



Legislative Council Staff  
 Nonpartisan Services for Colorado's Legislature

# Initiative 63

## Fiscal Impact Statement

**Date:** April 20, 2022

**Fiscal Analyst:** Anna Gerstle (303-866-4375)

**LCS TITLE: ADDITIONAL DEDICATED REVENUE TO THE STATE EDUCATION FUND**

Fiscal Impact Summary		FY 2022-23	FY 2023-24
<b>Revenue</b>		-	-
<b>Expenditures</b>		-	-
<b>Transfers</b>	General Fund	(\$449.4 million)	(\$905.0 million)
	State Education Fund	\$449.4 million	\$905.0 million
<b>Net Transfer</b>		<b>\$0</b>	<b>\$0</b>

*Disclaimer.* This initial fiscal impact statement has been prepared for an initiative approved for petition circulation by the Secretary of State. If the initiative is placed on the ballot, Legislative Council Staff may revise this estimate for the ballot information booklet (Blue Book) if new information becomes available.

### Summary of Measure

This measure requires that a one-third of one percent of federal taxable income of every individual, estate, trust, and corporation be deposited into the State Education Fund (SEF), beginning January 1, 2023. The amount deposited must be spent on efforts to attract, retain, and compensate teachers and student support professionals.

The amount deposited in the SEF must be used to supplement the current level of General Fund and SEF appropriations, and is a voter-approved revenue change that is not subject to the state constitutional spending limit. The measure requires that Legislative Council Staff annually report to the public on the amount transferred to the SEF and how the money is spent.

### Background

Article IX, Section 17, of the Colorado Constitution, enacted by the voters at the November 2000 election as Amendment 23, created the SEF and requires that an amount equal to one-third of one percent of taxable income be deposited in the SEF. This amount comes from income tax revenue. The new transfer in the measure would be in addition to the current transfer to the SEF.

Amendment 23 also requires that money in the SEF be used to meet minimum school finance education funding requirements and fund a variety of other education-related purposes. In state budget year 2020-21, income tax revenue totaling \$874.6 million was deposited in the SEF.

## State Transfer

The measure transfers \$449.5 million in state budget year 2022-23 (half-year impact) and \$905.0 million in state budget year 2023-24 from the General Fund to the SEF. This estimate is based on the March 2022 Legislative Council Staff revenue forecast, and is equal to one-third of one percent of federal taxable income, as specified in the measure. This amount comes from currently collected income tax revenue, and is not subject to TABOR.

## State Expenditures

The measure affects state spending in several ways, including increasing spending on education, reducing refunds to taxpayers, and reducing state funds available to spend or save elsewhere in the state budget. These impacts are described below.

**Education spending.** By transferring money to the SEF, the measure is expected to increase education spending by \$449.5 million in state budget year 2022-23 and \$905.0 million in state budget year 2023-24. The funding must be used to attract, retain, and compensate teachers and student support professionals.

**TABOR refunds.** The measure is expected to decrease the amount of state revenue required to be refunded to taxpayers in years in which there is a TABOR surplus. Based on the March 2022 Legislative Council Staff forecast, the measure is expected to reduce the budget year 2022-23 surplus by \$449.5 million and eliminate the projected \$622.6 surplus in budget year 2023-24, thereby reducing or eliminating TABOR refunds paid out to taxpayers in the following year by these amounts. A forecast of state revenue subject to TABOR is not available beyond FY 2023-24.

**Other state spending or savings.** Increased spending on education may result in a reduction in the amount of funding spent or saved elsewhere in the state budget in some years. In state budget year 2022-23, no impact on other spending is expected. In state budget year 2023-24, the amount of General Fund revenue available to be spent or saved elsewhere in the budget is projected to decrease by \$282.4 million. This amount reflects the increase in funding set aside by the measure for education spending (\$905.0 million) after accounting for the reduction in the state's obligation to make refunds to taxpayers (\$622.6 million). Decisions on how to spend and save money in the state budget are determined by the General Assembly and specific impacts have not been estimated.

**Reporting.** The measure increases workload by a minimal amount for Legislative Council Staff to report to the public on the amount of money diverted to the SEF and how that money is spent.

## Local Government

To the extent that the additional money in the SEF is distributed to school districts through the school finance formula or other educational programs, school districts will have additional revenue and expenditures. The specific distribution of the money will be determined by the General Assembly, although the money must be spent on attracting, retaining, and compensating teachers and student support professionals.

## **Effective Date**

If approved by voters at the 2022 general election, this measure takes effect January 1, 2023.

## **State and Local Government Contacts**

Legislative Council Staff

## **Revisions from Fiscal Summary**

The estimate in the fiscal summary was based on the December 2021 Legislative Council Staff forecast. This estimate in this fiscal impact statement is based on the March 2022 Legislative Council Staff forecast. This fiscal impact statement also includes the impact on taxpayer refunds under TABOR, which were not discussed in the fiscal summary.