

# AMENDMENT 73

## Funding for Public Schools

### Summary

Amendment 73 increases funding for P-12 public education by raising individual and corporate income taxes in order to allow fair and equitable distribution of funds among districts. The measure is designed to generate revenue for particular needs, including increased overall funding for preschool through 12th grade, teacher hiring and retention, and filling the gap in certain early childhood and specialized programs. The measure will amend the Colorado Constitution and state statutes to do [several things](#); among them, allow for a graduated income tax, increase the state corporate income tax rate, raise the state income tax rate for taxpayers making over \$150,000. For school property taxes, Amendment 73 would set the residential assessment rate at 7 percent, as well as lower the nonresidential property assessment rate to 24 percent from 29 percent

### Research

This measure raises individual and corporate income taxes to increase funding for public education. The individual and corporate income tax rate, currently set at 4.63 percent, would be reformulated, adding a graduated individual income tax starting at income above \$150,000. The change would begin in 2019, affecting 8.2 percent of individual income taxpayers. *(For joint filers, the income tax rate is applied to the joint filers' taxable income.)*

It would also increase the corporate tax rate to 6 percent. Since this is a marginal tax increase, each tax rate only applies to the income above that amount. For example, if an individual has \$250,000 of taxable income, they would pay 4.63 percent on the first \$150,000, 5.0 percent on the next \$50,000, and 6.0 percent on the next \$50,000. These changes are expected to generate an additional \$1.6 billion in FY 2019-2020 to be used for P-12 education. The table below shows the tax rate applied to each level of taxable income and the percent of filers impacted at each level.

Taxable income between...	is taxed at a rate of...	% of filers whose maximum income in in each tax bracket
\$0 and \$150,000	4.63% (current rate)	91.8%
\$150,001 and \$200,000	5.0%	3.2%
\$200,001 and \$300,000	6.0%	2.5%
\$300,001 and \$500,000	7.0%	1.4%
Over \$500,000	8.25%	1.1%

Colorado currently ranks 39<sup>th</sup> in the nation in per-pupil funding, trailing behind Mississippi and Alabama. Under this measure, the base per-student funding would increase from \$6,769 to \$7,300. School districts would get full funding for every kindergarten student, and funding for special education, gifted and talented programs, preschool, and English language proficiency would all increase. In addition, because the income level needed to be considered low-income will be raised, school districts will receive more funding to educate students from low-income families.

Amendment 73 amends the Colorado Constitution to set the property tax assessment rate at 7 percent and the nonresidential assessment rate at 24 percent only for property taxes levied by school districts, relieving some of the burden from businesses to fund school districts. Because the amendment would override the [Gallagher Amendment](#), residential property tax assessments for school property taxes would go from the current 7.2 percent to 7.0 percent instead of dropping to a projected 6.1 percent for 2019 and 2020. Since resetting the assessment rates is [projected](#) to result in \$62.4 million less in property tax revenue for schools, the state will have to increase its share of funding under the school finance formula. The additional revenue generated by the income tax increase will cover both the increased state share and provide [additional funding for schools](#). However, Colorado will remain as one of the states with the lowest property tax rates in the nation.

In terms of supplying a competitive wage for teachers, Colorado is the worst in the nation. In rural districts, 95 percent of teachers cannot sustain the cost of living because of [inadequate salaries](#). To accommodate for the economic strains from the Great Recession, billions of dollars that were constitutionally mandated to go to schools never went through due to the budget stabilization factor. Since the effect of the budget stabilization factor has no time limit, future funding that's supposed to go to schools based on the school finance formula can and will be held back. This fiscal year alone (2018-2019), schools will lose out on \$672 million because of the [budget stabilization factor](#). As a result, school funding across the state ends up far from equitable. Front Range districts don't get hit as badly because they receive lower per-pupil funding from the state, whereas smaller rural districts get a larger chunk of funding cut because of their higher per-pupil funding levels.

### Arguments For

- According to the Colorado School Finance Project, since its application in 2010 through 2018, the budget stabilization factor has cut funding for schools by [\\$7.2 billion](#). Because of this, school districts have been forced to cut transportation, art, music, and physical education classes, limit teacher wages and increase class sizes. Almost half of Colorado school districts have cut down to four-day school weeks and more are following. Schools don't need more cuts; they need more sustainable sources of funding.
- Funding for school districts would be more equitably distributed through changes made by Amendment 73 and a new school finance formula the measure encourages the legislature to adopt. Only the top 8 percent of individual income taxpayers and corporations would feel the effects of the income tax rate increase. Funding generated by this amendment can only be used to supplement existing education funding, not supplant it. Providing increased funding for education means growth in other General Fund revenues can go to other core public investments, such as transportation, public safety, and health care.
- By restoring the money that has been regularly siphoned from school funding, this measure would provide directly needed resources required to fulfill the constitutionally mandated "thorough and uniform" education for all students. Colorado has one of the strongest economies in the nation, but the state of our schools doesn't reflect that. Classroom tools and increasing teacher salaries are basic needs that can be paid for by this measure.

### Proponents

[Great Schools Thriving Communities](#), Great Education Colorado, Colorado Education Association, and numerous other groups including the Bell Policy Center, the Arc Colorado, NAACP, and others listed on the campaign [website](#) support Amendment 73. In addition, there are three issue committees registered with the [Secretary of State](#) in support: Great Education Colorado Issue Committee, Yes on Amendment 73, and Win the Fourth Colorado Issue Committee.

## Arguments Against

- This measure would create another constitutional split assessment ratio for the property tax, creating two property tax systems. A separate property tax system would be installed specifically for public education and, once codified, it would be difficult to alter.
- Because this measure would increase the state income tax for corporations, some business won't have as much revenue and resources to devote back to building their businesses and hiring and retaining employees. This has the potential to negatively impact the economy and put Colorado at a competitive disadvantage in attracting new businesses.
- Because Amendment 73 doesn't adjust the tax brackets for inflation, over time, more tax-paying Coloradans will find themselves in a higher tax bracket. The increased revenue from more people paying higher taxes would only go to education. This limits the wiggle room for funding other priorities. Due to the measure's stringent parameters, less revenue will go toward important public investments, like transportation and health care. Revenues wouldn't be subject to the state's constitutional spending limits as dictated by TABOR, effectively eliminating one safeguard for [taxpayers](#).
- Upping funds for public education doesn't necessarily lead to an enhanced system or quality of learning.

## Opponents

Larimer County assessor Steven Miller, Ready Colorado, the Independence Institute, the TABOR Foundation (affiliated with the TABOR committee), and Colorado Rising Action. In addition, there are five issue committees registered in opposition to the measure with the [Secretary of State's Office](#): Don't Turn Colorado Into California, State Ballot Issue Committee, Fix Our Damn Roads, Blank Check. Blatant Deception, and Americans for Prosperity - Colorado Issue Committee (AFP-CO IC).

## Recommendation: Support

**Given that about half of Colorado school districts have made the switch to four-day school weeks, teacher salaries and per-student funding is low while funding by district is unstable and unequal, the Bell supports this measure as it would help alleviate all of these problems. Using a graduated income tax will generate additional revenues for schools from those most able to afford it. Investing in schools sets the stage for future success by ensuring reasonable and easily attained opportunities for generations across the state, not just in certain pockets.**