



COLORADO FISCAL
POLICY INSTITUTE

FACT SHEET: SAVING ACCOUNT FOR EDUCATION

Starting to Untangle Colorado's Constitutional Knot

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Colorado's future economic vitality is compromised by restrictive and conflicting constitutional and statutory provisions that make it nearly impossible to provide adequate educational and economic infrastructure. Thanks largely to the leadership of Speaker of the House Andrew Romanoff and State Treasurer Cary Kennedy, voters in November will have an opportunity to adopt a bold and innovative proposal to untangle the constitutional and free up the State's economic prospects. The Savings Account for Education proposal (Ballot Initiative 126) is an important step in moving Colorado forward.

Background

House Speaker Andrew Romanoff introduced HCR 1014, also known as the Savings Account for Education (SAFE), in the waning days of the 2008 General Assembly. The proposal had the admirable aim of trying to untie the knot in the Colorado Constitution created by competing fiscal provisions. Specifically, HCR 1014 eliminated the spending mandates of Amendment 23 and in effect eliminated the revenue limit in the Taxpayer Bill of Rights (TABOR).

HCR 1014 did not receive support from 2/3rds of the members of the General Assembly and died in a House committee.

The basic concept of trading off some of the spending requirements in Amendment 23 for elimination of the revenue limit in TABOR were included in two citizens initiative filed just before the deadline for inclusion on the November 2008 ballot. Both measures received single subject approval from the title board and the Supreme Court.

Petitions have been circulated around the state for SAFE (Ballot Measure 126), and more than 160,000 signatures were turned in before the August 4th deadline, presumably far more to be included on the General Election ballot in November 2008.

On June 25, 2008, the *Denver Post* published an editorial in support of the SAFE proposal. This endorsement adds to a growing list of supporters of initiative #126.

(For a complete list see: <http://coloradosafe.org/endorsements.html>)

Content of SAFE

SAFE (Savings Account For Education) is a proposed ballot initiative to create a savings account for public education. SAFE dedicates a permanent source of funding to public education, preserves the right of citizens to vote on taxes, and untangles the fiscal knot in Colorado's constitution.

The main purpose of this proposal is to trade off spending mandates in Amendment 23 for the effective elimination of the revenue limit in TABOR. It does not change the requirement that all tax increases need voter approval and it does not increase any tax rate or impose any new taxes. The primary effect of this measure is to provide more flexibility for the General Assembly to finance public education in Colorado.

SAFE represents a unique approach to beginning to address the fiscal constraints in Colorado. By creating a savings account for K-12 funding that can protect school funding in bad economic times, other important priorities in the budget also are spared devastating cuts. In addition, a dedicated source of funding for schools could reduce the pressure on the General Fund, and in turn allow legislators more opportunity for investing in other priorities, such as health care, higher education, and transportation.

Savings Account Details

The increased flexibility is accomplished by creating a savings account for education within the State Education Fund (SEF). The SEF was created by Amendment 23 and functions as a cash fund to finance Amendment 23's mandated K-12 appropriations. The balance for the proposed Savings Account is capped at an amount equal to 8% of the total amount appropriated in the previous state fiscal year from the General Fund and the State Education Fund. For FY 2009, the cap on the account would have been approximately \$638 million. The Savings Account will be created by deposits equal to 10% of annual income tax transfer into the SEF (for FY 2009 that amount is estimated to be \$ 43 million), and from revenues collected in excess of the TABOR revenue limit. When the account balance reaches its cap, the full income tax transfer, as well as all the revenues collected in excess of the TABOR revenue limit, accrue directly to the SEF.

The Savings Account can be used for the same purposes as the SEF. The Savings Account can be used in a limited number of circumstances. SAFE allows the funds in the Savings Account to be accessed if the Legislature approves such expenditures by a 2/3 vote or Colorado personal income grows more slowly than 6% in any one year.

Amendment 23 Spending Mandate Changes

The proposal eliminates the automatic per pupil increases contained in Amendment 23. Those mandated increases include a requirement that, beginning in 2011, per pupil funding for K-12 increase by at least the rate of inflation.

The elimination of this mandated increase, along with the expiration of the Amendment 23 requirement that General Fund support for per pupil funding grow by at least 5%, helps create more flexibility for spending from the General Fund

There will continue to be a General Fund maintenance of effort for education funding (a provision of Amendment 23). It requires that General Fund support for K12 cannot drop below its level in FY 2000-01. (The state share of the total program amount for FY 2000-01 was \$1,972,736,145.)

Increased Funding Flexibility

Another way SAFE increases options for Legislators when making funding decisions is that it allows transfers from the General Funds to the SEF. The ability to make the transfer is limited to years when revenue is sufficient to fully fund the statutorily required transfer to the Highway Users Tax Fund (HUTF). For example, if this provision would have been in place during the 2008 Legislative session, the General Assembly would have had to transfer the full 10.333% of sales tax receipts, as required by SB 97-01, to the HUTF, in order to then transfer additional General Fund dollars to the SEF. This transfer provision would allow, in certain years, more General Fund dollars for state operations than is currently allowed, including in K-12 education. The maximum amount of general funds that could be transferred to the SEF in any year is the difference between the FY 2000-01 state share of total program amount (\$2,221,879,782) for K-12 and the current preceding years' state share of total program amount for K-12 education.

SAFE creates a dedicated funding stream for K-12 education by transferring possible future TABOR rebates to the SEF. This new dedicated source of funding for K-12 creates more flexibility for other parts of the budget than did Amendment 23, particularly in key areas like health care.

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SAFE WEBSITE:

<http://www.coloradosafe.org/index.html>