

STATE OF CHANGE

PART 6: K-12 EDUCATION FUNDING

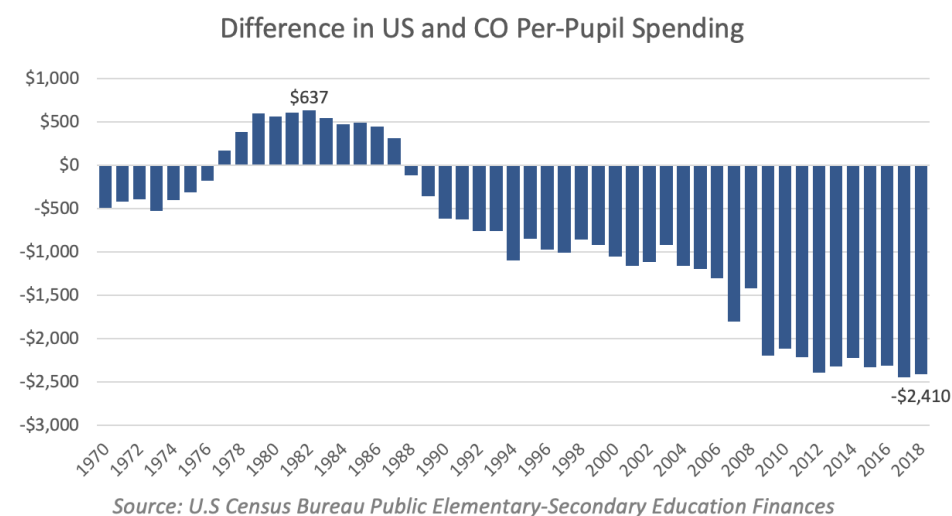
We call it the “Colorado Conundrum.” Despite being a well-educated and wealthy state, Colorado funds schools at some of the lowest levels in the country. Colorado currently spends \$2,410 less per student on K-12 education than the 50-state average. For a classroom of 25 kids, that adds up to \$60,000 less in each classroom than just the average state.

It wasn’t always this way. During the mid-1980s, Colorado was actually above the national average in per pupil spending, spending \$637 more than the 50-state average. Starting in the 1990s we began losing ground, and by 2018, Colorado was spending \$10,202 per student while the average state was spending \$12,612. Colorado is currently 37th in per-pupil spending.

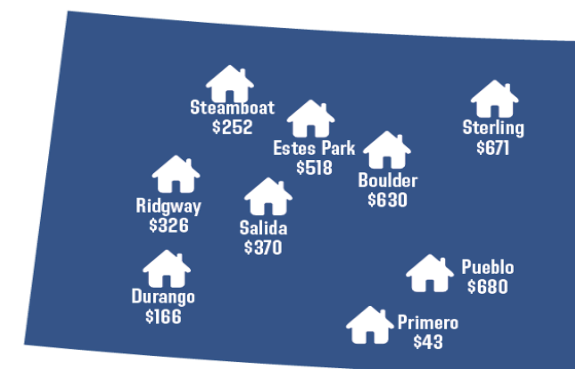
Colorado ranks even worse when you look at the amount it spends on K-12 education compared to our wealth. The US Census Bureau ranks each state by their K-12 spending as a portion of total personal income in the state (basically a summation of all wages, salaries, and other forms of income). Colorado’s K-12 funding ranks 48th under that method. What changed since the 1980s? The answer doesn’t lie in the percentage state taxes that go to schools: K-12 education still gets the biggest chunk of Colorado’s General Fund. In 1980, 39 percent of General Fund expenditures went to schools, and that only [fell to 36 percent by 2019](#).

While the biggest source of funding for schools is the General Fund, school districts also rely on local revenue. The data shows that the biggest driver of K-12 underfunding comes from the second-biggest funding source for Colorado schools: local property taxes and some constitutional fiscal entanglements.

In the early 1980s, the majority of school funding came from local sources—54 percent of funding was local, and 46 percent came from the state. By the end of the 2010s, local sources only contributed 39 percent of funding while state funding makes up 61 percent.



Contributions into School Finance Formula Vary Dramatically Across Colorado [Property Tax Paid to Schools on \$350,000 Home 2018]



Local funding for schools shrank mainly because of low residential property taxes (Colorado currently has the third-lowest residential property taxes according to the US Census Bureau). After passage of the [Gallagher Amendment in 1982](#), housing property could only make up 45 percent of total property taxes. As the value in housing greatly outpaced the value in non-residential property, the Gallagher Amendment automatically slashed the assessment rate on homes from 21 percent in 1982 to 7.15 percent in 2021.

The bizarre interaction between the [School Finance Formula and Taxpayer’s Bill of Rights \(TABOR\)](#) didn’t help. In the early 1990s, the General Assembly adopted a very strict interpretation of some [TABOR rules](#), interpretations that have since been declared unconstitutional. These rules resulted in the Colorado Department of Education lowering local school mill levies when revenue was projected to exceed the TABOR cap. Local voters approved measures allowing districts to keep whatever was collected but, despite these votes, school districts whose revenue grew faster than the TABOR cap had their school mill levies cut. Statewide average school mills fell from 38 mills in 1994 to 20 mills today. This left the state to backfill the lost revenue.

And as this wasn’t bad enough for funding, the arbitrary reductions create fairness issues across districts. These unequal property tax cuts across school districts has resulted in homeowners of a \$350,000 house paying \$60 in some communities and \$600 in others.

A bill ([HB21-1164](#)) is working its way through the General Assembly in 2021 to address this problem. The bill would gradually raise property taxes in school districts where they were unconstitutionally reduced. If passed, and pending a ruling from the state Supreme Court, it would generate \$91 million more for schools in 2022 and new local revenue for schools would continue to increase, over time, as local mill levies are restored (1 mill a year) to the level they were before they were mistakenly forced down. Additional, more equitable local contributions to schools would also go a long way toward solving Colorado’s Conundrum.

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