



Amendment 23

A Brief Overview

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What does Amendment 23 do?

Amendment 23 changes the way in which the state funds K-12 public schools by requiring the General Assembly to provide specific increases each year. The amendment makes four major changes:

- it requires that the statewide "base" in the school finance act be increased by at least inflation plus one percent for ten years - through FY 2010-11 - and at the rate of inflation thereafter;
- it requires that total funding for all categorical programs be increased by at least inflation plus one percent for ten years and at the rate of inflation thereafter;
- it creates the State Education Fund and transfers to the Fund an amount equivalent to a tax of one-third of one percent of federal taxable income. These revenues are exempt from TABOR limitations, and spending of such revenues is not subject to the six percent statutory limitation on General Fund appropriations;
- for the next ten years, it requires the state's General Fund contribution to the school finance act to increase by a minimum of five percent annually if personal income grows by at least 4.5 percent. This is known as the maintenance of effort provision.

What is the statewide "base" in the school finance act?

The statewide base is the per pupil funding amount that all districts receive before adjustments are made. The base is adjusted in each school district using several factors, such as the school district's size and the district's cost of living. As a result of the adjustments, districts receive different levels of per pupil funding.

What does the required "base" increase in Amendment 23 mean for school districts?

Amendment 23 does not change the way in which state funding for school districts is figured. Districts receive the increase in the base, and the base is adjusted by the factors. Just as in previous years, in some districts the percentage increase in per pupil funding could be greater than the increase in the base; in others, it could be less.

What are categorical programs?

Categorical programs are programs designed to serve special groups of students or student needs. State funding for the categorical programs defined in Amendment 23 has increased from \$142.2 million to \$157.8 million since the amendment was adopted. Amendment 23 defines categorical programs to 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
- any other current and future accountable program specifically identified in statute as a categorical program.

Does Amendment 23 require each categorical program to be increased by inflation plus one percent?

No, Amendment 23 only requires that the state increase total categorical funding by at least inflation plus one percent. The General Assembly decides how to allocate the increase among categorical programs.

What is the State Education Fund?

The State Education Fund is a trust fund consisting of the revenue from a tax of one-third of one percent on federal taxable income (as modified by law). For FYs 2000-01 and FY 2001-02, these amounts were about \$164.3 million and \$272.9 million, respectively. In FY 2002-03 the estimate is \$211.5 million.

What can the State Education Fund be used for?

Beginning with FY 2001-02, the General Assembly can appropriate State Education Fund moneys for the following education-related purposes:

- to comply with the requirement to annually increase base per pupil funding, as long as it is in addition to the required increase in General Fund appropriations;
- to comply with the requirement to annually increase funding for categorical programs;
- 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; and
- for public school building capital construction.

What restrictions are there on the use of moneys in the State Education Fund?

The Amendment requires that all interest earned on moneys in the Fund be used before any principal is depleted. Moneys remaining in the Fund at the end of each fiscal year remain in the Fund and do not revert to the General Fund. Further, there is a maintenance of effort provision which ensures that State Education Fund moneys are not used to replace General Fund moneys appropriated for school finance or for categorical programs. The maintenance of effort provision also requires the General Assembly to increase the General Fund contribution to school finance by at least five percent annually for the next ten years.

Are there any circumstances when the General Assembly does not have to increase the General Fund appropriation by at least five percent?

Yes, if personal income grows less than four and one-half percent between the two previous years.

What does the passage of Amendment 23 mean for the average taxpayer?

In years in which the state has a TABOR surplus, Amendment 23 will decrease tax refunds by the amount deposited into the Fund.

What types of factors could affect expenditures from the State Education Fund?

Examples of factors that could influence expenditures from the State Education Fund include:

- the inflation rate;
- the General Assembly's decisions regarding the increase in the base and other components of the School Finance Act;
- the number of students who enroll in school;
- the property tax contribution to the School Finance Act;
- the General Assembly's decisions on General Fund contributions to the School Finance Act and to categorical programs; and
- the General Assembly's decisions on other programs that receive money from the State Education Fund.

What types of factors could affect revenue to the State Education Fund?

Factors that could affect revenue to the State Education Fund include:

- interest earned on the principal in the Fund;
- the federal government's decisions on tax policy and defining federal taxable income; and
- the Colorado and national economies.



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