



303 E. 17th Ave., Suite 400, Denver, CO 80203 • 303-297-0456 • www.bellpolicy.org

Testimony on K-12 Education Adequacy Studies

Joshua Mantell, Director of Government Affairs, January 24, 2025

Members of the Joint Education Committee, thank you for the opportunity to testify today. My name is Joshua Mantell and I am the Director of Government Affairs for the Bell Policy Center. Our mission is to ensure economic mobility for every Coloradan and through our research and advocacy, we provide policymakers, advocates, and the public with reliable resources to create a practical policy agenda.

I want to take the opportunity to talk about how we got to where we are on K-12 funding, both on the local and state level, and what we can do to ensure adequate funding in public education to provide the best opportunities for students and their families in Colorado.

As you all are well aware, funding for K-12 education is a joint effort between the state government and local school districts. Since TABOR was passed in 1992, we have seen a real shift towards more state funding, and less local funding. This was exacerbated greatly by the housing market collapse during the Great Recession, which led to the enactment of the Budget Stabilization Factor that was paid off last year.

Starting in 2021, however, according to data from Legislative Council, we saw that increase of the state share of funding starting to shift, pretty substantially. Over the last few years, the local share of education funding has picked up – a direct result of increasing property values and the associated increase in property taxes. As the members of the education committees know, property tax revenue is by far the largest part of how local school districts fund the schools in their district.

While the legislature passed temporary measures to curb some of the largest property tax increases in 2021, 2022, and 2023, what was clear is that not all of Colorado

experienced these spikes the same. In fact, after some of the temporary relief in 2021 and 2022, some areas of Colorado – especially in the Eastern Plains and more rural parts of the state – saw net-negative property tax growth, and needed even more state intervention to fund their schools.

Armed with this knowledge, and knowing that relief was needed for many Coloradans, we, at the Bell, sat down with legislators from both parties, as well as many other stakeholders to craft a bill that gave property tax relief to those that needed it – lower and middle-income homeowners, small businesses, and others – while ensuring that we didn't erode long-term financing for K-12 education in our state. That led to SB24-233, which targeted relief and put in place a new assessment rate only for school districts. This was done to ensure that if future property tax cuts were needed, we did not need to touch school funding to accomplish that. SB-233 reduced assessment rates for local districts and gave exemptions for home and commercial property owners. To ensure school funding was not hurt, the state used some money from the State Education Fund to make up for lost school district revenue.

And then came the special session. Spurred by ballot measures brought by corporations and conservative interests that would have decimated local funding in Colorado, the special session ended with a bill that, unfortunately, further eroded local school finance and capped how much school districts could collect year over year. These two bills together increased the state share of education by about \$250 million, at the same time we are seeing a budget deficit approaching \$1 billion.

Stepping back to the big picture, FY 24-25 saw an increase from the state of \$561 million for total public education funding. According to LCS, factors leading to that include:

- Inflation
- Elimination of the Budget Stabilization Factor
- Inclusion of rural school factor
- Shift from local share to state share due to property taxes

Furthermore, these state funding increases are leading to possible issues with the State Education Fund (SEF). As part of Amendment 23, to ensure proper funding for

school districts across the state, 1/3 of 1% of all income tax revenue gets deposited into the SEF. Given the need for the state to continue to support K-12 education, even with budget deficits, we are seeing a possible depletion of the SEF in the coming years. According to LCS, we will need consistent income tax growth of about 5.3 percent to keep the State Education Fund afloat through FY28-29. Without that, we will see negative balances in the fund.

So, with all of this context, we now know that the state needs at least \$3.5B in revenue to get our K-12 funding to adequate. Facing a nearly \$1 billion budget deficit, we need at least \$3.5B to get our education funding to a place where we can feel confident that every student in the state has the best opportunity to learn, engage, and get the necessary skills to reach economic mobility. That \$3.5B represents roughly 20 percent of the FY24-25 General Fund. If you cut the entirety of the General Fund budgets for Higher Education and Human Services and put it towards K-12 education, you would get about 80 percent of the way there. This is not a problem in need of prioritization, or cutting the fat. And if we were to see some kind of economic downturn in the near term, we will be in serious trouble.

There is a solution, however, and that is more revenue, raised sustainably, that doesn't further tilt our already regressive tax code. We look forward to working with all of you, and your colleagues, to find ways to adequately fund our schools that doesn't force cuts to other programs, and that doesn't ask Coloradans who are struggling to pay more. We are in a precarious position on funding our schools -- because of tough choices that have been made, structural problems that have plagued us for decades, and external factors outside of any of our control -- but we have a roadmap from these studies, and ways of putting ourselves on firmer ground. Thank you