21st Century School Finance - CASB
Conference, Dec. 2007

CASB Conference
December 2007

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

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

Basics – current system
- Legislative Process
- Per Pupil funding for every district
- Categoricals
- Capital - facilities

Colorado School Finance Project,
Colorado Fiscal Policy Institute,
Children's Voices, Great Education
Colorado
Educational Reforms

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

Colorado’s dilemma

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

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

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

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.
### Total Expenditures

<table>
<thead>
<tr>
<th>State Spending per $1000 of personal income</th>
<th>RANK</th>
<th>Additional State funds needed</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>US  $144.30</td>
</tr>
<tr>
<td></td>
<td></td>
<td>25th $156.21</td>
</tr>
<tr>
<td></td>
<td></td>
<td>CO $107.30</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Amount below US average $37.00</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Amount below 25th $48.90</td>
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</tbody>
</table>

### K-12

<table>
<thead>
<tr>
<th>State Spending per $1000 of personal income</th>
<th>RANK</th>
<th>Additional State funds needed</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>US  $50.53</td>
</tr>
<tr>
<td></td>
<td></td>
<td>25th $49.98</td>
</tr>
<tr>
<td></td>
<td></td>
<td>CO $41.27</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Amount below US average $9.26</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Amount below 25th $8.71</td>
</tr>
</tbody>
</table>

### FY 2004-2005 Rankings

- **Total Expenditures**: State Ranking 49
  - per $1000 of income: 44
  - per capita: 44
- **K-12 education**: State Ranking 49
  - per $1000 of income: 44
  - per capita: 44
- **Medicaid**: State Ranking 49
  - per $1000 of income: 44
  - per capita: 44
- **Higher Education**: State Ranking 44
  - per $1000 of income: 44
  - per capita: 44
- **Highways**: State Ranking 39
  - per $1000 of income: 39
  - per capita: 39

Colorado’s Taxes Are Low*

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


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

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

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
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.

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.

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

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)

“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
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

Analysis of current system

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

Other States

- Arkansas
- Arizona
- Missouri
What’s Next?

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

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

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!

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
Every child deserves a great education!

Great Education Colorado

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  – Lisa Weil  lisawell1@aol.com