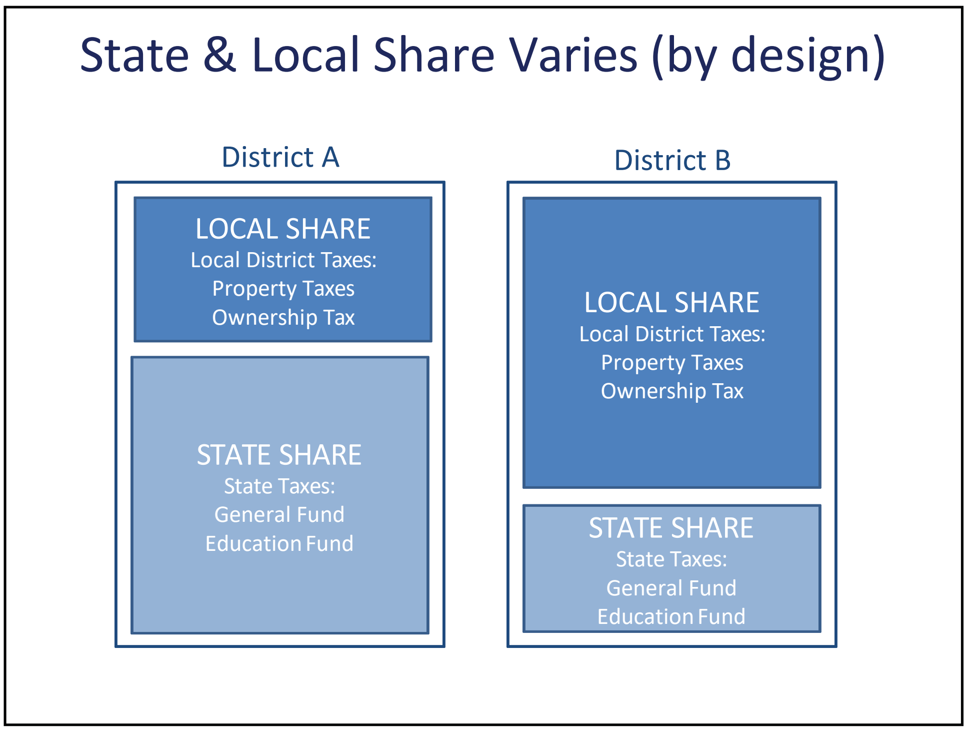
- **Federal Funds:** flow to districts that are tied to certain programs or students.
- **State funds:** "Categorical" dollars for special education, English language learners, gifted and talented, Career and Technical education, transportation, and small attendance centers. (Source: Sales and Income Tax collected by state)
- **Local override dollars:** Voter approved increases in local tax dollars for local programs and priorities. These dollars are outside the mills raised for the School Finance Act. December 2021 was the first year of implementation of mill levy correction and some districts are removing 1 tax credit a year until fully funded locally, at 27 mills, or at a district's "re-set" mills based on when they went to voters to "de-bruce" or "de-Tabor".
- **Bond Dollars:** Voter approved increases primarily approved for capital construction. Bond dollars cannot be used for general operations in a district.
- **Grants:** Typically for a specific purpose and for a particular length of time.

🎥 **Video Insight:**

The Elements of School Finance (1:37 min)

This short video explains why school finance isn't just about where money comes from—but how systems are designed to ensure every student receives the supports they need. It breaks down the **key elements of funding systems** that drive **adequacy and equity** in Colorado's public schools.





Historical Context That Shapes Today's Reality

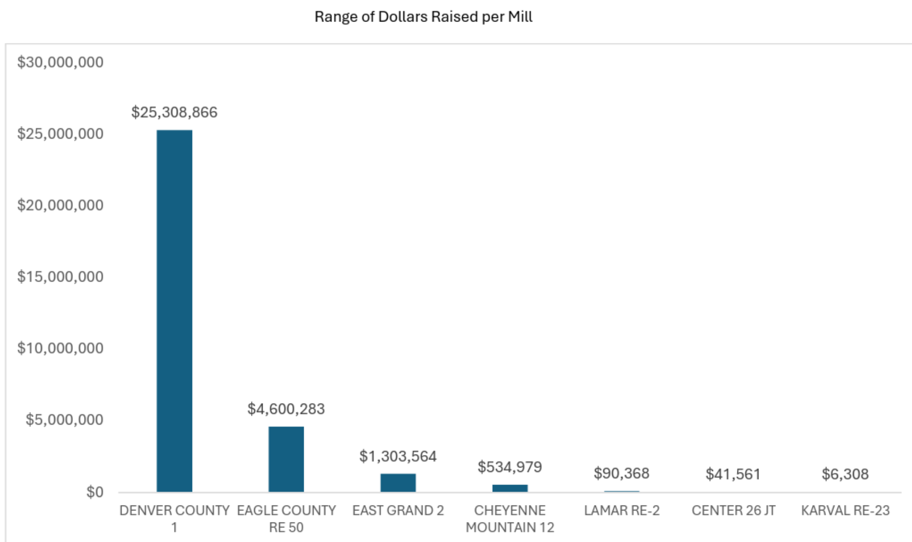
Colorado's School Funding: A Historical Lens on Today's Challenges (2:24 min)

How did Colorado's school finance system become one of the most complex—and underfunded—in the country? This short video walks through **decades of policy decisions and economic shifts** that have shaped where we are today. From constitutional amendments to legislative constraints, understanding the past is key to making informed decisions now.

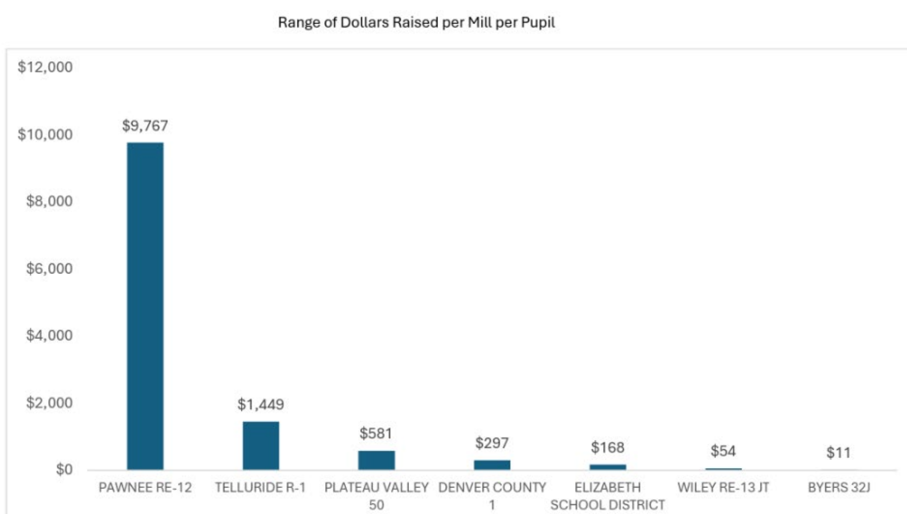
Mill Levies and Mill Levy Override

School Districts Have No Control Over What One Mill Raises

2024-2025



- One mill raises a low of $6,000 to a high of $25M.
- The average dollars raised by 1 mill is $991,283.
- The median is $133,540



- One mill per student raises from a low of $11 to a high over $10,000.
- The average dollars per student raised by 1 mill is about $417.
- The median is about $195.

Scan here to find your district's info

ADEQUACY STUDY

Adequacy/Costing Out Study

The purpose of a costing out or adequacy study is to determine whether a state's school funding is adequate, equitable, sustainable and adaptable.

- The SB23-287 Task Force is charged with developing the parameters and requirements for two new costing out studies for Colorado, to be completed during the 2024 calendar year by two different vendors hired by the Department of Education.
- An adequacy study identifies the "base" level funding which represents the resources needed for a student with no special needs in a district with no special circumstances.
- The study also identifies the adjustments needed for student and district characteristics.
    - These often include at-risk, special education, and English learner students.
    - District adjustments might include size, cost of doing business, and necessarily small settings.
- Best practice for adequacy studies includes:
    - Setting a standard that identifies the input and output requirements expected of students, teachers, schools, and districts.
    - Utilize multiple approaches, even with a single vendor.
    - Be able to reconcile why there may be differences in results from the approaches.
- This study also asked to have a landscape analysis of the current system, of HB24-1448, cost of doing business, remoteness, a deep dive analysis into special education and a wage index.

Findings and Common Themes

- They highlight the fact that Colorado is at least $3.5B below the funding level for students to meet adequate and equitable funding.
- They indicate using a wage index would address teacher pay as they found Colorado as the lowest teacher wages compared to like professions than any place in the country.
- Higher need districts/schools have lower performance and lower resources available
- Neither study recommends specific adjustments for locale
- Education performance has been stagnant or decreasing for our students who need supports for Special Education, English Language Learners and At-Risk.
- Both studies highlight the need to make adjustments for district size and cost of doing business.

Next Steps

- At the CSFP conference – educators discussed and listed their priorities for where the next dollars should go to get closer to adequate funding.
- The top priorities:
    - The Base – every district has different needs – honors local control
    - Special Education – the costs are increasing
    - Improving student success through – programming, smaller class sizes, mental health, proactive programs for all students.
    - Teacher/Staff pay, recruitment and retention – improving the quality of educators

Adequacy Study Reports

WHAT ARE THE ELEMENTS IN SCHOOL FINANCE?

Base Funding – what does the base represent?

What are adjustments or weights for students?

What are adjustments or weights for school districts?

What isn’t included in the formula currently?

What might be included in a formula?

Base Funding – The starting point annually for every school districts funding through the formula. This amount is the same for every district.

Adjustment/Weights/Factors – items that are adjusted for in the formula that are different for every district – At-risk, English Language Learners, Special Education, District Size, Personnel Cost, Cost of Living

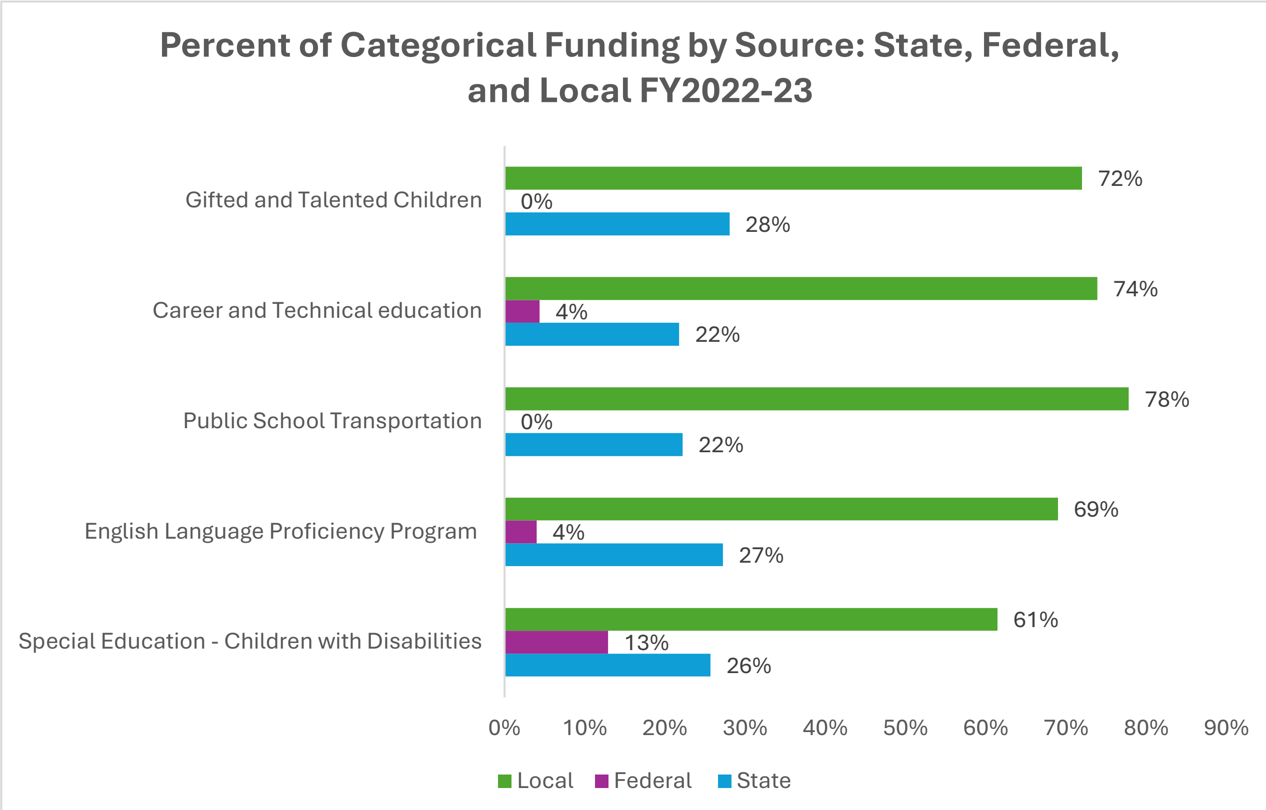
What is funded outside the formula for every school district? It is called “Categoricals”.

Categoricals fund Special Education, English Language Learners, Gifted and Talented, Transportation, Small Attendance Centers, and Career and Technical.

None of these additional funds currently cover the entire cost of these services, therefore districts must use their general fund dollars to cover the difference.

CATEGORICAL FUNDING

Vision: Every Colorado student has access to an adequate & equitable public-school education.



Data Source: JBC

Federal and State Categorical Funding:

- 39% of special education costs
- 31% of English learner costs
- 28% of gifted and talented costs (no federal funding)
- 26% of Career and Technical Education costs
- 22% of public-school transportation costs (no federal funding)

Sample District Budget Development Calendar for 2025-26 School Year

Italics = State Level

July 2025 New Fiscal Year Begins	**August 2025** **District:** Plan budget calendar for 2025-26. **BOE:** Long-range budget forecast discussions with BOE. Decision due for Mill or Bond election. **District:** Receive preliminary assessed valuation	**September 2025** ***State:*** *2026-27 Revenue Forecast* **BOE:** Receives quarterly financials
October 2025 October Student Count –single day count	**November 2025** ***State****: Governor's Budget* **District:** Mill or Bond election, Odd years: School board election	**December 2025** ***State:*** *2026-27 Revenue Forecast. CDE releases student Membership Count.* **District:** Receive final assessed valuation from county assessor. **BOE:** Certify mill levies property tax collection figures to county commissioner. **BOE:** Revised 2025-26 Budget Approved & Quarterly financials
January 2026 ***Legislature:*** *Session Begins. Supplemental Process.*	**February 2026** *Consumer Price Index (CPI) Forecast* ***Legislature****: Preliminary indication of school finance* **BOE:** receives budget update	**March 2026** ***State****: 2026-27 Revenue Forecast* **BOE:** receives quarterly financials **BOE**: Approve funded Capital projects
April 2026 **District/BOE**: Begin staffing decisions for 2026-27	**May 2026** ***Legislature****: Finalize School Finance Act. Session ends.* **District/BOE**: Staffing decisions, preliminary budget must be presented	**June 2026** ***State****: 2026-27 Revenue Forecast* **BOE:** receives quarterly financials **BOE**: Adoption of 2026-27 budget

CSFP Briefing Document:
What is the Timing for School Finance?
Are Adjustments Made Throughout the Year?

The timing of the legislatures work on school finance and district decisions for their budget are not in sync with each other.

Legislature
January to early May: The legislature convenes in January and begins work on School Finance in March or April for the upcoming school year. (i.e., January – May 2026 convening, determining funding for 2026-27 school year.)
To determine funding for the upcoming 2026-27 school year the legislature uses estimates. Once actual numbers are available and state forecasts are updated, the legislature may adjust funding to districts in January.
An **estimated enrollment count** (from May 2026) is used until CDE audits the October Membership Count in December 2026.

An **estimated local share** (local property taxes and specific ownership tax) is used until the final mill levy certification, which is determined in December 2025 for the 2026-27 school year.
In **January 2026, via the Supplemental Process, the legislature adjusts allocations to school district funding**. The desired outcome is to increase revenue to reflect enrollment changes and local property tax collections. When **the state does not make up what might be needed in additional revenue, it is then taken back from a school district in the form of a mid-year rescission**.

School Districts
Finance decisions for the upcoming school year are decided **prior** to finalizing the school finance act. School districts must register students, hire staff, and determine class offerings by March of 2026. Districts must adopt the upcoming fiscal year's (FY26) budget by the end of June 2026.

School Boards Fiduciary Responsibilities

As a school board you are responsible for the following:

- Adopting a budget*
- Maintaining a fund balance
- Hiring an auditor*
- Having an audit completed*
- Quarterly financial reporting
- Financial transparency*
- Decision around taxing authority, like mill levies for total program, bonds, overrides*
- Certifying mill levies*

Things to think about:

What are your school district's processes and procedures for your budget and your audit? Items for consideration:
Do you have a financial advisory committee?

- Process:
    1. Guiding principles for district budget (?)
    2. Preliminary Budget
    3. Proposed Budget
    4. Adopted Budget
    5. Mid-Year Adjustments made to budget
- Budgeting is a public process and can take time to gather input from all stakeholders

Do you have an audit committee?

- Audits are required by law
- Audits are looking to prevent fraud – auditors are hired outside of school district
- Must be an independent contractor
- The auditor works for the Board
- District is responsible for preparing financials and management to speak with the auditors
- Auditors render an opinion based on district information
- Some districts use their district accountability committee or another existing advisory committee to meet these purposes

Indicators of Financial and Fiscal Health

- Asset sufficiency ratio
- Debt burden ratio
- Operating reserve ratio
- Change in fund balance ratio
- Understanding fund balance
- Understanding Balance Sheet
- Annual audits by the state to determine district's fiscal health

***** Required for school boards

School Boards Fiduciary Responsibilities

Bonds or Certificates of Participation (COPs)

- Bond Capacity
    - 25% assessed valuation
    - Ask voters for in November elections
    - Need for BEST match

- COPs:
    - Lease instead of own
    - Do not need voter approval
    - Repayment is made from the general fund
    - Can be controversial for a school district based on other priorities

Cost drivers in school districts:

- Student enrollment- growing, slowing, stable**,** student needs
- Salary and benefits for employees
- Transportation
- Infrastructure maintenance

Revenue sources for school districts:

- Local property tax and specific ownership tax – first dollars in
- State backfills difference to reach legislative School Finance Act (income tax and sales tax)
- Categoricals – state dollars that fund:
    - Special education, English Language Learners, Gifted & Talented, transportation, Career & Technical Education
    - Federal dollars – 6%
- Local mill levy override and bond mill dollars – vary by district
- One-time dollars or grants

Mill Levies

- Dollars raised locally by property taxes
- Local property taxes go toward dollars needed for school finance
- Mill levies may be used for additional dollars called "override" – outside the formula and voter approved
- Mill levies may be used for bonds to build or repair schools - voter approved
- Some districts are impacted by mill levy correction – increasing 1 mill per year till target level has been met
- With the passage of School Finance Act HB25-1320, districts who saw a reduction in cost of living, are able to go to their local voters to recapture the lost dollars during the implementation of the new school finance act

HB25-1320 New Public School Finance Act

🎥 **Policy Spotlight: School Finance Act 2025**
School Finance Act 2025 (HB25-1320) — (2:31 min)
This video explains the major changes in Colorado's new school funding law, which redefines how state education dollars are distributed. Learn how the new formula is designed to address long-standing funding gaps and better serve the evolving needs of students across the state.

- A seven–year phase in if economic conditions stay strong – can be paused at any time.
- The State needs an additional $45 million annually to implement.
- No adjustment to the base level of funding only to adjust weights to .25 for Special Education tier A, at-risk, and ELL. Categorical funding remains intact so special education and ELL funding will come from both.
- Size factor adjusts to 6500 students or less.
- A concentration factor is added for at-risk students in rural districts that are above the statewide average.
- During the implementation period the state will fund the formula under the existing act and the new act, whichever produces a higher level of funding, will be distributed to the district. At the end of the implementation period the district will receive new funding which will most likely be less.
- Cost of living capped at 23% - if a district is receiving less dollars because of this change then their mill levy cap will be increased to compensate.
- The district size has increased to 60 students
- Went from 5 year to 4 year averaging of student enrollment
- 3-year averaging 26-27 – if can implement 30%
- 2-year averaging 27-28 – if can implement 45% and State Ed fund can stay above $2M otherwise some kind of "smoothing" will go into play.
- Hold harmless to 24-25 funding for 25-26 and 26-27 school years.
- Discussion on locale factor, smoothing factor and charter school funding reflecting student populations.

Healthy School Meals for All (HSMA)

Provides funding for free breakfast and lunch for all students in participating schools.

- In 2023-24 SY, 100% of eligible School Food Authorities participated in HSMA (190 total)
- In FY 23-24 reimbursements totaled $162,062,094
- Voters approved two propositions in November 2025 – Proposition LL and MM.
    - Prop LL allows the state to keep revenue it has already collected.
    - Prop MM increases taxes on high-income households ($300,000+) to raise an additional $95 million annually for the program – these dollars can also be used to cover the loss of SNAP benefits.

HB24-1390 Requires CDE:

1. Create a policy for Free and Reduced Lunch (FRL) forms that HSMA districts must use.
2. Maximize the federal benefits by:
    - Determining how a district participating in provisional programs will save or cost the state money
    - Condition HSMA reimbursements on districts maximizing federal reimbursement
3. Establish and regularly convene the technical advisory group to make recommendations to the legislature:
    - Identify ways to maximize federal reimbursements.
    - Reduce costs of the program.
        - Review cost-savings options, including minimizing food waste.
    - Strengthen the long-term resiliency of the healthy school meals for all cash fund.
    - Create model revenue scenarios.
        - Provide options and recommendations to balance program revenues and expenditures.

PROPERTY TAX CHANGES

The Property tax bill (SB24-233) passed based on work from the Commission on Property Tax that has been meeting since December 2023. The bill recognized local governments differently from public schools – this creates different assessment rates and requirements.

- For school districts for 2023-24 assessment year, the current assessment rate remains in place at 6.7%.
- Reduces the valuation of non-residential property stairsteps down from 29% to 25% by January 2027
- The state will need to backfill loss of K12 funding.
  - $379M in 2024-25
  - $77M in 2025-26
  - $156 M in 2026-27
- No reimbursement for override or bond mills

<u>August 2024 Special Session</u>

During the special session in August of 2024, legislation passed HB24b-1001. This changed future property tax assessment rates. Changes assessment rate in 2025 to 7.05% if growth is less than 5% - if greater than 5% then assessment rate drops to 6.95%.

The state will have to backfill K-12 with additional dollars the estimate is

- $5K in 2023-24,
- $83K in 2024-25
- $100K in 2025-26

A new cap was established for K-12 on the amount of growth over the 2-year assessment cycle which is 12% maximum.

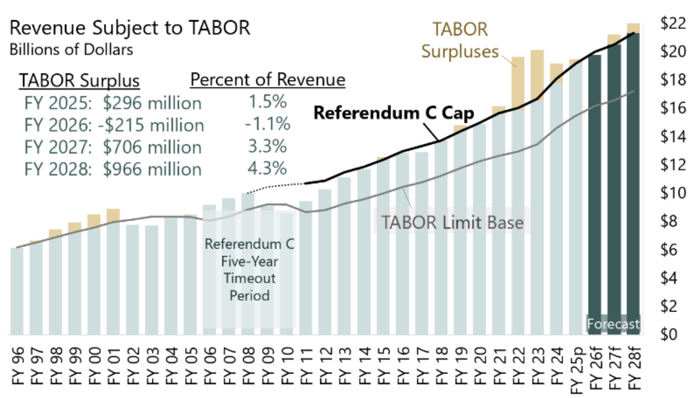
<u>How does the Cap work?</u>

- If growth is 6% in one year and year 2 is 6% then get to capture the full 12%.
- If growth is 12% in one year and 2nd year is 5% you can't capture any more than 12%.
- If growth is 4% in year one and 10% in year 2 you can only capture 8% to remain at 12% total.

ECONOMIC FORECAST

Forecast information based on September 2025 Forecast. The updated forecast will be presented in December.

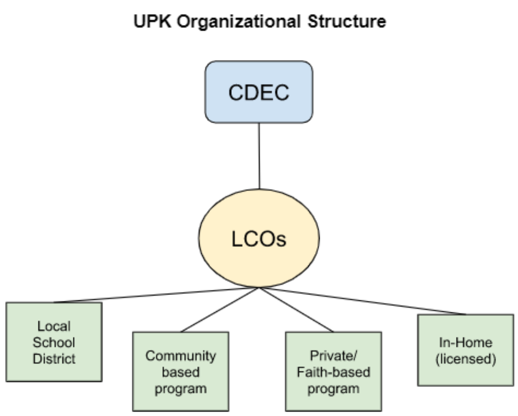
- As of September 2025, there seems to be slowing economic conditions
- The Legislature in January will start with a deficit of $300M for FY 25-26 and a deficit at $800M for FY 26-27
- School finance needs approximately $350M in FY 26-27
- There is a predicted TABOR refund in FY 2025 but not predicted for FY 2026
- Inflation rates in March were 1.9% in June, 2.2%. The inflation rate in Colorado is 2.1%, which is lower than the National rate at 2.9%.
- Without having enrollment and local share data they won't have good information for K-12 funding until December.



Source: Office of the State Controller and Legislative Council Staff. p = preliminary; f = forecast

UNIVERSAL PRESCHOOL

In 2022, the Universal Preschool Bill was signed into law. It requires at least 10 hours of tuition-free preschool for 4-year-olds and some 3-year-olds with qualifying factors. Funding was to come from the existing preschool program and the proceed from Proposition EE, passed in 2020. Children in Colorado can register for up to 15 hours per week of free, high-quality preschool in their year before kindergarten. Families may qualify for more free hours based on several qualifying factors, per available funding. Depending on the provider, families have the option of paying for additional hours if desired. This school year, school districts will resume primary registration for 3-year-olds through their targeted 3-year-old program. Special Education Administrative Units (AUs) and school districts will place preschool aged children eligible for special education according to their Individualized Education Program (IEP) throughout the school year.



SB23-216 passed in 2023 that updated the revenue stream for UPK. Beginning in the 24-25 fiscal year, the amount transferred from the general fund is required to increase based on the rate of inflation. Proposition II was passed in November 2023 to give $23M to support Universal Preschool (same revenue stream from 2020 Proposition EE).

Who is eligible for additional hours?

Dependent upon available funding, additional hours may be available for children who are "low-income" (defined as household income at or below 270% of the federal poverty guidelines) and have a "qualifying factor" listed below.

- Child is identified as homeless and/or unhoused.
- Child is a multilingual, meaning a child who is learning two or more languages at the same time, or a child who is learning a second language while continuing to develop their first language.
- Child is eligible for special education with an Individualized Education Program (IEP).
- School districts may use Head Start dollars for this program. These funds are currently in litigation based on what type of identification may be requested for proof of citizenship
- Child is "in poverty," defined as household income less than 100% of the federal poverty guidelines.
- Child is currently in the custody of a state supervised and county administered foster care home or in non-certified kinship care, meaning a child is being cared for by a relative or kin pursuant to 19-1-103(102), C.R.S., who has a significant relationship with the child in circumstances when there is a safety concern by a county department of human or social services and where the relative or kin has not met the foster care certification requirements for a kinship foster care home or has chosen not to pursue that certification process.

Who is eligible for additional hours? Income Eligibility

Dependent upon available funding, age eligible children may qualify for additional hours if they are low income and have at least one qualifying factor. Low income is defined as the annual household income at or below 270% federal poverty.

- Annual household income is defined as:
  - The total combined pre-tax income received by all members of a household within a 12 month period.
  - This includes pre-tax wages, salaries, self-employment earnings, Social Security benefits, pensions, retirement income welfare payments, and income from other sources.
- Household size is defined as:
  - the number of people who occupy a housing unit as their usual place of residence.
  - For example, if you are a household with 2 adults and 1 child, your household size is "3."
    If your household consists of 3 adults and 3 children, your household size is "6".

CSFP Briefing Document:

Colorado's Constitutional Impacts from:

Gallagher, TABOR, Amendment 23 and the Negative/Budget Stabilization Factor

Gallagher Amendment:
What It Is:
The Gallagher Amendment, passed by voters in 1982, was designed to regulate fluctuations in property tax revenues for local governments in Colorado. It established a formula that balanced property tax contributions between residential and commercial properties, ensuring a consistent revenue flow for local services.
Why It Matters:
Gallagher played a critical role in maintaining stability in local funding for schools, emergency services, and infrastructure by adjusting tax rates to reflect economic changes. **In 2020, voters removed it from the state constitution and put it into statute, allowing for new modifications.** With SB24-233, changes like adjusting residential and non-residential tax rates continue to ensure local contributions remain stable and adequate for community needs. These updates help manage revenue distribution and keep essential services funded, especially as property values shift.

TABOR Amendment:
What It Is:
The TABOR (Taxpayer's Bill of Rights) Amendment, passed in 1992, placed strict limits on tax increases and government spending in Colorado. It requires voter approval for any tax hikes and set caps on the amount of revenue that can be collected by the state and local governments.
Why It Matters:
TABOR is a significant factor in how Colorado manages its budget. By capping revenue and requiring voter approval for tax changes, it ensures taxpayer control over government spending but also limits the state's ability to respond to economic shifts. Over time, amendments like Referendum C (2005) and various legislative actions have provided temporary relief, allowing the state to invest in critical services like education. TABOR surpluses trigger taxpayer refunds and reductions in income tax, as seen with SB24-228, which reduced income taxes when the surplus exceeded $1.5 billion.

Amendment 23:
What It Is:
Amendment 23, passed in 2000, was created to reverse years of declining funding for K-12 education in Colorado. It directs a portion of state income tax into the State Education Fund to ensure that school funding increases by at least the rate of inflation each year.
Why It Matters:
Amendment 23 helps protect education funding from cuts during tough economic times. By requiring inflationary increases, it attempts to stabilize per-pupil funding, ensuring that schools can meet growing demands. However, with the introduction of the Budget Stabilization Factor (BS Factor) in 2009, the Legislature has found ways to reduce funding levels, leading to over $10 billion in education funding losses. The BS Factor was finally paid off in 2024, bringing funding back to the inflation-adjusted levels of the late 1980s, but it highlights the ongoing challenges for adequate funding.

Budget Stabilization Factor (BS Factor):
What It Is:
Introduced in 2009, the Budget Stabilization (BS) Factor allowed the Legislature to reduce the required inflation-adjusted funding for schools mandated by Amendment 23. Over time, this factor has diverted billions from public school funding.
Why It Matters:
The BS Factor has been a significant barrier to fully funding Colorado's schools in accordance with Amendment 23, causing large gaps in school resources. After 14 years of operation and more than $10 billion in lost funding, the BS Factor was finally reduced to $0 in 2024. This is a critical moment in Colorado's education funding history, as it represents a long-overdue return to more adequate funding levels for schools, giving educators and students the resources they need to succeed.

COLORADO'S CONSTITUTIONAL IMPACTS CONTINUED

The ***Gallagher Amendment*** **was referred to the ballot by the legislature and passed by voters 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 but assured a consistent local contribution and adjust for economic changes in residential and commercial growth patterns. In 2020, voters removed this amendment from the state constitution and placed it in statute. The residential assessment rate dropped in 2022 and 2023 to 6.95% and the non-residential rate remained at 29%. **In 2024, the new Property Tax bill passed, keeping the residential assessment rate at 6.7% for 2024 and then beginning in the year 2025-26, residential assessment rate will increase to 7.15% with a goal of local revenue reflecting 60% of total program funding. The Bill reduces the valuation of non-residential property stairsteps down from 29% to 25% by January 2027. In 2025, if residential assessed value increases more than 5%, then the assessment rate drops from 7.15% to 6.95% putting more pressure on the state to backfill.**

The ***TABOR Amendment, or Article 10 Section 20 of Colorado's Constitution*, 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 by elected officials
  - both a revenue and a spending cap for state and local governments.
- **Election process:**
  - mandates all revenue increases be voted
  - defines when and in what year elections can be held
  - requires 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 tax collections or a change in the economy
  - Impact of Gallaher to state and local government budgets in conjunction with Article 10 Section 20.
- **Between 1966 and 1990 there were 7 attempts to pass a tax limitation initiative** before the TABOR amendment passed in 1992.

- ***Referendum C* (referred by the legislature) - 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.
- **In 2019, the Colorado Supreme Court ruled that the complete repeal of TABOR is possible as a single-subject ballot initiative.** This means that an initiative could be placed on the ballot. If voter approval is obtained the provision could be repealed (Click here to read full opinion.)
- **In 2020, voters approved a measure that requires voter approval of new enterprises (fees) if the revenue will be greater than $50 million within the first five years.**
- **In 2021, the TABOR surplus enough to fund all three refund mechanisms, including the following two which are administered by the Department of Revenue.** All 2021 taxpayers will receive income tax rate reduction, from 4.55% to 4.50%.
- **In 2022, Governor Jared Polis signed Senate Bill 22-233 giving 2021 taxpayers refund payments of $750 to each qualified individual ($1,500 for individuals who filed jointly).**
- **In 2023, Senate Bill 23-287 included a $180M buydown of the Budget Stabilization Factor.**
- **In 2024, SB24-228 TABOR Refund Mechanisms bill was passed.** This bill only goes into effect if there is a TABOR surplus. The bill, if in effect, would cause a temporary property income tax reduction from 4.4% to 4.25%. Income tax reduction adjusts based on TABOR refund amounts. A temporary sales tax reduction is activated if TABOR surplus is over $1.5B.
- In the 2025 Legislative Session, legislators brought forth a resolution whether to create a legal team to determine the constitutionality of TABOR (HJR25-1023). It was lost in the House.
- **There were TABOR surpluses in 2023-24 and in 2024-25 and are expected to be in 2025-26.**

Amendment 23 **was a citizen's initiative approved by the voters in 2000.** It was designed to increase funding in Colorado after years of decline from the late 1980s through the 1990s. Amendment 23 was not a tax increase, was a diversion of state income tax to be used for education. Amendment 23:

- Required the statewide base and total funding for categorical programs increase by at least the rate of inflation. (For the first 10 years funding increased by the rate of inflation plus 1% to return funding to 1988 levels.)
    - Categoricals are outside the school finance formula – consisting of special education, Emerging Bilinguals, Gifted and Talented, small attendance centers, transportation, and career and technical education.
- Created the State Education Fund – diverting 1/3 of 1% of income tax to the State Education Fund. This revenue is exempt from TABOR limitations.

In 2009, the Legislature created the *"Budget Stabilization Factor"* as a mechanism in the school finance act to reduce Amendment 23's requirement of annual inflationary increases to per pupil funding. In 2010 the Legislature **renamed the Budget Stabilization Factor to the "Negative Factor**". Then, in 2017 the Legislature **renamed the Negative Factor to the "Budget Stabilization Factor."**

- This **Factor takes money away** from per pupil funding.
- The 2015 Dwyer ruling of the **Supreme Court determined that this is legal** and that the voters in 2000 allowed for the legislature to reduce funding.
- Between **2009 and 2024 the Negative / Budget Stabilization Factor had resulted in over $10 billion in lost revenue to K-12**. The Budget Stabilization Factor was in place for 14 fiscal years.

In 2024, the Legislature passed the Public School Finance Act (SB24-188) in which it paid off the Budget Stabilization Factor.

In 2025, in SB25-1320 the Public School Finance Act, established a new revenue diversion called "Kids Matters Fund" which is to help increase funding with the implementation of 1320, starting July 2025. This diversion should bring in about $230M.

Thank you!
Reach out with any questions.