

VERSION C-2

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Legislative Council Staff
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Be it Enacted by the People of the State of Colorado:

SECTION 1. In the constitution of the state of Colorado, section 17 of article IX, **add** (4.5) as follows:

Section 17. Education – Funding. (4.5) Quality Public Education Fund Created. (a) THIS SUBSECTION SHALL BE KNOWN AND CITED AS THE “QUALITY PUBLIC EDUCATION FUND AMENDMENT OF 2019”. THE PURPOSE OF THIS SECTION IS TO CREATE A MORE SUSTAINABLE, FAIR, AND ADEQUATE SYSTEM FOR FINANCING PUBLIC SCHOOLS THAT IS DESIGNED TO MEET THE NEEDS OF EVERY STUDENT IN THE STATE OF COLORADO TO PREPARE THEM FOR SUCCESS IN CAREER, COLLEGE, AND LIFE.

(b) THERE IS HEREBY CREATED IN THE DEPARTMENT OF THE TREASURY THE QUALITY PUBLIC EDUCATION FUND. THE TREASURER SHALL DEPOSIT IN THE QUALITY PUBLIC EDUCATION FUND ALL REVENUES COLLECTED THROUGH AN INCOME TAX INCREMENT FOR PUBLIC SCHOOL FUNDING APPROVED BY THE VOTERS AT THE 2019 GENERAL ELECTION. ALL INTEREST EARNED ON MONEYS IN THE QUALITY PUBLIC EDUCATION FUND SHALL BE DEPOSITED IN THE QUALITY PUBLIC EDUCATION FUND AND SHALL BE USED BEFORE ANY PRINCIPAL IS DEPLETED. MONEYS REMAINING IN THE QUALITY PUBLIC EDUCATION FUND AT THE END OF ANY FISCAL YEAR SHALL REMAIN IN THE FUND AND NOT REVERT TO THE GENERAL FUND, THE STATE EDUCATION FUND, OR TO ANY OTHER CASH FUND.

(c) IN STATE FISCAL YEAR 2020-2021, AND EACH FISCAL YEAR THEREAFTER, THE GENERAL ASSEMBLY SHALL ANNUALLY APPROPRIATE, AND SCHOOL DISTRICTS MAY ANNUALLY EXPEND, MONEYS FROM THE QUALITY PUBLIC EDUCATION FUND FOR SUCH PURPOSES AS SHALL BE SPECIFIED BY LAW TO IMPROVE, SUPPORT AND ENHANCE THE QUALITY OF PRE-PRIMARY, PRIMARY, AND SECONDARY PUBLIC SCHOOL EDUCATIONAL PROGRAMS, RESOURCES, AND OPPORTUNITIES ON AN EQUITABLE BASIS FOR THE BENEFIT OF STUDENTS THROUGHOUT THE STATE.

(d) MONEYS APPROPRIATED FROM THE QUALITY PUBLIC EDUCATION FUND SHALL BE USED TO SUPPLEMENT, AND NOT SUPPLANT, THE LEVEL OF FISCAL YEAR GENERAL FUND APPROPRIATIONS FOR PRE-PRIMARY, PRIMARY, AND SECONDARY PUBLIC SCHOOL EDUCATION EXISTING ON THE EFFECTIVE DATE OF THIS SUBSECTION.

SECTION 2. In the constitution of the state of Colorado, section 20 of article X, **amend** (8)(a) as follows:

(8) Revenue limits. (a) New or increased transfer tax rates on real property are prohibited. No new state real property tax or local district income tax shall be imposed. Neither an income tax rate increase nor a new state definition of taxable income shall apply before the next tax year. Any income tax law change after July 1, 1992 shall also require all taxable net income to be taxed at one rate, excluding refund tax credits or voter-approved tax credits, with no added tax or surcharge; EXCEPT THAT MULTIPLE RATES MAY APPLY TO TAXABLE NET INCOME OF INDIVIDUALS, TRUSTS, ESTATES, AND CORPORATIONS IF SPECIFIC RATE INCREASES IN EXCESS OF

THE TAX RATE IN EFFECT ON THE DAY OF AN ELECTION ARE APPROVED BY VOTERS FOR THE PURPOSE OF PROVIDING AN INCOME TAX INCREMENT DEDICATED TO THE FUNDING OF PRE-PRIMARY THROUGH SECONDARY PUBLIC SCHOOLS.

SECTION 3. In Colorado Revised Statutes, **add 22-55-109** as follows:

22-55-109. Quality Public Education Fund – purpose and implementation. (1) KNOWLEDGE AND LEARNING BEING ESSENTIAL FOR THE PRESERVATION OF LIBERTY AND A FREE AND DEMOCRATIC SOCIETY, THE PEOPLE OF THE STATE OF COLORADO DECLARE THAT:

(a) A SOUND PUBLIC EDUCATION SYSTEM IS FUNDAMENTAL TO ENABLING EVERY PERSON TO DEVELOP HIS OR HER FULL POTENTIAL AND TO PARTICIPATE MEANINGFULLY IN THE CIVIC AND ECONOMIC LIFE OF THE COMMUNITY;

(b) QUALITY PUBLIC EDUCATION IS ESSENTIAL TO THE DEVELOPMENT OF THE QUALITY WORKFORCE THAT WILL DRIVE A VIBRANT COLORADO ECONOMY FOR DECADES TO COME;

(c) OUR PUBLIC SCHOOLS HAVE BEEN THE PATHWAY TO OPPORTUNITY AND A BETTER LIFE FOR GENERATIONS OF COLORADANS;

(d) EACH AND EVERY COLORADO CHILD REQUIRES ACCESS TO EXCELLENT PUBLIC SCHOOLS, QUALITY EARLY CHILDHOOD EDUCATION OFFERINGS, A HIGHLY PROFESSIONAL AND WELL-SUPPORTED TEACHING FORCE, APPROPRIATE EDUCATIONAL TECHNOLOGY, TEXTBOOKS AND OTHER SCHOOL SUPPLIES, AND BROAD, HIGH-QUALITY EDUCATIONAL OPPORTUNITIES; AND

(e) A MORE SUSTAINABLE, FAIR, AND ADEQUATE SYSTEM FOR FINANCING PUBLIC SCHOOLS IS NECESSARY TO ACHIEVE THESE GOALS AND MEET THE NEEDS OF EVERY STUDENT IN THE STATE OF COLORADO TO PREPARE THEM FOR SUCCESS IN CAREER, COLLEGE AND LIFE IN THE TWENTY-FIRST CENTURY.

(2) THE PURPOSE OF THIS SECTION IS TO IMPLEMENT SUBSECTION (4.5) OF SECTION 17 OF ARTICLE IX OF THE STATE CONSTITUTION, AS APPROVED BY THE REGISTERED ELECTORS OF THIS STATE AT THE 2018 GENERAL ELECTION.

(3) (a) IN STATE FISCAL YEAR 2020-2021, AND EACH FISCAL YEAR THEREAFTER, THE GENERAL ASSEMBLY SHALL ANNUALLY APPROPRIATE, AND LOCAL SCHOOL DISTRICTS MAY ANNUALLY EXPEND, MONEYS FROM THE QUALITY PUBLIC EDUCATION FUND FOR THE PURPOSES STATED IN THIS SUBSECTION (3).

(b) UNTIL SUCH TIME AS A COMPREHENSIVE NEW PUBLIC SCHOOL FINANCE LAW SUBSTANTIALLY IN COMPLIANCE WITH SUBSECTION (3)(c) OF THIS SECTION HAS BEEN ENACTED AND HAS TAKEN EFFECT, THESE MONEYS SHALL BE APPROPRIATED AND SPENT AS FOLLOWS:

(I) TO INCREASE THE ANNUAL STATEWIDE BASE PER PUPIL FUNDING FOR PUBLIC EDUCATION FROM PRESCHOOL THROUGH THE TWELFTH GRADE TO NO LESS THAN SEVEN THOUSAND THREE HUNDRED DOLLARS, PLUS ANNUAL ADJUSTMENTS FOR INFLATION;

(II) TO FULLY FUND REDUCTIONS RESULTING FROM APPLICATION OF THE BUDGET STABILIZATION FACTOR, FORMERLY KNOWN AS THE NEGATIVE FACTOR, PURSUANT TO SECTION 22-54-104 (5)(g)(I).

(III) TO INCREASE THE LEVEL OF TOTAL ANNUAL STATE FUNDING FOR CATEGORICAL PROGRAMS DIRECTED TO SPECIAL EDUCATION BY AN AMOUNT NO LESS THAN ONE HUNDRED TWENTY MILLION DOLLARS, TO PROGRAMS FOR GIFTED AND TALENTED STUDENTS BY AN AMOUNT NO LESS THAN TEN MILLION DOLLARS, AND TO PROGRAMS FOR ENGLISH LANGUAGE PROFICIENCY BY AN AMOUNT NO LESS THAN TWENTY MILLION DOLLARS OVER THE AMOUNTS OF FUNDING FOR THOSE PROGRAMS FOR FISCAL YEAR 2019-20, PLUS ANNUAL ADJUSTMENTS FOR INFLATION;

(IV) TO INCREASE ANNUAL STATE FUNDING FOR PRESCHOOL EARLY EDUCATION PROGRAMS BY AN AMOUNT NO LESS THAN TEN MILLION DOLLARS OVER THE AMOUNT OF FUNDING FOR THOSE PROGRAMS FOR FISCAL YEAR 2019-20, PLUS ANNUAL ADJUSTMENTS FOR INFLATION;

(V) TO INCREASE ANNUAL STATE FUNDING FOR PUPILS ELIGIBLE FOR FREE LUNCH AS NECESSARY TO INCLUDE PUPILS ELIGIBLE FOR REDUCED LUNCH PURSUANT TO THE PROVISIONS OF THE FEDERAL "RICHARD B. RUSSELL NATIONAL SCHOOL LUNCH ACT", 42 U.S.C. SEC. 1751, ET SEQ; AND

(VI) TO FUND ALL KINDERGARTEN STUDENTS ENROLLED IN A FULL DAY PROGRAM AT THE LEVEL OF ONE FULL-TIME EQUIVALENT.

(c) IT IS THE INTENTION OF THE PEOPLE OF THE STATE OF COLORADO THAT THE GENERAL ASSEMBLY SHALL ENACT AS EXPEDITIOUSLY AS POSSIBLE A NEW PUBLIC SCHOOL FINANCE LAW THAT WILL SUBSTANTIALLY MEET THE FOLLOWING CRITERIA: PROVIDE A BASE PER PUPIL FUNDING LEVEL FOR ALL STUDENTS MOVING TOWARD OR EXCEEDING THE NATIONAL AVERAGE; ALLOCATE FUNDING IN A FAIR AND EQUITABLE MANNER AMONG THE LOCAL SCHOOL DISTRICTS, WITH RECOGNITION OF DIFFERENCES RELATED TO SIZE, GEOGRAPHY, POPULATION DEMOGRAPHICS, AND LOCAL ECONOMIC AND COST FACTORS; ASSURE MORE ADEQUATE FUNDING FOR SPECIALIZED PROGRAMS ADDRESSED TO STUDENTS WITH SPECIAL NEEDS, GIFTED AND TALENTED STUDENTS, STUDENTS LIVING IN POVERTY, ENGLISH LANGUAGE LEARNERS, AND OTHER IDENTIFIABLE GROUPS WHO WOULD BENEFIT FROM SUCH PROGRAMS; MORE ADEQUATELY FUND PROGRAMS TO ADDRESS THE CRITICAL IMPORTANCE OF EARLY CHILDHOOD LEARNING; PROVIDE FOR THE RECRUITMENT AND RETENTION OF QUALITY TEACHERS; AND PROVIDE A MODEL FOR FUNDING THAT WILL BE TRANSPARENT AND EASILY UNDERSTANDABLE BY THE PUBLIC. AT SUCH TIME AS A NEW PUBLIC SCHOOL FINANCE LAW SUBSTANTIALLY MEETING THESE CRITERIA HAS BEEN ENACTED AND HAS TAKEN EFFECT, THE GENERAL ASSEMBLY MAY ANNUALLY APPROPRIATE, AND THE SCHOOL DISTRICTS MAY ANNUALLY EXPEND, MONEYS FROM THE QUALITY PUBLIC EDUCATION FUND FOR THE PURPOSES PROVIDED IN SUCH LAW.

(4) MONEYS FROM THE QUALITY PUBLIC EDUCATION FUND SHALL BE APPROPRIATED AND EXPENDED TO SUPPORT PUBLIC SCHOOLS, EXCEPT THAT SUCH MONEYS MAY BE SPENT AS REQUIRED PURSUANT TO AN INDIVIDUALIZED EDUCATION PROGRAM UNDER THE FEDERAL "INDIVIDUALS WITH

DISABILITIES EDUCATION ACT OF 2004”, 20 U.S.C. SEC. 1400, ET SEQ., AS AMENDED, OR SUCCESSOR ACT.

(5) MONEYS APPROPRIATED FROM THE QUALITY PUBLIC EDUCATION FUND SHALL BE USED TO SUPPLEMENT, AND NOT SUPPLANT, THE LEVEL OF FISCAL YEAR GENERAL FUND APPROPRIATIONS FOR PUBLIC EDUCATION FUNDING EXISTING ON THE EFFECTIVE DATE OF THIS SUBSECTION, PLUS ANNUAL ADJUSTMENTS FOR INFLATION UP TO A MAXIMUM ANNUAL ADJUSTMENT OF FIVE PERCENT.

(6)(a) UPON RECEIVING MONEYS FROM THE QUALITY PUBLIC EDUCATION FUND, AND PURSUANT TO ESTABLISHED DISTRICT REPORTING REQUIREMENTS SET FORTH IN THE “EDUCATION ACCOUNTABILITY ACT OF 2009”, ARTICLE 11 OF TITLE 22, THE FEDERAL “EVERY STUDENT SUCCEEDS ACT”, PUB.L. 114-95, AND REGULATIONS DEVELOPED BY THE COLORADO DEPARTMENT OF EDUCATION PURSUANT TO STATE EDUCATION LAW, EACH DISTRICT SHALL MAKE PUBLICLY AVAILABLE ON ITS WEB SITE ITS MISSION AND VISION AND CURRENT BUDGET, AUDIT, UNIFORM IMPROVEMENT PLAN AND STUDENT ACHIEVEMENT SCORES.

(b) WITHIN FIVE YEARS OF IMPLEMENTATION OF THE QUALITY PUBLIC EDUCATION FUND, AND PURSUANT TO A REQUEST FOR PROPOSALS PROCESS WITH COMPETITIVE BIDDING, THE COLORADO DEPARTMENT OF EDUCATION WILL COMMISSION A STUDY TO INVESTIGATE HOW MONEYS FROM THE QUALITY PUBLIC EDUCATION FUND WERE SPENT AND TO DETERMINE THE BEST PRACTICES OF VARIOUS DISTRICTS FROM DIVERSE GEOGRAPHICAL REGIONS IN PROMOTING CONTINUOUS IMPROVEMENT IN STUDENT ACHIEVEMENT. MONEYS FROM THE QUALITY PUBLIC EDUCATION FUND MAY BE USED FOR THIS STUDY. THIS STUDY WILL BE MADE AVAILABLE TO THE PUBLIC AND POSTED ON THE DEPARTMENT OF EDUCATION WEBSITE.

(c) WITHIN TEN YEARS AFTER THE IMPLEMENTATION OF A SUCCESSOR TO THE “PUBLIC SCHOOL FINANCE ACT OF 1994”, AND EVERY FIVE YEARS THEREAFTER, THE GENERAL ASSEMBLY SHALL REVIEW IMPLEMENTATION OF THE SUCCESSOR ACT TO ENSURE THAT THE FORMULA SET FORTH IN THE SUCCESSOR ACT ENABLES ALL SCHOOL DISTRICTS TO MEET COLORADO ACADEMIC STANDARDS AND PERFORMANCE FRAMEWORKS. IF THE FORMULA REQUIRES CHANGES TO MEET THESE GOALS IN AN ADEQUATE AND EQUITABLE MANNER, THE GENERAL ASSEMBLY SHALL ADOPT REVISIONS TO THE SCHOOL FINANCE FORMULA.

SECTION 4. In Colorado Revised Statutes, 39-22-104, **amend** (1.7) as follows:

39-22-104. Income tax imposed on individuals, estates, and trusts – single rate – definitions – repeal. (1.7) Except as otherwise provided in section 39-22-627, subject to subsection (2) of this section, with respect to taxable years commencing on or after January 1, 2000, a tax of four and sixty-three one hundredths percent is imposed on the federal taxable income, as determined pursuant to section 63 of the internal revenue code, of every individual, estate, and trust. IN ADDITION TO THE TAX RATE AUTHORIZED IN THIS SUBSECTION (1.7) ON FEDERAL TAXABLE INCOME OF INDIVIDUALS, ESTATES, AND TRUSTS, FOR ALL TAXABLE YEARS COMMENCING ON OR AFTER JANUARY 1, 2020, SUBJECT TO SUBSECTION (2) OF THIS SECTION, AN INCOME TAX INCREMENT FOR PUBLIC SCHOOL FUNDING TO BE DEDICATED TO THE QUALITY PUBLIC EDUCATION FUND CREATED BY SUBSECTION (4.5) OF SECTION 17 OF TITLE IX OF THE STATE CONSTITUTION SHALL BE IMPOSED ON THE FEDERAL TAXABLE INCOME OF SUCH TAXPAYERS:

(a) OVER TWO HUNDRED THOUSAND DOLLARS AND UP TO AND INCLUDING TWO HUNDRED FIFTY THOUSAND DOLLARS, AT THE RATE OF THIRTY-SEVEN ONE HUNDREDTHS PERCENT;

(b) OVER TWO HUNDRED FIFTY THOUSAND DOLLARS AND UP TO AND INCLUDING THREE HUNDRED THOUSAND DOLLARS, AT THE RATE OF ONE AND TWELVE ONE HUNDREDTHS PERCENT;

(c) OVER THREE HUNDRED THOUSAND DOLLARS AND UP TO AND INCLUDING FOUR HUNDRED THOUSAND DOLLARS, AT THE RATE OF TWO AND TWELVE ONE HUNDREDTHS PERCENT;

AND

(d) OVER FOUR HUNDRED THOUSAND DOLLARS, AT THE RATE OF THREE AND TWELVE ONE HUNDREDTHS PERCENT.

SECTION 5. In Colorado Revised Statutes, 39-22-301, **amend** (1)(d)(I)(I), as follows:

39-22-301. Corporate tax imposed. (1)(d)(I) A tax is imposed upon each domestic C corporation and foreign C corporation doing business in Colorado annually in an amount of the net income of such C corporation during the year derived from sources within Colorado as set forth in the following schedule of rates:

(I) Except as otherwise provided in section 39-22-627, for income tax years commencing on or after January 1, 2000, four and sixty-three one hundredths percent of the Colorado net income. IN ADDITION TO THE TAX RATE AUTHORIZED IN THIS SUBSECTION (1)(d)(I)(I), FOR ALL TAXABLE YEARS COMMENCING ON OR AFTER JANUARY 1, 2020, AN INCOME TAX INCREMENT FOR PUBLIC SCHOOL FUNDING TO BE DEDICATED TO THE QUALITY PUBLIC EDUCATION FUND CREATED BY SUBSECTION (4.5) OF SECTION 17 OF TITLE IX OF THE STATE CONSTITUTION SHALL BE IMPOSED ON COLORADO NET INCOME AT THE RATE OF ONE AND THIRTY-SEVEN ONE HUNDREDTHS PERCENT.

SECTION 6. In Colorado Revised Statutes, 39-22-623, **amend** (1)(b) as follows:

39-22-623. Disposition of collections. (1) The proceeds of all moneys collected under this article, less the reserve retained for refunds, shall be credited as follows:

(b) Following apportionment of the city, town, and county shares pursuant to paragraph (a) of this subsection (1) and pursuant to section 29-21-101, C.R.S., all remaining funds, less the amount credited to the reserve created in section 39-29-107.8, in accordance with subsection (2) of said section, shall be credited AS FOLLOWS:

(I) FOR ALL TAXABLE YEARS COMMENCING ON OR AFTER JANUARY 1, 2020, ALL MONEYS DERIVED FROM THE INCOME TAX INCREMENT FOR PUBLIC SCHOOL FUNDING UNDER SECTIONS 39-22-104 (1.7) AND 39-22-301 (1) SHALL BE CREDITED TO AND DEPOSITED IN THE QUALITY PUBLIC EDUCATION FUND CREATED BY SUBSECTION (4.5) OF SECTION 17 OF ARTICLE IX OF THE STATE CONSTITUTION. NOTWITHSTANDING ANY LIMITATIONS ON REVENUE, SPENDING, OR APPROPRIATIONS CONTAINED IN SECTION 20 OF ARTICLE X OF THE STATE CONSTITUTION OR ANY

OTHER PROVISION OF LAW, ALL MONEY CREDITED TO AND DEPOSITED IN THE QUALITY PUBLIC EDUCATION FUND PURSUANT TO THIS SUBPARAGRAPH AS APPROVED BY THE VOTERS AT THE STATEWIDE ELECTION IN NOVEMBER 2019, MAY BE COLLECTED AND SPENT AS VOTER-APPROVED REVENUE CHANGES AND SHALL NOT REQUIRE SUBSEQUENT VOTER APPROVAL.

(II) ALL REMAINING FUNDS SHALL BE CREDITED to the general fund, and the general assembly shall make appropriations therefrom for the expenses of the administration of this article.