Colorado
Legislative
Council
Staff

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MEMORANDUM

February 1, 2013

TO: Joint Budget Committee
House and Senate Education Committees
Office of State Planning and Budgeting

FROM: Todd Herreid, Fiscal Director, 303-866-2633

SUBJECT: Report on the State Education Fund

Summary

The forecast for the State Education Fund and the level of General Fund appropriations needed to pay for school finance have changed from when the General Assembly adjourned in May 2012. Property values have stabilized and are expected to grow modestly over the next few years, helping to boost the local contribution to school finance. Similarly, income tax receipts are growing faster than anticipated, increasing deposits into the State Education Fund and the General Fund. In addition, House Bill 12-1338 will increase the funding capacity from the State Education Fund, given a projected transfer of $785 million from the General Fund to the State Education Fund at the end of FY 2012-13. Assuming the supplemental school finance bill (Senate Bill 13-108) is adopted and the balance in the State Education Fund is gradually reduced to $100 million[1] by the end of FY 2016-17, General Fund support for school finance will need to increase 3.3 percent annually, or by $93 million in FY 2013-14, to reach the targeted ending balance. If General Fund support for school finance in FY 2013-14 does not increase, its contribution will have to increase in subsequent years by 5.5 percent per year to maintain a $100 million ending balance in the State Education Fund in FY 2016-17.

The model used to project the State Education Fund balance was updated to reflect actual data for the current budget year and the December 2012 Legislative Council Staff revenue and economic forecast. Increases in school finance and categorical funding are based on an estimated inflation rate of 1.7 percent applicable for FY 2013-14. The income tax diversion to the State Education Fund is projected to grow at an average annual rate of 5.2 percent through FY 2014-15. The State Education Fund balance is projected to be $754 million at the end of FY 2013-14, falling to $100 million by the end of FY 2016-17.

[1] Last year, the Joint Budget Committee and the Governor's Office of State Planning and Budgeting agreed to a policy of maintaining a $100 million State Education Fund balance to account for forecast errors on revenue deposited into the fund and forecast errors on enrollment, assessed values, and at-risk students that could increase state funding requirements for school finance.

Amendment 23 and the State Education Fund

Article IX, Section 17, of the Colorado Constitution, enacted by the voters at the November 2000 election as Amendment 23, creates the State Education Fund (SEF). It diverts an amount equal to one-third of 1 percent of Colorado taxable income to the fund. It also requires the General Assembly to increase the statewide base per pupil funding amount under the school finance act and total state funding for categorical programs by at least the rate of inflation in the current budget year and subsequent years. Money in the SEF may be used to meet these minimum education funding requirements. In addition, the General Assembly may appropriate money from the SEF for a variety of other education-related purposes as specified in the state constitution. However, Amendment 23 no longer imposes a "maintenance of effort" spending requirement from the General Fund, under which appropriations had to grow by at least 5 percent if certain conditions were met. This requirement expired after FY 2010-11.

Requirements for a Study

Following voter approval of Amendment 23, the Legislative Audit Committee contracted with Pacey Economics Group to develop a model to predict the results of policy decisions and economic conditions on the balance of the SEF and on General Fund appropriations for public elementary and secondary education. As the Pacey Economics Group noted, the balance of the State Education Fund is integrally tied to the level of General Fund appropriations. The greater the level of increase in General Fund appropriations, the greater the SEF balance and the greater the amount of money available for public education programs. Appropriations for public education affect the amount of money available for other state programs because they compete for the same pool of money. The model developed by the Pacey Economics Group provides a method to project school finance and categorical program spending under the requirements of Amendment 23. Legislative Council Staff also predicts the amount of income tax revenue diverted to the fund. Given the projections for revenue and spending, the model is used to estimate the impact of General Fund appropriation increases on the SEF balance, given different scenarios for changing overall school finance funding.

State law anticipates an annual updating of the Pacey model to accommodate actual data and changes in policy or economic conditions. Section 22-55-104 (3), C.R.S., requires a yearly report on the State Education Fund that addresses the following:

- the reasonableness of the assumptions used to forecast State Education Fund revenue and expenditures and revisions to the assumptions;
- revenue projections for the SEF;
- projections of the total amount of state money necessary to increase the statewide base per pupil funding amount and total categorical program funding by the rate of inflation in FY 2013-14;
- projections of the amount of money available from sources of revenue other than the General Fund and the State Education Fund to meet the funding requirements of Amendment 23;
- the stability of the SEF;
- an estimate of the maximum amount of money that can be appropriated from the SEF and the minimum amount of money that can be appropriated from the General Fund for FY 2013-14 to meet the Amendment 23 funding requirements without adversely

impacting the solvency of the SEF or the ability of the General Assembly to provide the Amendment 23 minimum funding increases in the future; and

- estimates of various General Fund appropriation levels above the minimum level and their impact on the amount of money available in the SEF to provide funding in FY 2013-14 for additional programs that are consistent with the provisions of Amendment 23.

This year's report assumes passage of the supplemental budget bill for school finance, SB 13-108. This bill makes mid-year adjustments for education funding in FY 2012-13 and sets a preliminary funding level for FY 2013-14 and subsequent years, based on raising the statewide average per pupil funding by inflation. The Joint Budget Committee, the Governor's Office, and the General Assembly will analyze in greater detail the FY 2013-14 appropriations from the General Fund and the SEF — and the laws that drive these appropriations — in the coming weeks. In addition, the actual inflation rate applicable for FY 2013-14 will be released at the end of February. Thus, much will occur during the 2013 legislative session that will affect the analysis presented in this report.

Updated Revenue and Expenditure Forecasts

Beginning with FY 2011-12, the General Assembly no longer has a maintenance of effort requirement under Amendment 23, and is thus able to allocate funding for public schools between the General Fund, the SEF, and other cash funds as it wishes. However, passage of House Bill 12-1338 will transfer an estimated $785 million from the General Fund to the SEF in FY 2013-14. This additional one-time transfer raises policy questions for the General Assembly to consider regarding the overall amount of state funding to allocate for school finance and other education-related programs in FY 2013-14 and how much money to retain in the SEF to pay for future increases in school finance. Under current law, the projected balance in the SEF is forecast to be $118 million at the end of FY 2012-13.

The basic framework of the Pacey model is retained for this report; there are no major changes in the structure of the model since this report was published in 2012. Inputs to the model have been updated to incorporate law changes enacted by the General Assembly, actual school funding data for FY 2012-13, revisions to forecasts of economic indicators, and the most recent Legislative Council Staff forecast of pupil counts and assessed values. Like the prior school finance bill, House Bill 12-1345 included a negative factor that reduced the overall amount of funding for school finance by about $1.0 billion. In addition, this report assumes that the General Assembly will approve the supplemental funding bill, which increases state aid by about $13.3 million in the current budget year, accounting for slightly higher pupil counts and at-risk students, and slightly lower contributions to school finance from local sources. A comparison of subsequent budget years assumes that total program will increase to raise the statewide average per pupil funding by the rate of inflation.

Projections for property and specific ownership taxes are higher. Property and specific ownership taxes provide the local contribution for school district funding under the school finance act. When these local revenue sources produce more revenue, requirements for state aid decrease for a given level of education funding.

Assessed value and property tax growth. Property taxes account for about 93 percent of the local contribution to the school finance act. Most school districts impose the same property tax rate, or mill levy, from year to year. Thus, yearly changes in tax revenue depend upon changes in the tax base, or assessed value, of school districts. Assessed values declined 5.3 percent in 2010, and fell another 5.4 percent in 2011, accounting for an overall reduction in the local contribution for school finance. However, in 2012, assessed values increased 1.7 percent, which generated slightly higher property taxes than the prior year. In the following years, assessed values are expected to increase modestly, causing a further increase in property taxes for school districts.[2]

In FY 2012-13, property taxes for school finance are estimated to total almost $1.8 billion, with the forecast rising by $53.6 million, or 3.0 percent in FY 2013-14 compared with the prior year.

Specific ownership taxes. In addition to property taxes, the local contribution includes specific ownership taxes. Specific ownership taxes are paid annually on motor vehicles. Counties collect most specific ownership taxes and distribute them to all governments in the county that collect property taxes, like school districts and special districts. By law, counties distribute specific ownership tax revenue to governments in proportion to the amount of property taxes collected by each jurisdiction. Specific ownership taxes make up about 7 percent of the local contribution to school finance funding.

Specific ownership tax rates are set by state law and decrease as a vehicle ages. For example, a 2013 model-year passenger vehicle will pay a rate of 2.1 percent, while a 2006 model-year passenger vehicle will pay a rate of 0.45 percent. Consequently, increases in specific ownership tax collections are sensitive to purchases of new vehicles. During the last recession, new car sales dropped dramatically, which adversely affected specific ownership taxes. This caused the contribution of specific ownership taxes to the local share of school finance to fall from just over 8 percent to less than 7 percent.

Specific ownership tax receipts applied to the school finance act lag one year behind revenue collections; that is, specific ownership taxes collected in FY 2011-12 count as part of the local contribution for school finance funding in FY 2012-13. In the current budget year, specific ownership taxes for school finance declined $1.3 million compared with the prior year, totaling $127.6 million. This reduction may be partly explained by some households keeping older cars for a longer period of time, thereby paying less in specific ownership taxes. The projection for FY 2013-14 expects a modest increase of $3.8 million compared with the prior year, given an expected rebound in new car sales.

Total local share change. In FY 2013-14, school districts' property and specific ownership taxes are projected to increase $57.5 million compared with FY 2012-13.

Lower inflation reduces overall funding requirements for school finance and categorical programs. Expenditures for school finance are a function of pupil counts and inflation. The statewide base per pupil funding level must increase by inflation each year, as specified by Amendment 23. The base level is subsequently adjusted for cost-of-living and size factors unique to each school district, and multiplied by pupil count to determine each school district's funding level prior to the application of the negative factor. The negative factor is a percentage cut in each school district's total program funding that is determined annually by the General Assembly. The negative factor reduces the amount of state aid received by a district. Additional funding is also provided for at-risk and online pupils. The change in projected inflation rates is illustrated in Figure 1.

As described in more detail later in this report, a lower inflation forecast decreases the overall cost of school finance. In addition, total state funding for categorical programs is reduced by lower projections for inflation.

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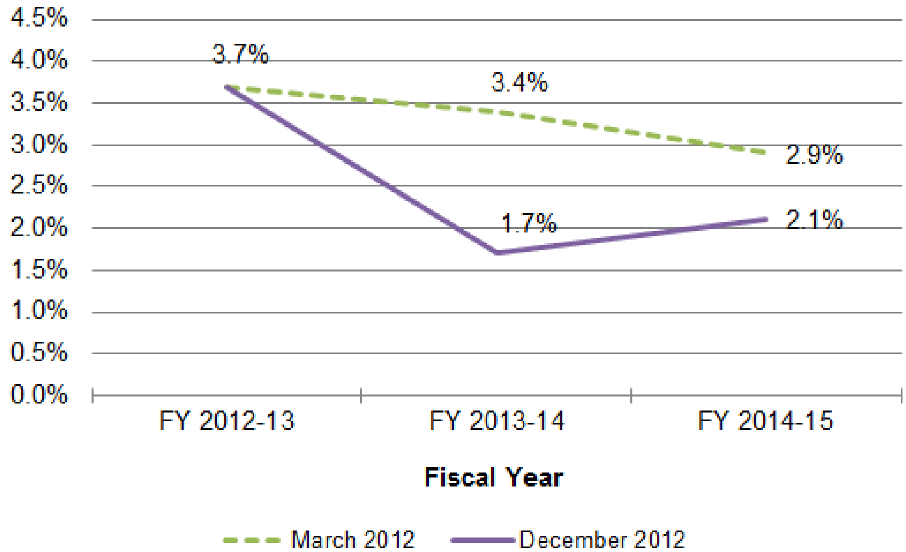
[2] Legislative Council Staff, *Focus Colorado: Economic and Revenue Forecast,* December 20, 2012

Figure 1
Comparison of Inflation Rate Projections
(Legislative Council Staff Forecasts)



Revenue projections for the State Education Fund are higher. One-third of 1 percent of Colorado taxable income on state income tax returns is deposited in the SEF. This amount translates to about 7.2 percent of state income tax revenue. Money is diverted to the fund monthly, based on quarterly estimates of taxable income. Errors in the amount deposited in the fund in any fiscal year are corrected in the following fiscal year by adjusting the amount of the transfer. Any money remaining in the fund at the end of a fiscal year stays in the fund.

The projections of revenue to the fund in this report are based on the December 2012 Legislative Council Staff revenue forecast. The income tax revenue deposited in the fund is expected to increase at an average annual growth rate of 5.2 percent between FY 2011-12 and FY 2014-15, as illustrated in Table 1. The figure also compares the current projections of income tax revenue to the SEF with those from the March 2012 forecast. Actual income tax diversions to the fund for FY 2011-12 were $8.3 million higher than projected last March. Income tax diversions over the next three years are expected to be $62.5 million more than what was projected in March 2012. For FY 2013-14, income tax revenue to the SEF is expected to total $451.9 million.

The projected rise in revenue to the SEF compared to last year results from an improving economy and its impact on income tax revenues. Corporate income tax revenue has exhibited strong growth, which is expected to continue, albeit at a slower pace. Job growth and wage hikes, coupled with stock market improvements and capital gains, are expected to positively affect growth in individual income taxes.

In addition to the income tax diversion, the SEF also earns interest. Amendment 23 requires that all interest earned on money in the fund be deposited into the fund and be used before any principal is depleted. The fund is currently invested in all short-term investments, called the treasury pool. The treasury pool is currently earning interest of 1.1 percent. The relatively modest rate of return is attributed to the types and timing of investments: much of the treasury pool is invested in fixed income securities. These securities provide a guaranteed rate of return for the duration of the investment. As these securities mature, the rate of return will depend on available investment options and market conditions. Under the current practice of disbursing the school finance appropriation as late in the fiscal year as possible, the balance of the SEF builds over the course of the fiscal year, earning interest, and then drops at the end of the fiscal year when the most significant expense is paid.

Table 1
Projections of Income Tax Revenue to the State Education Fund
(Millions of Dollars)

Fiscal Year	December 2012 Forecast: Income Tax	December 2012 Forecast: Year-to-Year % Change	March 2012 Forecast: Income Tax	March 2012 Forecast: Year-to-Year % Change	Change in Projected State Education Fund Revenue
FY 2011-12	$407.5	9.9%	$399.2	7.7%	$8.3
FY 2012-13	$425.1	4.3%	$407.4	2.1%	$17.7
FY 2013-14	$451.9	6.3%	$431.9	6.0%	$20.0
FY 2014-15	$474.0	4.9%	$449.2	4.0%	$24.8
Total	**$1,758.5**		**$1,687.7**		**$70.8**

State Money Needed to Meet Amendment 23 Funding Requirements in FY 2013-14

Amendment 23 requires the statewide base per pupil funding amount for preschool through twelfth grade education to increase annually by the inflation rate in FY 2011-12 and each year thereafter. The same requirement applies to state funding for categorical programs. Under current law, meeting these two obligations is expected to cost the state just under $3.1 billion in FY 2013-14, as illustrated in the line 10 of Table 2. This represents an increase of $76.8 million from the Amendment 23 requirements in FY 2012-13. Note that the school finance and categorical program dollar amounts in Table 2 are based on an estimated inflation rate of 1.7 percent for 2012; the actual inflation rate will be released by the federal government in February 2013.

School finance funding. Under current law, the projected statewide base per pupil funding amount for FY 2013-14 is $5,942.60, an increase of $99.34 over the current budget year. When combined with a 1.1 percent increase in the funded pupil count, total funding for school finance is projected to be $6,489.6 million, an increase of $180.2 million over the current budget year, before application of the negative factor (line 3). Local property and specific ownership taxes are expected to increase $57.5 million, resulting in a net increase in state aid of $122.7 million (line 5). Assuming passage of the supplemental school finance bill, the negative factor will increase by $32.3 million, thereby increasing state aid for school funding by $90.4 million compared with the previous year (line 7).

Categorical programs. Total state funding for categorical programs is estimated at $248.4 million for FY 2013-14, an increase of 1.7 percent over the prior year, or $4.2 million.

Table 2
State Money Required to Meet School Finance Act Funding Requirements in FY 2013-14 under Current Law, Assuming Passage of SB 13-108
(Millions of Dollars)

	Calculation of Funding Amounts	Estimated FY 2013-14 Amount	Change from FY 2012-13
	School Finance		
1	Total funding under the school finance act for **base** increase of inflation, before inclusion of other factors in school finance formula	$4,818.4	$130.1
2	Plus other factors included in school finance formula, before the negative factor	$1,671.2	$50.1
3	**Equals total school finance funding before negative factor**	**$6,489.6**	**$180.2**
4	Minus property and specific ownership taxes for school finance	$1,975.7	$57.5
5	Equals state aid for school finance before negative factor	$4,513.9	$122.7
6	Minus negative factor	($1,043.8)	($32.3)
7	**Equals state aid for school finance funding**	**$3,470.1**	**$90.4**
8	**Total school finance funding after negative factor (lines 4+7)**	**$5,445.8**	**$147.9**
	Categorical Programs		
9	Total funding for categorical programs with a 1.7 percent increase in inflation	$248.4	$4.2
	Total: School Finance Funding Plus Categorical Programs		
10	Total state funding required for school finance **base** and **categorical programs** (sum of lines 1 and 8) minus **local funding** (line 4)	$3,091.1	$76.8
11	Total state funding for school finance and categorical programs (sum of lines 7 and 8)	$3,718.5	$94.6

Other Revenue Available to Meet State Funding Requirements of Amendment 23

In addition to General Fund and SEF revenue, other revenue from federal mineral leases and state school trust lands, among other smaller sources, is available to meet the funding requirements of Amendment 23 and the school finance act. These revenue sources are deposited in and appropriated from the State Public School Fund, as illustrated in Table 3. The estimated amount available in FY 2013-14 for school finance is $75.6 million. This amount is based on federal mineral lease deposits of $67.6 million, Permanent Trust Fund interest of $11 million, and continuation of $3.0 million in appropriations from the State Public School Fund for three specific programs: just under $2.5 million pays for the state match for the National School Lunch Act; $480,000 provides supplemental online educational programs and a grant program; and $35,000 goes for printing and distributing school laws. The net result of these changes is a $204.7 million increase in funding requirements from the General Fund and the SEF for FY 2013-14 compared with the prior year.

Table 3
Other Revenue for School Finance Act Funding Requirements under Current Law
(Millions of Dollars)

	Other Revenue Amounts	Estimated FY 2013-14 Amount	Change from FY 2012-13
1	Total state funding required for school finance (Table 2, line 7)	$3,470.1	$90.4
2	Minus State Public School Fund revenue	$75.6	($114.3)
3	Equals General Fund and State Education Fund for school finance funding requirements (line 1 minus line 2)	$3,394.5	$204.7

Note: Numbers may not sum due to rounding.

General Fund and SEF Appropriations for FY 2013-14 and Their Impact on the Stability of the SEF

This portion of the report focuses on the future balance of the SEF in FY 2013-14 and subsequent years, given the projected one-time deposit of $785 million into the SEF in FY 2013-14, resulting from HB 12-1338. In particular, it addresses the statutory requirement for an estimate of the maximum amount of money that can be appropriated from the SEF and the minimum amount of money that can be appropriated from the General Fund in FY 2013-14 without adversely affecting the solvency of the SEF. For purposes of defining the solvency of the SEF, a minimum ending fund balance of $100 million in FY 2016-17 is used to estimate the General Fund and SEF appropriations that will be needed to fund overall increases in school finance. The first scenario described below assumes that General Fund appropriations for school finance will grow at a constant rate over the next four years; the second scenario assumes that General Fund appropriations will not increase in FY 2013-14, but will grow at a constant rate in the following three years.

At the close of FY 2011-12, the balance of the SEF was estimated at $134 million, as illustrated in Table 4. By the end of FY 2012-13, the balance in the SEF is projected to fall to just under $118 million.

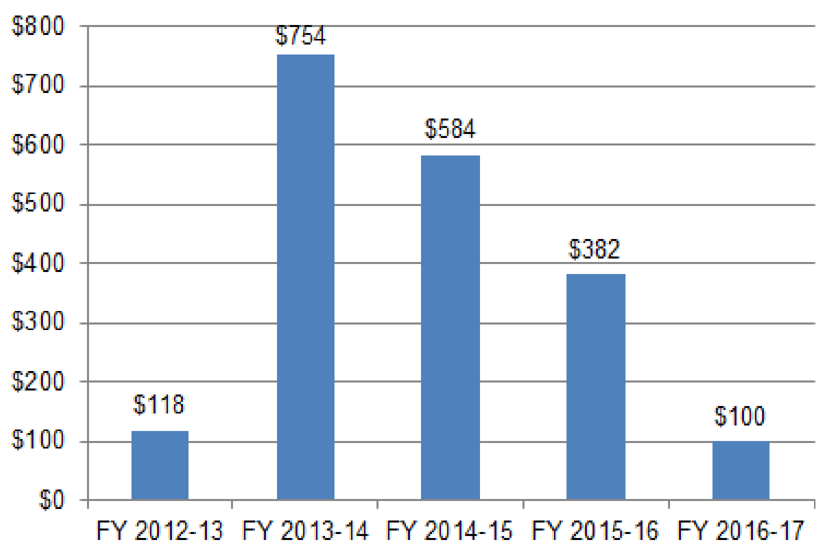
Assuming passage of SB 13-108, which specifies that the statewide average per pupil funding will rise by inflation, and assuming a $100 million minimum SEF balance at the end of FY 2016-17, General Fund appropriations will have to increase 3.3 percent in each of the next four years, or by $93 million in FY 2013-14. The SEF contribution to school finance will increase as well, growing at an average annual rate of 17.9 percent over the period from FY 2012-13 to FY 2016-17. Table 4 shows total school finance funding, total state aid, appropriations from the SEF and General Fund, and the corresponding balance of the SEF under this scenario. If the General Fund appropriation grows more slowly, additional money will have to be spent from the SEF, causing the $100 million SEF ending balance to be reached sooner. The projection for FY 2013-14 and subsequent years assumes that all money in the State Public School Fund is used for school finance purposes, excluding ongoing expenditures for school lunches, supplemental online education, and printing of school laws. Figure 2 illustrates the ending balance for the SEF under this scenario.

Table 4
General Fund and SEF Appropriations for School Finance and SEF Balances, Assuming Passage of SB 13-108, a $100 Million SEF Ending Balance in FY 2016-17, and Yearly Growth in General Fund Appropriations for School Finance
(Millions of Dollars)

	Current Law					
Fiscal Year	Total School Finance Funding	Total State Aid*	State Education Fund Appropriation	General Fund Appropriation	General Fund Change from Prior Year	State Education Fund Balance
2011-12	$5,232	$3,332	$511	$2,672	($126)	**$134**
2012-13	$5,298	$3,380	$337	$2,852	$180	**$118**
2013-14	$5,446	$3,470	$449	$2,945	$93	**$754**
2014-15	$5,633	$3,622	$501	$3,042	$97	**$584**
2015-16	$5,856	$3,776	$554	$3,141	$99	**$382**
2016-17	$6,111	$3,977	$652	$3,244	$103	**$100**

** Includes appropriations from the State Public School Fund.*

Figure 2
SEF Ending Balance, Assuming Passage of SB 13-108, a $100 Million SEF Ending Balance in FY 2016-17, and Yearly Growth in General Fund Appropriations for School Finance
(Millions of Dollars)



Alternatively, another option is to maintain General Fund appropriations for school finance at the same level in FY 2013-14 as FY 2012-13.[3] Under this scenario, the SEF would have to pay more for the funding requirements of school finance in FY 2013-14. In order to maintain a minimum

[3] This was one element of the Governor's November 1, 2012, budget proposal for school finance for FY 2013-14.

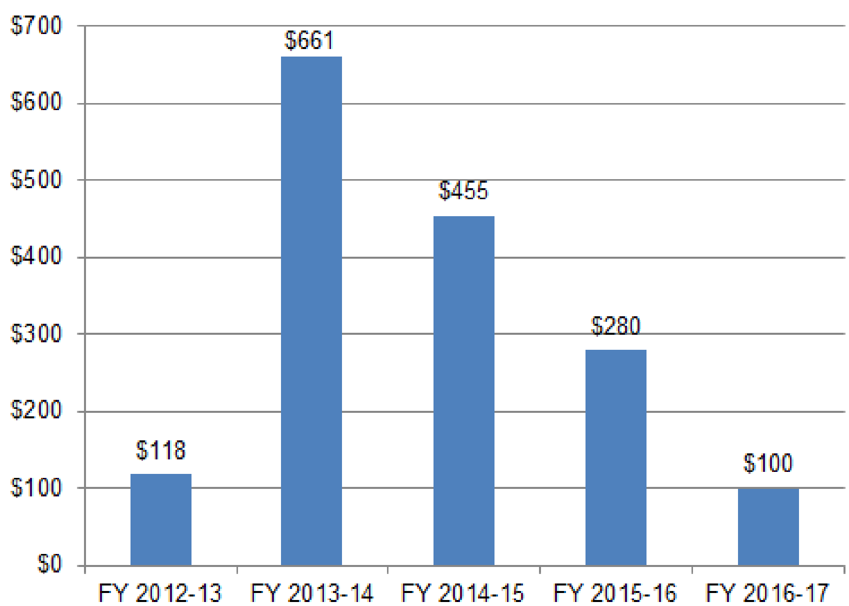
$100 million balance in the SEF at the end of FY 2016-17, General Fund appropriations would have to grow 5.5 percent in FY 2014-15, FY 2015-16, and FY 2016-17. Table 5 displays the state funding sources for this option and Figure 3 illustrates the ending balance for the SEF under this scenario.

Table 5
General Fund and SEF Appropriations for School Finance and SEF Balances, Assuming Passage of SB 13-108, a $100 Million SEF Ending Balance in FY 2016-17, and No Increase in General Fund Appropriations for School Finance in FY 2013-14
(Millions of Dollars)

	Current Law					
Fiscal Year	Total School Finance Funding	Total State Aid*	State Education Fund Appropriation	General Fund Appropriation	General Fund Change from Prior Year	State Education Fund Balance
2011-12	$5,232	$3,332	$511	$2,672	($126)	**$134**
2012-13	$5,298	$3,380	$337	$2,852	$180	**$118**
2013-14	$5,446	$3,470	$542	$2,852	$0	**$661**
2014-15	$5,633	$3,622	$534	$3,009	$157	**$455**
2015-16	$5,856	$3,776	$521	$3,174	$165	**$280**
2016-17	$6,111	$3,977	$547	$3,349	$175	**$100**

** Includes appropriations from the State Public School Fund.*

Figure 3
SEF Ending Balance, Assuming Passage of SB 13-108, a $100 Million SEF Ending Balance in FY 2016-17, and No Increase in General Fund Appropriations for School Finance in FY 2013-14
(Millions of Dollars)



Funding for Additional Programs

The final requirement for this report is an estimate of the impact of various levels of General Fund appropriations above the minimum desired level on the amount of money in the SEF. The purpose of this requirement is to determine whether funding can be provided in FY 2013-14 from the SEF for programs that are permitted but not required by Amendment 23. Given projections for General Fund revenue and SEF balances, it is possible that additional funding could be provided from either source to expand programs, although this may adversely affect school finance funding.

Appendices

Appendix A contains historical data on school finance funding; SEF revenue, appropriations, and fund balances; and General Fund appropriations for school finance. It also shows projected SEF revenue, appropriations, and fund balances along with General Fund contributions to school finance for the period from FY 2013-14 through FY 2016-17. These projections are based on current law requirements for total school finance funding as reflected in SB 13-108, and assume 3.3 percent General Fund spending growth each year and a minimum $100 million balance in the SEF at the end of FY 2016-17. Appendix B is a copy of Amendment 23.

Appendix A

Estimated Balance of State Education Fund
Assumes Passage of Senate Bill 13-108 and 3.3% Annual Growth in the General Fund Contribution to School Finance Through FY 2016-17 to Maintain $100 million State Education Fund Ending Balance in FY 2016-17

(dollars in millions)

	State Education Fund						General Fund			School Finance Act	
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)
Fiscal Year	Revenue to the State Education Fund	Spending for School Finance	Spending for Categorical Programs	Total State Education Fund Spending*	Change in Spending from Prior Year	State Education Fund Balance	General Fund Approp for School Finance	Dollar Increase in General Fund Approp from Prior Year	Percent % General Fund Approp from Prior Year	Total School Finance Act Funding	Change in Spending from Prior Year
2001-02	$272.9	$101.6	$7.2	$154.5	$154.5	$298.5	$2,073.4	$98.7	5.0%	$3,857	
2002-03	$197.7	$296.9	$15.7	$330.7	$176.2	$202.4	$2,137.6	$64.2	3.1%	$4,160	$303
2003-04	$278.7	$316.5	$20.3	$351.7	$21.0	$142.6	$2,247.9	$110.3	5.2%	$4,298	$139
2004-05	$313.9	$313.4	$23.7	$347.2	($4.5)	$118.4	$2,342.8	$94.9	4.2%	$4,430	$132
2005-06	$360.8	$299.9	$25.5	$335.8	($11.4)	$152.9	$2,480.5	$137.7	5.9%	$4,573	$142
2006-07	$395.4	$299.8	$26.3	$336.9	$1.1	$225.1	$2,657.7	$177.2	7.1%	$4,790	$218
2007-08	$407.9	$259.1	$35.5	$301.7	($35.2)	$349.3	$2,790.5	$132.8	5.0%	$5,069	$278
2008-09	$461.3	$362.2	$77.4	$494.0	$192.3	**$331.0**	$2,930.1	$139.6	5.0%	$5,349	$281
2009-10	$329.0	$339.6	$88.2	$482.2	($11.8)	**$188.2**	$3,076.3	$146.2	5.0%	$5,588	$239
2010-11	$592.9	$284.0	$89.3	$423.7	($58.5)	**$363.4**	$2797.7	($278.6)	-9.1%	$5,442	($146)
2011-12	$416.7	$511.1	$93.7	$654.3	$230.6	**$133.8**	$2,671.8	($125.9)	-4.5%	$5,232	($210)
2012-13	$484.1	$337.5	$102.5	$503.2	($151.1)	**$117.6**	$2,852.3	$180.5	6.8%	$5,298	$66
2013-14	$1,236.7	$448.9	$106.6	$612.2	$109.0	**$754.3**	$2,945.6	$93.3	3.3%	$5,446	$148
2014-15	$474.0	$501.4	$111.8	$670.4	$58.2	**$583.9**	$3,041.9	$96.3	3.3%	$5,633	$187
2015-16	$505.8	$553.8	$118.9	$730.6	$60.2	**$382.1**	$3,141.3	$99.4	3.3%	$5,856	$223
2016-17	$541.2	$652.0	$126.7	$837.3	106.7	**$100.0**	$3,244.0	102.7	3.3%	$6,111	$255

** Includes other spending on education-related programs, such as facility school funding, student assessments, and charter school capital construction.*

Article IX, Section 17
Colorado Constitution

Section 17. Education - Funding. (1) Purpose. In state fiscal year 2001-2002 through state fiscal year 2010-2011, the statewide base per pupil funding, as defined by the Public School Finance Act of 1994, article 54 of title 22, Colorado Revised Statutes on the effective date of this section, for public education from preschool through the twelfth grade and total state funding for all categorical programs shall grow annually at least by the rate of inflation plus an additional one percentage point. In state fiscal year 2011-2012, and each fiscal year thereafter, the statewide base per pupil funding for public education from preschool through the twelfth grade and total state funding for all categorical programs shall grow annually at a rate set by the general assembly that is at least equal to the rate of inflation.

(2) Definitions. For purposes of this section: (a) "Categorical programs" include transportation programs, English language proficiency programs, expelled and at-risk student programs, special education programs (including gifted and talented programs), suspended student programs, vocational education programs, small attendance centers, comprehensive health education programs, and other current and future accountable programs specifically identified in statute as a categorical program.

(b) "Inflation" has the same meaning as defined in article X, section 20, subsection (2), paragraph (f) of the Colorado constitution.

(3) Implementation. In state fiscal year 2001-2002 and each fiscal year thereafter, the general assembly may annually appropriate, and school districts may annually expend, monies from the state education fund created in subsection (4) of this section. Such appropriations and expenditures shall not be subject to the statutory limitation on general fund appropriations growth, the limitation on fiscal year spending set forth in article X, section 20 of the Colorado constitution, or any other spending limitation existing in law.

(4) State Education Fund Created. (a) There is hereby created in the department of the treasury the state education fund. Beginning on the effective date of this measure, all state revenues collected from a tax of one third of one percent on federal taxable income, as modified by law, of every individual, estate, trust and corporation, as defined in law, shall be deposited in the state education fund. Revenues generated from a tax of one third of one percent on federal taxable income, as modified by law, of every individual, estate, trust and corporation, as defined in law, shall not be subject to the limitation on fiscal year spending set forth in article X, section 20 of the Colorado constitution. All interest earned on monies in the state education fund shall be deposited in the state education fund and shall be used before any principal is depleted. Monies remaining in the state education fund at the end of any fiscal year shall remain in the fund and not revert to the general fund.

(b) In state fiscal year 2001-2002, and each fiscal year thereafter, the general assembly may annually appropriate monies from the state education fund. Monies in the state education fund may only be used to comply with subsection (1) of this section and for accountable education reform, for accountable programs to meet state academic standards, for class size reduction, for expanding technology education, for improving student safety, for expanding the availability of preschool and kindergarten programs, for performance incentives for teachers, for accountability reporting, or for public school building capital construction.

(5) Maintenance of Effort. Monies appropriated from the state education fund shall not be used to supplant the level of general fund appropriations existing on the effective date of this section for total program education funding under the Public School Finance Act of 1994, article 54 of title 22, Colorado Revised Statutes, and for categorical programs as defined in subsection (2) of this section. In state fiscal year 2001-2002 through state fiscal year 2010-2011, the general assembly shall, at a minimum, annually increase the general fund appropriation for total program under the "Public School Finance Act of 1994," or any successor act, by an amount not below five percent of the prior year general fund appropriation for total program under the "Public School Finance Act of 1994," or any successor act. This general fund growth requirement shall not apply in any fiscal year in which Colorado personal income grows less than four and one half percent between the two previous calendar years.