Statewide Funding Ballot Initiative

Colorado School Finance Project (CSFP)

- **Mission**: Compile, collect and distribute research-based, non-partisan information, and data on topics related to school finance for state and local policymakers
- **Formed in 1995**: Following passage of 1994 school finance act
  - Governed by Board of Directors
  - Non-profit, Colorado-based company
- **Supported by**: Colorado school districts and organizations (CASE, CASB, CEA, Colorado BOCES, DBO and Rural Schools Alliance)
Background

- **Diverse and inclusive coalition** of education-focused organizations began meeting in July 2016 to focus on the Colorado school funding crisis.

Goals

- **Raise additional revenue** for education
  - Distribute new revenue adequately and equitably
  - Ensure local benefit and local control over how revenue is spent
- **Provide a structural fix** to the declining local revenue source
GSTC creates the Quality Public Education Fund

- Supports and enhances the quality of preschool through twelfth grade (P-12) public education beginning in FY 2019-20
- Contains revenue from a proposed income tax increase
- Is exempt from the TABOR revenue limit
- Must be used to supplement General Fund appropriations for P-12 public education
- Adjusted each year for inflation up to 5 percent

If Amendment 73 went in effect today:

- **100%** of property owners would see a decrease in property taxes
- **92%** of income tax filers would see no change
- **90%** of C Corporation tax savings from recent changes to the federal tax code would be retained
- **All students** across the state would benefit with increased funding
- **Locally** elected boards of education and their communities would determine how best to utilize new resources to meet local needs
Raises $1.6 billion through income tax and corporate tax changes

<table>
<thead>
<tr>
<th>TAXABLE INCOME</th>
<th>TAX INCREMENT</th>
<th>AVERAGE IMPACT</th>
<th>% FILERS IMPACTED</th>
</tr>
</thead>
<tbody>
<tr>
<td>Up to $150,000</td>
<td>$0</td>
<td>$0</td>
<td>92%</td>
</tr>
<tr>
<td>$150,001 to $200,000</td>
<td>0.37%</td>
<td>$81</td>
<td>3%</td>
</tr>
<tr>
<td>$200,001 to $300,000</td>
<td>1.00%</td>
<td>$729</td>
<td>3%</td>
</tr>
<tr>
<td>$300,001 to $500,000</td>
<td>1.00%</td>
<td>$3,450</td>
<td>1%</td>
</tr>
<tr>
<td>$500,001 and over</td>
<td>see below</td>
<td>see below</td>
<td>1%</td>
</tr>
</tbody>
</table>

92% of filers will have no impact on their individual income taxes.

Starts at federal taxable income above $150,000

Current vs. With Initiative #93

<table>
<thead>
<tr>
<th>Household Income</th>
<th>Current Portion of Income Paid in State and Local Taxes in CO</th>
<th>With Initiative #93 Portion of Income Paid in State and Local Taxes in CO with GSTC Initiative</th>
</tr>
</thead>
<tbody>
<tr>
<td>$12,300</td>
<td>7.6%</td>
<td>7.6%</td>
</tr>
<tr>
<td>$30,600</td>
<td>8.7%</td>
<td>8.7%</td>
</tr>
<tr>
<td>$51,300</td>
<td>8.7%</td>
<td>8.7%</td>
</tr>
<tr>
<td>$79,800</td>
<td>8.3%</td>
<td>8.3%</td>
</tr>
<tr>
<td>$140,300</td>
<td>7.5%</td>
<td>7.5%</td>
</tr>
<tr>
<td>$177,800</td>
<td>6.3%</td>
<td>6.3%</td>
</tr>
<tr>
<td>$1,779,900</td>
<td>5.3%</td>
<td>5.3%</td>
</tr>
</tbody>
</table>

Household Income

<table>
<thead>
<tr>
<th>Household Income</th>
<th>Current Portion of Income Paid in State and Local Taxes in CO</th>
<th>With Initiative #93 Portion of Income Paid in State and Local Taxes in CO with GSTC Initiative</th>
</tr>
</thead>
<tbody>
<tr>
<td>$12,300</td>
<td>7.6%</td>
<td>7.6%</td>
</tr>
<tr>
<td>$30,600</td>
<td>8.7%</td>
<td>8.7%</td>
</tr>
<tr>
<td>$51,300</td>
<td>8.7%</td>
<td>8.7%</td>
</tr>
<tr>
<td>$79,800</td>
<td>8.3%</td>
<td>8.3%</td>
</tr>
<tr>
<td>$140,300</td>
<td>7.5%</td>
<td>7.5%</td>
</tr>
<tr>
<td>$177,800</td>
<td>6.6%</td>
<td>6.6%</td>
</tr>
<tr>
<td>$1,779,900</td>
<td>7.1%</td>
<td>7.1%</td>
</tr>
</tbody>
</table>
Corporate tax on C Corporations will increase by 1.37% to 6%

Impact on: C-Corporations

<table>
<thead>
<tr>
<th>Corporate Profits</th>
<th>Federal Tax Change</th>
<th>State Tax Change for Public Schools</th>
</tr>
</thead>
<tbody>
<tr>
<td>$50,000</td>
<td>$7,000 savings</td>
<td>$685 increase</td>
</tr>
<tr>
<td>$500,000</td>
<td>$70,000 savings</td>
<td>$6,850 increase</td>
</tr>
<tr>
<td>$2,000,000</td>
<td>$280,000 savings</td>
<td>$27,400 increase</td>
</tr>
</tbody>
</table>
Addresses the structural problem in the property tax system for education

- All property tax revenues remain at the local level and go to pay for schools, roads, fire protection, police and other local services.

<table>
<thead>
<tr>
<th>YEAR</th>
<th>RESIDENTIAL</th>
<th>COMMERCIAL</th>
</tr>
</thead>
<tbody>
<tr>
<td>1982</td>
<td>21%</td>
<td>29%</td>
</tr>
<tr>
<td>1995</td>
<td>10.36%</td>
<td>29%</td>
</tr>
<tr>
<td>2018</td>
<td>7.2%</td>
<td>29%</td>
</tr>
</tbody>
</table>

2019: Projected Drop 6.1% to 24%

Colorado property tax rates are the third lowest in the nation and continue to drop, resulting in fewer resources for local services.

#GSTC2018 Initiative
- Makes funding more sustainable
- Provides relief to commercial tax payers
- Provides relief to state budget that attempts to backfill losses to education

Stabilizes the local share that continues to decrease as a percent of total school funding

The Statewide Average 2018-2019

- Local Sources $2.5 billion (33%)
- State Sources $5.2 billion (67%)

Figure 8
Relative State and Local Shares of School Finance, 1983 to FY 2016-17

Source: Legislative Council Staff.
Note: Prior to 1993, K-12 funding was done on a calendar year basis.
Raises $1.6 billion to address local needs and ensures decisions are made at local level

- Increases base funding for all students
- Provides funding for full-day kindergarten and increases revenue going to early childhood education funding
- Expands the definition of “at-risk” students to count free and reduced lunch kids
- Significantly increases the amount of funds passing from the state to local districts for: Special Education, English Language Learners, and Gifted & Talented students

Economic benefits are linked to high quality education
Quality public education supports safe and healthy communities

According to the Denver Business Journal, “a newly released study found that Colorado could receive a multi-billion dollar economic boost if its schools became the best in the nation,” including $1 billion in savings on incarceration and public assistance.

1 BILLION

savings on incarceration & public assistance

72% of voters said business should play a greater role in efforts to improve the state's education system.
Current Reality

Several challenges

- 2% of registered voters in each of the 35 Senate districts
- First to attempt

- Estimate: $4M budget
- Reality: Less than $300K budget

Raise the Bar

Money for Campaign

$
Amendment 73

- 98,492 signatures required
- 179,390 raw signatures
- 138,432 validated signatures
- 2% registered voters in every Senate district
- 20%+ buffer in every Senate district
- 1,444 GSTC petition circulators collected
- 2,000+ volunteer hours for validating signatures

Great Schools, Thriving Communities

Key Stats on Petitions Submitted to the Colorado Secretary of State

Running the most locally-driven state-wide election in Colorado history
Local Impact

Sample District Impacts

<table>
<thead>
<tr>
<th>School District</th>
<th>Reduction 18-19</th>
<th>GSTC Funding</th>
<th>Mills for same $</th>
<th>$ raised by 1 mill</th>
</tr>
</thead>
<tbody>
<tr>
<td>Holyoke</td>
<td>-$0.5 million</td>
<td>$1.1 million</td>
<td>14.5</td>
<td>$75,832</td>
</tr>
<tr>
<td>Yuma</td>
<td>-$0.7 million</td>
<td>$1.5 million</td>
<td>14.2</td>
<td>$108,215</td>
</tr>
<tr>
<td>Otis</td>
<td>-$0.3 million</td>
<td>$0.5 million</td>
<td>31.2</td>
<td>$17,560</td>
</tr>
<tr>
<td>Limon</td>
<td>-$0.4 million</td>
<td>$0.9 million</td>
<td>13.0</td>
<td>$72,390</td>
</tr>
<tr>
<td>Edison</td>
<td>-$0.3 million</td>
<td>$0.4 million</td>
<td>80.8</td>
<td>$5,164</td>
</tr>
<tr>
<td>Lamar</td>
<td>-$1.2 million</td>
<td>$2.5 million</td>
<td>30.3</td>
<td>$82,007</td>
</tr>
<tr>
<td>La Junta</td>
<td>-$1.2 million</td>
<td>$2.4 million</td>
<td>35.6</td>
<td>$68,673</td>
</tr>
<tr>
<td>Delta County</td>
<td>-$3.5 million</td>
<td>$7.8 million</td>
<td>22.6</td>
<td>$346,578</td>
</tr>
<tr>
<td>Mancos</td>
<td>-$0.4 million</td>
<td>$0.9 million</td>
<td>20.4</td>
<td>$45,442</td>
</tr>
<tr>
<td>Mesa County</td>
<td>-$16.2 million</td>
<td>$29.3 million</td>
<td>17.5</td>
<td>$1,674,831</td>
</tr>
<tr>
<td>Meeker</td>
<td>-$0.6 million</td>
<td>$1.2 million</td>
<td>2.0</td>
<td>$585,410</td>
</tr>
<tr>
<td>West Grand</td>
<td>-$0.4 million</td>
<td>$0.8 million</td>
<td>6.6</td>
<td>$122,124</td>
</tr>
<tr>
<td>Highland / Ault</td>
<td>-$0.7 million</td>
<td>$1.6 million</td>
<td>8.4</td>
<td>$187,088</td>
</tr>
</tbody>
</table>
Sample Farm Impacts

Washington County
Otis School District
4 quarters dry land
12 quarters grazing

IMPACT ON A FARMER OR RANCHER

Income: $180,000
Federal Taxable Income: $120,572
Home Value: $150,000
Farm/Ranch Property Value: $156,800

State Tax Changes Under Initiative

HOLYOKE RE-1J
New Revenue $1,825 per student
$1,099,934 total

Sample Farm Impacts

Yuma County
Yuma School District
15 quarters irrigated
8 quarters dry land
8 quarters grazing

IMPACT ON A FARMER OR RANCHER

Income: $350,000
Federal Taxable Income: $267,183
Home Value: $250,000
Farm/Ranch Property Value: $1,480,480

State Tax Changes Under Initiative

YUMA 1
New Revenue $1,881 per student
$1,534,024 total
Arguments For and Against

For

- Investing in public education will help ensure a strong Colorado economy capable of competing in today’s global market. Since the 2010-11 budget year, the budget stabilization factor has cut education funding by a total of $7.2 billion, resulting in disinvestment by the state.
- 91.8% of Colorado tax filers would not be impacted by an income tax increase under this measure and it would provide tax relief to business property owners and local farmers and ranchers while stabilizing the local share of school funding coming to local school districts.
- One of government’s most important functions is to provide children with a high-quality education.
- The current school funding system has created significant funding disparities among school districts. To improve schools, the state needs a long-term solution that is innovative, sustainable, accountable for results, and transparent to taxpayers.

Against

- The measure imposes a tax increase without any guarantee of increased academic achievement. A focus on education reform rather than new revenue is more likely to improve student outcomes.
- The measure complicates an already complicated property tax system. By creating one assessed value for school districts and another assessed value for all other local taxing entities, the measure will lead to confusion among taxpayers and further complicate tax administration for state and local governments.
- The measure increases the state income tax rate for small businesses, corporations, and some individuals. As a result, businesses will have less money to invest in their workers and individuals will have less money to spend, save, and invest.
- The measure does not allow the state legislature to adjust the income tax thresholds to account for inflation.

Questions?
What about the Marijuana Tax Money?

It is a misperception that most of the marijuana tax revenue goes to K-12 education. The majority of funds go to the Marijuana Tax Cash Fund for healthcare, health education, substance abuse and treatment programs and law enforcement. Schools are eligible for $40 million in competitive grants for school construction and about $30 million was allocated to go to rural schools in 2017-18.

Senior Homestead Exemption

The Senior Homestead Exemption acts as a property tax break for seniors who are 65 or older, and who have lived in their home for at least 10 years. Specifically, it exempts 50% of the first $200,000 of the house’s value.

Seniors who qualify would use the property value after the exemption calculation (the example to the right shows a $250,000 property value).