

Part one of a three-part series

"Where's all that marijuana money?"

State's pot dollars help schools, but maybe not as much as you think

By David Migoya and Jon Murray *The Denver Post*



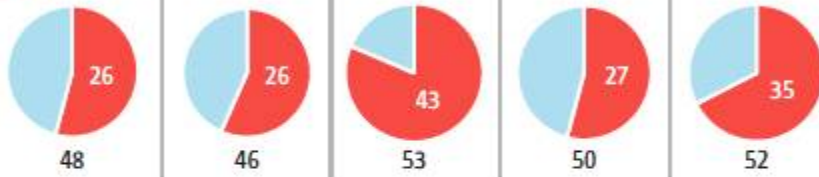
Tom Wilke, Manzanola district superintendent and K-12 principal, stands in the school's old boiler room. "This community, if they don't put a new school in there, maybe two years, maybe five, it will be gone," Wilke says. Joe Amon, *The Denver Post*

BEST grants since recreational pot legalized

The BEST program has seen increasing demand for its grants for school construction projects since the inception of retail marijuana sales.

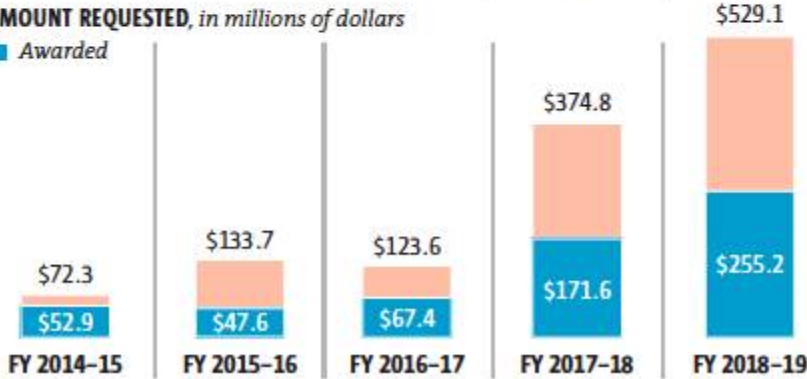
GRANTS REQUESTED

■ Awarded



AMOUNT REQUESTED, in millions of dollars

■ Awarded



Source: Colorado Department of Education

Jeff Neumann, The Denver Post



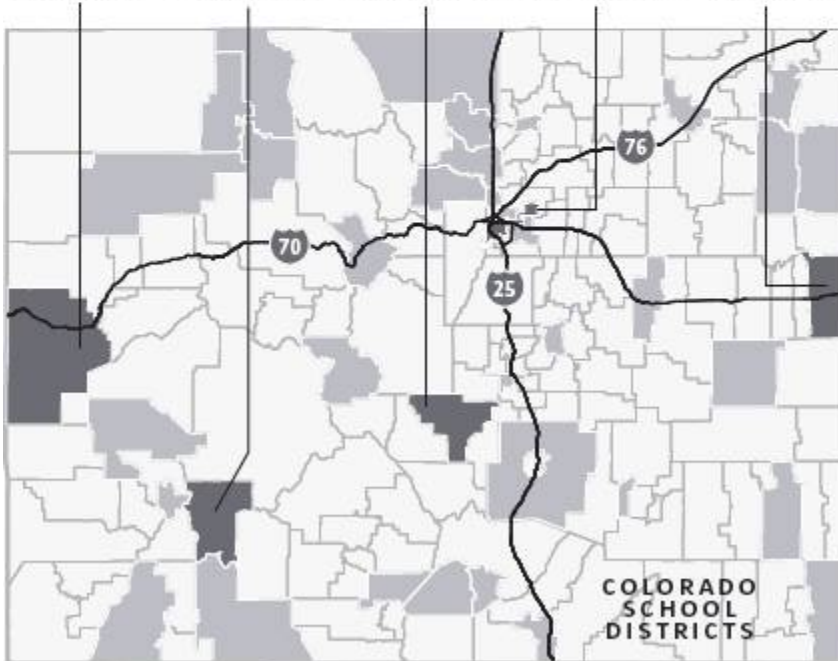
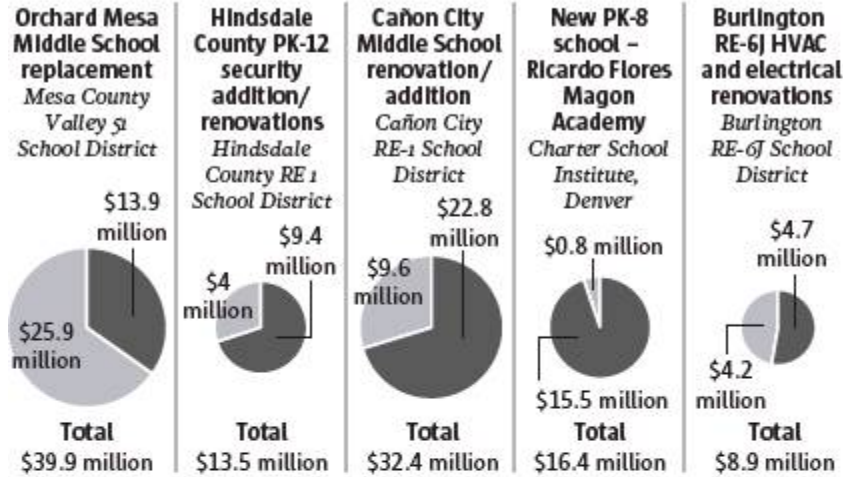
Seventh-graders Caden Kay and Santana Hernandez use a 3-D printer to build a skeleton in the design side of the fabrication and design lab at state-of-the-art Columbine Middle School in Montrose. Marijuana tax money helped build Columbine. Joe Amon, The Denver Post

BEST grants spread across Colorado

The state's Building Excellent Schools Today (BEST) program receives the first \$40 million in marijuana excise tax dollars.

TOP 5 PROJECTS FUNDED WITH CASH GRANTS for fiscal year 2018-19

■ BEST grant ■ District match



DISTRICTS WITH 2018-19 ... ■ Participating applicants ■ Top 5 funded projects

Note: Total figures may not add up due to rounding

Source: Colorado Department of Education

Jeff Neumann, The Denver Post



Martina Cahill teaches a kindergarten art class in the library at Swallows Charter Academy in Pueblo West. The library and other parts of the charter school are in a former grocery store that soon will be replaced by a new two-story, 30-classroom building.



Eighth-grade students Aland Stroud and Torrie Eckerman use a flight simulator in the learning center at Columbine Middle School in Montrose. Photos by Joe Amon, The Denver Post

A big part of the 2012 pitch to convince Colorado voters they should legalize recreational marijuana was that the tax money would fix their local schools. ¶ Five years after the first sale occurred on Jan. 1, 2014, that tax money has translated into \$160 million toward school construction statewide — roughly enough to build three high schools. Meanwhile, the state has actually collected more than \$740 million.

“People frequently ask, ‘Where’s all that marijuana money?’ ” said Tim Reed, executive director of facilities and construction for Jefferson County Schools and chairman of the state board that selects the school projects that get funded. “I can’t tell you how

many community meetings I've been

to where this comes up."

The issue, Reed said, isn't a lack of money but rather a misconception about how marijuana taxes were to be spent, mostly because of the campaign to pass Amendment 64.

"No one really read the fine print," Reed said. "They all thought the pot smokers would support public education."

That has been true, up to a point. Marijuana tax money did help build a state-of-the-art middle school in Montrose County — where marijuana sales are not allowed — to replace a 56-year-old building with asbestos-laden tiles, buckling slabs and a gym floor that needed trash cans to catch leaking rainwater. The district has also received money for four other projects — to remove asbestos, upgrade aging electrical systems, replace leaky roofs and add air conditioning to parts of an oppressively hot high school.

All in all, the state's largest rural school district has received more than \$15 million from the state to help with its infrastructure and other basic needs since sales of the recreational drug began — most of it through the board Reed oversees, the state Department of Education's Building Excellent Schools Today (BEST) fund, which gets about a third of its revenue from taxes on retail marijuana sales.

"We have a brand-new school that opened on time and under budget, by golly," Superintendent Stephen Schiell said of Columbine Middle School.

Over several months, The Denver Post pored through hundreds of pages of legislative history and expenditures, interviewed dozens of people involved with Amendment 64 and its passage, as well as educators across the state to see where all the marijuana tax money has ended up. The hundreds of millions of marijuana dollars that did not go to school construction are parsed out to a variety of places — including school programs — through a formula the legislature created and is continually tweaking.

But only the first \$40 million each year was ever promised to go toward fixing our schools.

Campaign projections were way off

From the very beginning, it was clear that getting marijuana legalization passed hinged specifically on the public perception that tax dollars generated from retail sales would be primarily earmarked toward education.

For that reason, Amendment 64 is precisely worded: The first \$40 million in excise taxes — the tax assessed on a transaction between a wholesale marijuana grower and a retail outlet — would be used only for school construction projects across the state.

The money would not go toward teachers' salaries, or books, or new buses or even supplies. It was intended to fix things.

Pro-legalization organizers greatly underestimated how much the excise tax would bring in.

"At the time, we'd been doing some pro-forma tax estimates and thought we'd have in the range of \$60 million to \$70 million in annual tax revenue" from marijuana sales, attorney Brian Vicente said of the Yes on 64 campaign.

While Amendment 64 ensured excise taxes flowed into the BEST program, it did not offer any allocations for anything past that initial \$40 million each year. That's because organizers didn't think recreational marijuana would generate much more than \$60 million or so in tax revenue each year. Today, excise taxes on pot generate more than \$80 million annually and sales taxes on retail marijuana alone have topped \$178 million.

"Amendment 64 was a campaign that said significant funding would go to public schools," Vincente said. "It's been a good legacy. But as we near \$300 million in (annual) taxes, it's effectively spreading to different programs, many of them that receive a couple hundred thousand dollars they otherwise wouldn't have had."

The infusion of dollars has allowed the BEST program to up its game with the types of projects it takes on, but the extra marijuana dollars only go so far.

Still, there has been some real impact since recreational marijuana showed up:

- Dozens of new roofs for crumbling schools across the state.
- Sprinklers in buildings built decades before they existed.
- Security systems in an age of concern for student safety.
- Additional classrooms to alleviate relentless overcrowding.
- New gyms to replace dilapidated ones.
- New schools because older ones are unsafe to enter.

But there have also been dozens of other similar projects statewide that have gone unfunded because not enough dollars are allocated to handle them all. They include a new high school in Buena Vista, a new elementary school in Mapleton and new roofs for schools in El Paso County and Woodland Park.

"What we're working on is how to fund as many small projects that are worthwhile as possible," Reed said. "We just don't have enough money to fund everything that comes in the door."

The picture appears to be improving.

The legislature this year changed the original allocation to fix schools. Instead of only \$40 million, the BEST fund by next June will have received 90 percent of what's collected in excise taxes or the \$40 million, whichever is higher. The other 10 percent goes into an education investment fund.

Last year, BEST would have received \$61 million had that formula been in place.

"Spit in the ocean"

The BEST program was established in 2008, the result of a lawsuit that successfully challenged how the state funded public school construction projects.

The program allows public districts, as well as charter schools, to apply for grants to rebuild, repair or replace buildings and other facilities. The process requires schools to offer a funding match for their project that varies from as little as 2 percent to as much as 80 percent.

A nine-member board reviews each BEST application and decides which meet the program's criteria: addressing potential safety or health hazards, relieving overcrowding or incorporating technology into the school environment.

The BEST fund — the balance hovers at about \$400 million — isn't fueled solely by marijuana tax dollars. The largest source of its funding comes from revenues for the rental, lease, royalty and other payments from public school lands. Other sources include proceeds from the Colorado Lottery and interest earned on deposits. In all, about \$124 million goes into the fund each year.

But the advent of retail marijuana sales in 2014 coincides with the explosive increase in requests for BEST grants.

In fiscal year 2014-15, there were 48 applications totaling \$72.3 million. The program funded \$52.9 million of them, nearly three-quarters of the requests. Only one of those requests was for a new school building, state records show.

By fiscal year 2018-19, the number of applications had grown to only 52, but the amount requested had exploded to \$529.1 million, records show. Of those, 18 were for new or replacement schools. Only \$255 million worth of projects were funded, less than half the total requested.

"No one has a real idea of the capital needs of public education," Reed said. "And when it costs \$60 million to build a new high school compared to the \$40 million we get from marijuana, you have no idea of the spit in the ocean that really is."

Though the program last year put about \$85 million into projects, it was able to fund another \$170 million through the use of certificates of participation, or COPs, a stream of money that operates much like construction bonds but doesn't require voter approval. Investors buy into a project and the BEST program pays them back over a number of years.

COPs are reserved for the larger school projects, such as the middle school in Montrose, a new, \$32 million pre-K-12 school in Kit Carson and a \$23.5 million intermediate school replacement in Mapleton.

"When we're blessed with COPs, you see the bigger projects and renovations," Reed said. "It's about how it will benefit the highest number of students."

Try, try, try and trying again

In Pueblo West, that number is almost 600.

Executive director Cindy Compton for six years struggled to convince the BEST board that her charter school — Swallows Charter Academy — deserved a grant.

It is the longest any school continuously and unsuccessfully applied for funding.

"Pueblo West is a community that has close to a dozen recreational marijuana shops, and we're not that big of a community," Compton said. "And they are within close proximity to this campus."

The campus began life more than 20 years ago in a single modular building, expanding its K-3 elementary classes shortly afterward into a renovated grocery store. Once the Bulldog Market, it now has 13 classrooms and administrative offices.

As the school excelled and expanded — from 49 middle school students at the beginning to nearly 600 K-12 students today — so did the campus. There are seven buildings including the old grocery store, most of them modular — basically double-wide mobile homes stuck together. Classes are also held in rented space in a strip mall next to a pet groomer.

“Our goal was always to find a way to replace the modular and give the kids a safe campus,” Compton said.

Swallows was finally chosen this year for a \$15.9 million replacement project that will bring a new two-story, 30-classroom building to the campus. The school is pitching in \$250,000, one of the lowest contribution rates of any school since marijuana dollars rolled into the BEST program.

In Fort Morgan, the growing county school district says it would not have been able to replace its 90-year-old middle school, which had a failing electrical system, inadequate ventilation and too many students jammed into tiny classrooms, without the BEST program.

It was awarded \$24.9 million to cover about 70 percent of the cost in the 2014-15 school year, which was the first year marijuana tax money was available, after having made the backup list the prior year.

Although the new school, which opened in 2016, was funded through leftover principal from COPs, the dollars used to pay those back will include tax funds collected from marijuana sales until all the investors are repaid.

The irony is that all but one small community in Morgan County — Log Lane Village, population about 868 — bans sales of marijuana.

“Fort Morgan could not begin to dream about addressing this very large problem on its own, without the help of the BEST program,” according to the district’s BEST application. “By replacing the middle school, the district will have a very good opportunity to complete its long-range master plan vision on its own.”