

Initiative 63: Additional Revenue to the State Education Fund

Placed on the ballot by citizen initiative • Passes with a majority vote

1 **Proposition ? proposes amending the Colorado statutes to:**

- 2 • redirect a portion of state income tax revenue to the State Education Fund
3 beginning in 2023;
- 4 • require that it be spent to attract, retain, and compensate teachers and
5 student support professionals; and
- 6 • exempt it from the state’s revenue limit, thereby reducing the amount of
7 money collected above the limit that is returned to taxpayers.

8 **What Your Vote Means**

YES

9 A “yes” vote on
10 Proposition ? redirects a
11 portion of state income tax revenue to the
12 State Education Fund to attract, retain, and
13 compensate teachers and student support
14 professionals, and exempts it from the
15 state’s constitutional revenue limit.

NO

A “no” vote on Proposition ? means that there will be no change to dedicated education funding levels or the amount of money returned to taxpayers in years when the state collects money above its constitutional limit.

Summary and Analysis for Proposition ?

1 What is the State Education Fund?

2 The State Education Fund (SEF) was created by Amendment 23 to the Colorado
3 Constitution in November 2000. The SEF is used to meet the state’s education
4 funding requirements, and to pay for a variety of other education-related programs
5 and purposes. Under current law, a portion of state income tax revenue equal to
6 one-third of 1 percent of taxable income must be deposited in the SEF. In state
7 budget year 2020-21, income tax revenue totaling \$874.6 million was deposited in
8 the SEF.

9 What does the measure do?

10 Under Proposition ?, an additional portion of income tax revenue will be redirected to
11 the SEF. This additional amount is equal to one-third of 1 percent of all taxable
12 income, or an estimated \$971.2 million in state budget year 2023-24 when fully
13 implemented.

14 In years when the state collects revenue above its constitutional limit, the money
15 transferred under the measure would otherwise be returned to taxpayers. In years
16 when the state does not collect revenue above its constitutional limit, the money
17 transferred under the measure would otherwise be deposited in the state General
18 Fund.

19 How will the money be spent?

20 The measure requires that the additional money be used to fund efforts to attract,
21 retain, and compensate teachers and student support professionals. This funding
22 must add to, and cannot replace, current state spending from the SEF and General
23 Fund for education. The state legislature will determine how the money will be
24 allocated to local school districts, which determine employee compensation levels
25 and recruitment and retention policies in their district.

26 Who are student support professionals?

27 Student support professionals may include paraprofessionals and school counselors,
28 psychologists, social workers, nurses, or other school mental health and student
29 support staff.

30 How does the measure affect TABOR refunds?

31 Under the measure, the income tax revenue that is redirected to the SEF is a
32 voter-approved revenue change and is therefore not subject to the state’s
33 constitutional revenue limit, also called the Taxpayer’s Bill of Rights (TABOR) limit.
34 TABOR limits state government revenue to an amount adjusted annually for inflation
35 and population growth. Revenue collected under the limit may be spent or saved.
36 Revenue collected over the limit must be returned to taxpayers unless voters
37 approve a measure allowing the government to keep it.

38 In years when state revenue exceeds the TABOR limit, the measure reduces the
39 amount of money returned to taxpayers by the amount of the income tax revenue
40 redirected under the measure. In years when state revenue is below the TABOR
41 limit, the measure does not have an impact on TABOR refunds, but will reduce the
42 amount of money available for the rest of the state budget.

1 Based on current economic forecasts, state revenue is expected to be over the limit
2 through at least the 2023-24 budget year. Until then, the measure would increase
3 education funding and decrease refunds to taxpayers, with no impact on the budget
4 for other state programs. A forecast is not yet available for later years.

5 **Are there any reporting requirements under the measure?**

6 The legislature’s nonpartisan staff must annually report to the public on the amount
7 that is transferred to the SEF under the measure and how the money is spent.

For information on those issue committees that support or oppose the measures on the ballot at the November 8, 2022, election, go to the Colorado Secretary of State’s elections center web site hyperlink for ballot and initiative information:

<http://www.sos.state.co.us/pubs/elections/Initiatives/InitiativesHome.html>

8 **Argument For Proposition ?**

9 1) Proposition ? creates a dedicated and ongoing funding source for teacher
10 and support staff retention and compensation. High-quality, effective
11 teachers are a key part of a successful public education system. Colorado
12 teachers and support staff are underpaid, and districts, particularly in rural
13 areas, are struggling to fill teacher and staff openings. This measure will help
14 ensure that every school district has the money to attract, retain and
15 compensate highly qualified teachers and support staff.

16 **Argument Against Proposition ?**

17 1) Proposition ? exempts the money redirected to the SEF from the state’s
18 constitutional revenue limit, thereby reducing the amount returned to
19 taxpayers in some years. Based on current forecasts, the measure is
20 expected to cost a taxpayer between \$186 and \$589 that would otherwise be
21 returned to them in 2024, depending on their income. In later years, the
22 requirement that the redirected money be added to current education funding
23 levels may force the state legislature to cut funding for other state services,
24 such as transportation, public safety, social service programs, or health care.

25 **Fiscal Impact for Proposition ?**

26 **State transfers.** Based on economic forecasts from June 2022, Proposition ? is
27 estimated to transfer \$495.5 million in budget year 2022-23 (half-year impact)
28 and \$971.2 million in budget year 2023-24 from the General Fund to the State
29 Education Fund. This transfer is equal to one-third of 1 percent of taxable
30 income, as specified in the measure, and is diverted from currently collected
31 income tax revenue. The transfer amount is not subject to constitutional revenue
32 limits.

1 **State spending.** The measure increases spending on education by transferring
2 additional money to the State Education Fund, estimated at \$495.5 million in
3 budget year 2022-23 and \$971.2 million in budget year 2023-24. This amount
4 must be used to attract, retain, and compensate teachers and student support
5 professionals. In years when there is no TABOR refund, increased spending on
6 education will result in a reduction in the amount spent or saved elsewhere in the
7 state budget.

8 The measure also increases workload by minimal amount for Legislative Council
9 Staff to report to the public on the amount of money diverted to the State
10 Education Fund and how that money is spent.

11 **Local government impact.** To the extent that the additional money in the State
12 Education Fund is distributed to school districts, school districts will have
13 additional revenue and expenditures. The specific distribution of the money will
14 be determined by the state legislature, although the money must be spent on
15 attracting, retaining, and compensating teachers and student support
16 professionals.

17 **Taxpayer impacts.** Proposition ? will decrease the amount to be refunded to
18 taxpayers for years when state revenue is over the TABOR revenue limit. Based
19 on forecasts from June 2022, Proposition ? is expected to decrease refunds by
20 \$495.5 million in tax year 2023 and \$971.2 million in tax year 2024. The impacts
21 on taxpayers depend on how this money would be refunded. Proposition ? is
22 estimated to reduce refunds by between \$186 and \$589 per taxpayer in tax year
23 2024, based on their income. On average, the measure will reduce refunds by
24 \$286 per taxpayer. A forecast is not available beyond budget year 2023-24.