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# MEMORANDUM

February 2, 2015

**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 2014. Property values are expected to grow more rapidly over the next few years, helping to boost the local contribution to school finance. Similarly, income tax receipts continue to grow, increasing deposits into the State Education Fund and the General Fund. This report assumes the 2015 supplemental school finance bill is adopted, the value of the negative factor remains at $880 million, and the balance in the State Education Fund is reduced to $300 million in FY 2015-16 and $100 million in FY 2016-17. As a result, General Fund support for school finance will need to increase 5.8 percent and 9.9 percent, respectively, in the next two budget years. This entails year-over-year increases in General Fund support for school finance of $183 million in FY 2015-16, and $334 million in FY 2016-17. The Governor's proposal to provide additional one-time funding of almost $200 million in FY 2015-16 would reduce the SEF balance to almost $100 million, requiring an increase in General Fund support for school finance of $524 million 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 2014 Legislative Council Staff revenue and economic forecast. Increases in school finance and categorical funding are based on an estimated inflation rate of 2.7 percent applicable for FY 2015-16. The income tax diversion to the State Education Fund is projected to grow at an average annual rate of 5.7 percent through FY 2015-16.

## 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 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 impact 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 different General Fund appropriations 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 2015-16;
- 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 2015-16 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 2015-16 for additional programs that are consistent with the provisions of Amendment 23.

This year's report assumes passage of the 2015 supplemental budget bill for school finance, as approved by the Joint Budget Committee. This bill makes mid-year adjustments for education funding in FY 2014-15, reducing the value of the negative factor to $880 million. The Joint Budget Committee, the Governor's Office, and the General Assembly will analyze in greater detail the FY 2015-16 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 2015-16 will be released at the end of February. Thus, much will change during the 2015 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 transferred about $1.1 million from the General Fund to the SEF in FY 2013-14. This one-time transfer created 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 2015-16 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 $660 million at the end of FY 2014-15.

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 last published in 2014. Inputs to the model have been updated to incorporate law changes enacted by the General Assembly, actual school funding data for FY 2014-15, revisions to forecasts of economic indicators, and the most recent Legislative Council Staff forecast of pupil counts and assessed values. Like prior school finance bills, House Bill 14-1298 and House Bill 14-1292 included a negative factor that reduced the overall amount of funding for school finance by about $894 million. In addition, this report assumes that the General Assembly will approve the 2015 supplemental funding bill, which lowers the value of the negative factor by another $14 million in the current budget year to $880 million. Because the value of the negative factor is undefined beyond FY 2015-16 under current law, a comparison of subsequent budget years assumes that the value of the negative factor will remain at $880 million indefinitely, consistent with the current law requirement for FY 2015-16.

***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. In FY 2015-16, the total local share for school finance is projected to increase by **$143.2 million** compared with FY 2014-15.

*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 in both 2010 and 2011, accounting for an overall reduction in the local contribution for school finance. In 2012 and 2013, assessed values remained relatively constant, but increased 3.3 percent in 2014, generating almost $30 million more in property taxes for school finance.

In FY 2015-16, property taxes for school finance are estimated to total just under $2.0 billion. This represents 7.6 percent growth from the prior year, or a **$138.8 million** increase.

*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.

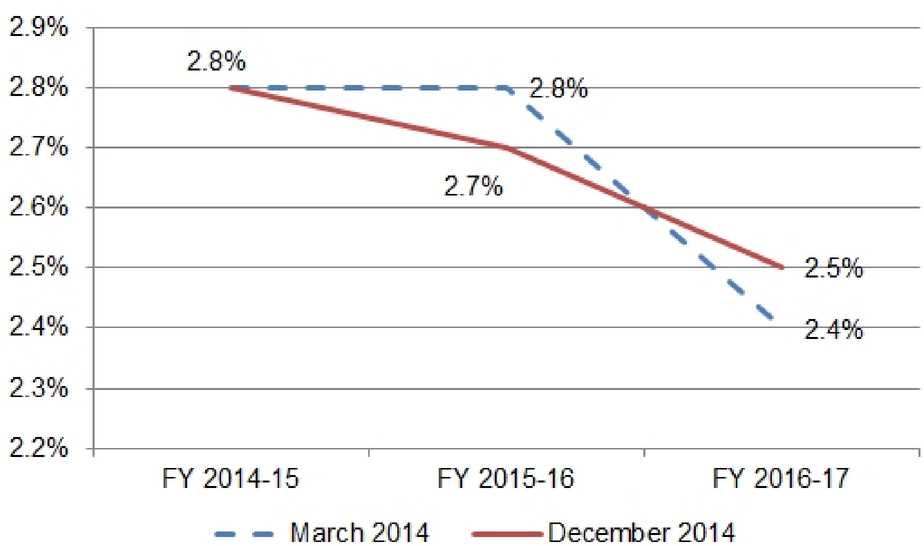
Specific ownership tax rates are set by state law and decrease as a vehicle ages. Consequently, increases in specific ownership tax collections are sensitive to purchases of new vehicles. During the last recession, new car sales dropped dramatically, which adversely affected specific ownership taxes. 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 2013-14 count as part of the local contribution for school finance funding in FY 2014-15. In the current budget year, specific ownership taxes for school finance increased $14.5 million compared with the prior year, totaling $145.3 million. The projection for FY 2015-16 expects a modest increase of **$4.4 million** compared with the prior year, given a continued rebound in new car sales.

***Higher inflation increases 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 higher inflation forecast increases the overall cost of school finance. In addition, total state funding for categorical programs is increased by higher projections for inflation. For FY 2015-16, the inflation forecast was reduced from 2.8 percent in March 2014 to 2.7 percent in December 2014.

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



***Revenue projections for the State Education Fund.*** One-third of 1 percent of 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 2014 Legislative Council Staff revenue forecast. The income tax revenue deposited in the fund is expected to increase at an average annual growth rate of 5.7 percent between FY 2013-14 and FY 2015-16, as illustrated in Table 1. The table also compares the current projections of income tax revenue to the SEF with those from the March 2014 forecast. Actual income tax diversions to the fund for FY 2013-14 were $13.3 million lower than projected last March. Income tax diversions over the next two years are expected to be $22.1 million less than what was projected in March 2014. For FY 2015-16, income tax revenue to the SEF is expected to total $534.9 million.

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 retained in 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 about 1.0 percent annually. The relatively modest rate of return is attributed to the types and timing of investments, as 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)*

| | December 2014 Forecast | | March 2014 Forecast | | |
|---|---|---|---|---|---|
| **Fiscal Year** | **Income Tax** | **Year-to-Year % Change** | **Income Tax** | **Year-to-Year % Change** | **Change in Projected State Education Fund Revenue** |
| FY 2013-14 | $478.8 | -1.5% | $492.1 | 1.2% | ($13.3) |
| FY 2014-15 | $503.5 | 5.2% | $518.2 | 5.3% | ($14.7) |
| FY 2015-16 | $534.9 | 6.2% | $542.3 | 4.7% | ($7.4) |
| **Total** | **$1,517.2** | | **$1,552.6** | | **($35.4)** |

**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 over $3.5 billion in FY 2015-16, as illustrated in line 10 of Table 2. This represents an increase of $72.3 million from the Amendment 23 requirements in FY 2014-15. Note that the school finance and categorical program dollar amounts in Table 2 are based on an estimated inflation rate of 2.7 percent for 2014; the actual inflation rate will be released by the federal government in February 2015.

***School finance funding.*** Under current law, the projected statewide base per pupil funding amount for FY 2015-16 is $6,286.27, an increase of $165.27 over the current budget year. When combined with a 1.3 percent increase in the funded pupil count, total funding for school finance is projected to be $7,088.1 million, an increase of $274.5 million over the current budget year, before application of the negative factor (line 3). Local property and specific ownership taxes are expected to increase $143.2 million, resulting in a net increase in state aid of $131.3 million (line 5). Assuming passage of the supplemental school finance bill, the negative factor will remain at the level set in FY 2014-15, $880.2 million, and state aid for school finance will increase by $131.3 million (line 7).

***Categorical programs.*** Total state funding for categorical programs is estimated at $285.8 million for FY 2015-16, an increase of 2.7 percent over the prior year, or $7.5 million (line 9). Total state funding for categorical programs and school finance must therefore increase by $138.8 million, as reflected in the last row of Table 2.

**Table 2**
**State Money Required to Meet School Finance Act Funding Requirements in FY 2015-16 under Current Law, Assuming Passage of 2015 Supplemental School Finance Bill**
*(Millions of Dollars)*

| | Calculation of Funding Amounts | Estimated FY 2015-16 Amount | Change from FY 2014-15 |
|---|---|---|---|
| | **School Finance** | | |
| 1 | Total funding under the school finance act for base increase of inflation, before inclusion of other factors in school finance formula | $5,377.5 | $208.0 |
| 2 | Plus other factors included in school finance formula, before the negative factor | $1,710.6 | $66.5 |
| 3 | **Equals total school finance funding before negative factor** | **$7,088.1** | **$274.5** |
| 4 | Minus property and specific ownership taxes for school finance | $2,126.0 | $143.2 |
| 5 | Equals state aid for school finance before negative factor | $4,962.1 | 131.3 |
| 6 | Minus negative factor | ($880.2) | $0.0 |
| 7 | **Equals state aid for school finance funding** | **$4,081.9** | **$131.3** |
| 8 | **Total school finance funding after negative factor (lines 4+7)** | **$6,207.9** | **$274.5** |
| | **Categorical Programs** | | |
| 9 | Total funding for categorical programs with a 2.7 percent increase in inflation | $285.8 | $7.5 |
| | **Total: School Finance Funding Plus Categorical Programs** | | |
| 10 | Total state funding required for school finance **base** and **categorical programs** (sum of lines 1 and 9) minus **local funding** (line 4) | $3,537.3 | $72.3 |
| 11 | Total state funding for school finance and categorical programs (sum of lines 7 and 9) | $4,367.7 | $138.8 |

## 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, 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 2015-16 for school finance is $90.3 million. This amount is based on federal mineral lease deposits of $79.1 million, Permanent Trust Fund interest of $16.0 million, a beginning balance of $3.2 million, and continuation of $8.0 million in appropriations from the State Public School Fund: $5.0 million for at-risk supplemental aid; $2.5 million for the state match for the National School Lunch Act; and $480,000 for supplemental online educational programs and a grant program. Because the revenue available in the State Public School Fund is projected to fall by $8.7 million in FY 2015-16, the net result is a $147.5 million increase in funding requirements from the General Fund and the SEF for FY 2015-16 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 2015-16 Amount | Change from FY 2014-15 |
|---|---|---|---|
| 1 | Total state funding required for school finance and categorical programs (Table 2, line 11) | $4,367.7 | $138.8 |
| 2 | Minus State Public School Fund revenue for school finance | $90.3 | ($8.7) |
| 3 | Equals General Fund and State Education Fund for school finance and categorical programs (line 1 minus line 2) | $4,277.4 | $147.5 |

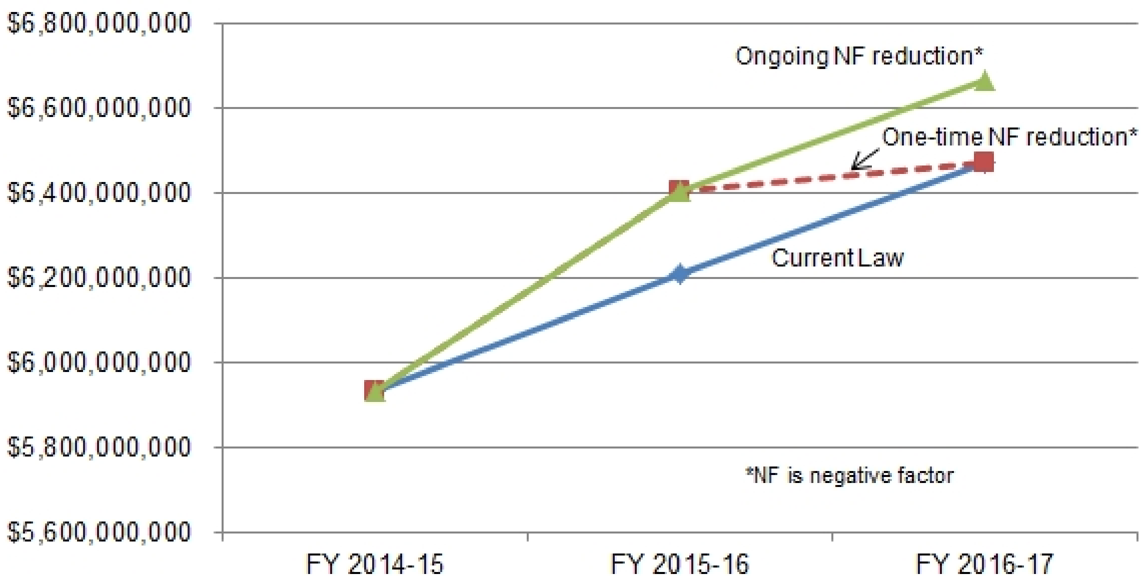
*Note: Numbers may not sum due to rounding.*

## General Fund and SEF Appropriations and the SEF Fund Balance under Three Scenarios

This portion of the report presents three different funding scenarios for school finance, how they impact the projected balance of the SEF in FY 2015-16 and FY 2016-17, and what each scenario entails for General Fund support for school finance. These scenarios are intended to address 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 without adversely affecting the solvency of the SEF. For purposes of defining the solvency of the SEF, a minimum ending balance of $100 million is used to estimate the General Fund and SEF appropriations that will be needed to fund overall increases in school finance.

The first scenario is based on current law and projects the minimum General Fund contribution for school finance over the next two years, assuming the value of the negative factor remains at $880.2 million. The second scenario reflects the Governor's proposal to provide a one-time reduction in the negative factor of almost $200 million in FY 2015-16, with the negative factor returning to a level of $880.2 million in subsequent years. The last scenario assumes the negative factor remains at a level of $682.5 million in both FY 2015-16 and FY 2016-17. Figure 2 illustrates projected total program funding under each of these funding scenarios.

**Figure 2**
**Total Program Funding Scenarios**



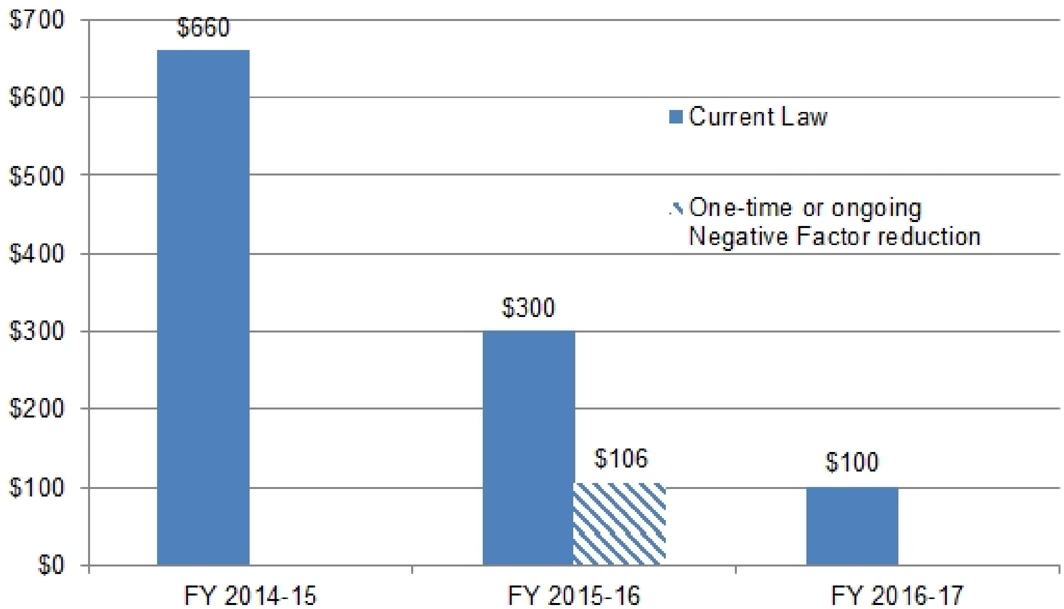

*Current Law Scenario*. For FY 2015-16, the value of the negative factor cannot exceed the level set in the prior year. Assuming the supplemental school finance bill is adopted, the negative factor will be set at $880.2 million. If the minimum SEF ending balance at the end of FY 2015-16 is assumed to be $300 million, General Fund appropriations will have to increase by $183 million, or 5.8 percent. In FY 2016-17, General Fund appropriations will have to increase by $334 million, or 9.9 percent, as the SEF balance is drawn down to $100 million. 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. Figure 3 illustrates the projected change in the SEF ending balance under current law.

**Table 4**
**SEF Balances Under Current Law, Assuming a $300 Million SEF Balance in FY 2015-16, and $100 Million SEF Balance Thereafter**
*(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** |
| 2014-15 | $5,933 | $3,950 | $667 | $3,184 | $199 | $660 |
| 2015-16 | $6,208 | $4,081 | $624 | $3,367 | $183 | $300 |
| 2016-17 | $6,472 | $4,290 | $499 | $3,701 | $334 | $100 |
| 2017-18 | $6,730 | $4,387 | $323 | $3,970 | $269 | $100 |
| 2018-19 | $6,978 | $4,574 | $356 | $4,125 | $155 | $100 |

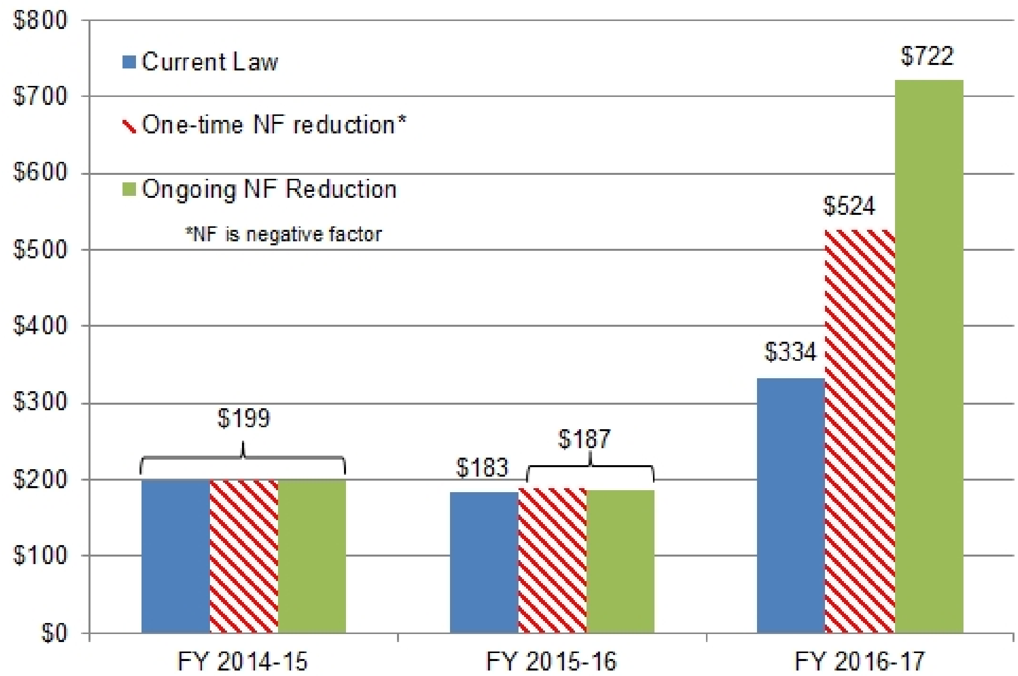
**Includes appropriations from the State Public School Fund.*

**Figure 3**
**SEF Balances Under Current Law and Alternate Scenarios**
*(Millions of Dollars)*




*Alternate Scenarios, One-Time and Ongoing Negative Factor Reduction*. If the value of the negative factor is reduced one time by about $198 million in FY 2015-16, following the Governor's proposal, total program funding will increase correspondingly. Since the SEF is primarily paying for this proposal, the SEF balance at the end of FY 2015-16 decreases from $300 million under current law to $106 million, as reflected in Figure 3. With the SEF balance practically at its assumed minimum level in FY 2015-16, General Fund appropriations need to increase $524 million in FY 2016-17, even though the negative factor returns to its previous level of $880.2 million. Under the last scenario, General Fund support would need to increase $722 million to maintain the negative factor at $682.5 million in FY 2016-17. Figure 4 illustrates the year-over-year increase in General Fund support needed for school finance under current law and these two scenarios.

**Figure 4**
**Year-over-Year General Fund Appropriations Growth Required for School Finance**
*(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 2015-16 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 2014-15 through FY 2017-18. These projections are based on current law requirements for total school finance funding as reflected in the supplemental school finance bill, and assume the negative factor remains at $880.2 million and a minimum SEF balance of $100 million. Appendix B is the text of Amendment 23.

**Appendix A**

### Estimated Balance of State Education Fund Under Current Law
### Assumes Passage of 2015 Supplemental School Finance Bill, Negative Factor Remains at $880.2 million Through FY 2017-18, and Minimum $300 million State Education Fund Ending Balance in FY 2015-16 and $100 million Thereafter

*(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 | $543.3 | $345.5 | $102.5 | $511.2 | ($143.1) | $170.4 | $2,852.3 | $180.5 | 6.8% | $5,298 | $66 |
| 2013-14 | $1,605.4 | $527.4 | $127.1 | $739.8 | $228.6 | $1,048.9 | $2,985.3 | $133.0 | 4.7% | $5,527 | $229 |
| 2014-15 | $577.9 | $667.6 | $136.5 | $966.9 | $230.0 | $660.0 | $3,184.0 | $198.7 | 6.7% | $5,933 | $406 |
| 2015-16 | $568.9 | $624.4 | $144.0 | $928.8 | ($38.1) | $300.0 | $3,367.2 | $183.2 | 5.8% | $6,208 | $275 |
| 2016-17 | $611.1 | $498.8 | $151.2 | $811.1 | ($117.7) | $100.0 | $3,701.2 | $334.0 | 9.9% | $6,472 | $264 |
| 2017-18 | $643.2 | $323.4 | $157.9 | $643.2 | ($167.9) | $100.0 | $3,970.2 | $268.9 | 7.3% | $6,730 | $258 |

**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.