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**COMMON
SENSE**
Policy Roundtable



DENVER SOUTH
ECONOMIC DEVELOPMENT PARTNERSHIP



Metro Denver
Economic Development Corporation

New study shows that without substantial improvement in student performance, Amendment 66 is drag on the Colorado economy. Leeds School of Business Report Uses State-of-the-Art Dynamic Model to Determine What Impact Amendment 66 Will Have on Our State's Economy

DENVER, Colo., October 9, 2013—Two comprehensive studies using a newly calibrated, dynamic economic modeling system developed by the Regional Economic Models Inc., or REMI that analyzes the ripple effects of public policy choices across the economy shows that the passage of Amendment 66 would be a drag on Colorado's economy.

The studies conducted by the Business Research Division of the Leeds School of Business at University of Colorado Boulder on behalf of a newly formed partnership between the Common Sense Policy Roundtable (CSPR), the Denver South Economic Development Partnership (Denver South EDP) and the Metro Denver Economic Development Corporation (Metro Denver EDC), provides the first major analysis using the new economic tool in Colorado. The partners support education reform, and the REMI model is a constructive tool that we can use to further the discussion among stakeholders. The first study measured the economic and fiscal impacts of Amendment 66, while the second accompanying study measured the economic impacts of improved educational performance and the impacts of alternative sources of educational funding.

Amendment 66 is a proposed statewide ballot initiative that would generate nearly \$1 billion for Colorado's education system by increasing income taxes. It is the result of the passage Senate Bill 13-213, a rework of the Public School Finance Act, which was approved by the Colorado legislature and signed into law by the governor earlier this year.

The analysis shows the economic consequences associated with the tax increase. In all, the economy would lose \$224 million in economic activity on average over the first 5 years if the measure passes and a loss of \$993 million 2019-2040.

The report finds the two-tiered tax increase has negative implications for individual income earners, decreasing disposable personal income. The resulting decrease in consumption and

savings directly impacts Colorado businesses providing those goods and services. In isolation, this has reverberating impacts on the economy as lower demand leads to less output, lower employment, and decreased taxes compared to a baseline scenario.

The report shows that the number of new government jobs would outstrip the number of private sector job losses in the first 3 years after the tax goes into effect. Thereafter, the number of private-sector jobs lost as a result of the passage of Amendment 66 would significantly outpace the number of new government jobs created.

The report shows that the tax proposal would successfully generate revenue for schools, but that those education revenue increases would come at a wider economic cost.

These scenarios generate revenues from 2014-2040 ranging from an average of \$849 million per year to \$2.2 billion per year, but they also cause economic drag on the Colorado economy compared to a baseline scenario, the study found.

A second, accompanying study conducted by the Leeds researchers explored the wider economic implications of reduced drop rates on a range of other social and government functions. The study projected forward the reductions in incarceration rates and social assistance that would stem from reduced drop rates and other educational gains. When coupling the tax increase with the educational benefits of higher high school graduation and college matriculation rates, the impact on the Colorado economy is net neutral to slightly positive.

The second study also explored various tax increase structures, and showed that a progressive tax increase is the least economically damaging way to increase revenues for government programs.

The studies show that it is not clear that Amendment 66 will result in education reform performance measures that are equal to the expenditure. As a partnership, we understand the need to pursue K-12 education reforms in Colorado. We look forward to continuing education reform research and look forward to working with stakeholders in the future.

To see the full reports, please see links below.

Economic and Fiscal Impacts of Amendment 66 and the Public School Finance Act on the Colorado Economy

Economic Impacts of Improved Educational Performance and the Impacts of Alternative Sources of Education Funding on the Colorado Economy

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