

POLITICS > **COLORADO POLITICS**

Colorado legislators plan to overhaul education funding system critics say disproportionately benefits wealthy districts

High-income areas with lower property tax rates would have to replace state education aid by raising property taxes under bipartisan plan

By **CHRISTOPHER N. OSHER** | cosher@denverpost.com and **ANNA STAVER** | astaver@denverpost.com | The Denver Post

PUBLISHED: January 6, 2019 at 6:00 am | UPDATED: January 8, 2019 at 10:46 am

Colorado lawmakers who write the state budget say they have a plan to change how \$8.6 billion is distributed for kindergarten through 12th grade, overhauling a system that critics say disproportionately sends state money to wealthy school districts while schools in poorer areas struggle.

If signed into law, voters in wealthy areas with low property tax rates would have to increase their property taxes to keep school funding at current levels. The state money saved would then get redistributed statewide. Poorer districts already paying relatively high property taxes would be among the top beneficiaries.

“This is going to be the legislature doing its job,” said state Rep. Bob Rankin of Carbondale, a Republican member of the Joint Budget Committee, which drafts the state budget.

Rankin is rounding up support from Democratic legislators on the JBC to tackle the ongoing issue of how Colorado pays to educate students. Democratic legislators Rep. Dominick Moreno of Commerce City, chairman of the JBC, and Sen. Rachel Zenzinger of Arvada, also a member of the JBC, say they plan to join Rankin's push for an overhaul.

"I think the JBC should absolutely take the lead on trying to get us out of this mess that's been created on school finance," Moreno said. "Just looking at the data that our staff has put together it's clear there is a huge problem with how we do school finance in our state."

It's a system that results in homeowners in one of the poorest areas of the state, the Sierra Grande School District, paying nearly 8 times more in property taxes than homeowners in the adjoining wealthier Primero School District to educate students.

Despite the oil and gas industry propelling Primero to among the highest property value-per-student ratios in Colorado, the state pays more of the costs to educate students in Primero than Sierra Grande. The state shoulders just 31 percent of the total costs to educate Sierra Grande students, while it picks up 44 percent of those costs in Primero.

As a result, Primero spends \$18,379 to educate each student, nearly a third more than the \$13,490 Sierra Grande spends.

Sierra Grande is so pressed, it must borrow \$700,000 each year to meet operating costs, which it pays back when property taxes come due. Science textbooks there are 8 years old, and teacher salaries are so low that a teacher who worked there 15 years just left to take a higher-paying clerical job with the Colorado Department of Transportation. Last year, sewer pipes backed up, flooding the school and requiring students to stay home for two days.

In Primero, select teachers and staff members have to pay only \$300 a month to live in the seven two-bedroom, two-bath apartments the Primero School District owns. The school district has its own waste water treatment plant and a cutting edge geothermal heating and cooling system. The science curriculum exceeds state standards in Primero. All students in third grade through 12th grade have computers they can take home, and those in kindergarten through second grade all have classroom computers.



Aaron Ontiveroz, The Denver Post

Students eat breakfast at Primero school on Monday, Dec. 17, 2018. Every one of the school's some 200 students are offered breakfast each day.

The inequities have their roots in the conflict between constitutional amendments meant to control taxes and efforts to ensure schools are properly funded. The voter-approved Taxpayer's Bill of Rights, for example, forced deep cuts in property tax rates for school districts in prosperous communities, including oil and gas boom towns, when the economy soared. TABOR also prevented those tax rates from going back up to previous levels when the economy cooled and additional revenue was needed.

Cuts in property tax rates conflicted with another key principle. The state requires all school districts to spend a minimum amount to educate each student, with variations built into that formula to account for such factors as size of a community, the number of special needs students and cost of living.

When property tax collections dip below the minimum per-pupil funding standard, the state back fills the difference. It's a system that critics contend creates stark inequities in the education system.

Now key lawmakers say the time is right for a reset.

"The new administration will be looking to make some changes and to make their mark," Rankin said, referring to Gov.-elect Jared Polis.

The state Senate switching from the control of Republicans to Democrats also could ease partisan obstacles that hindered past reform efforts, said State Rep. Millie Hamner, a Dillon Democrat who is leaving the legislature because of term limits.

“The legislature is going to be under a lot of pressure to take on this issue,” Hamner predicted. She noted that teachers last year engaged in walk-outs because of stagnant wages and picketed the legislature out of frustration. The solid rejection of Amendment 73, a statewide tax measure that would have raised \$1.6 billion annually for schools, also will have educators looking to the governor-elect and legislature for a possible solution, she said.

The tax cuts triggered by TABOR have shifted an increasing share of school costs onto the state budget over the years.

In 1988, local property taxpayers picked up 57 percent of the mandated minimum costs to operate schools, and the state covered 43 percent. By 2007, those figures had flipped. The state share had risen to 64 percent and the local share had dropped to 36 percent. Among the beneficiaries of that increase in state aid were property-rich tax districts that had seen steep cuts in tax rates, the data shows.

Meanwhile, areas with stagnant property values continued to pay tax rates dramatically higher than wealthier areas. Concerned the cuts to tax rates were shifting too much of the burden in financing of schools over to the state budget, then-Gov. Bill Ritter pushed the legislature in 2007 [to adopt a freeze in local property tax rates](#) for schools, which prevented property tax rates from going lower.

The freeze stabilized the growth in what the state pays toward the mandated minimum to operate schools. But it also locked in deep property tax discounts that benefited property-rich areas and ensured they continue to get a disproportionate share of state education aid compared to poorer areas.

As a consequence, vast differences in property tax rates still exist throughout the state, differences that critics contend are unfair to taxpayers.



Aaron Ontiveroz, The Denver Post

Superintendent Darren Edgar stands in the now defunct industrial arts lab Sierra Grande K-12 on Tuesday, Dec. 18, 2018. The program had to be shut down due to a teacher retirement, which left an opening that could not be filled. The room now sits unused. Edgar says the school, which was built in the 1950s, has now started being repaired at a rate that is difficult to keep up with. Problems include old 1950s pipes, modern boilers that are inefficient with old technologies, water leaks and the wear and tear of a nearly 70-year-old building.

Consider the Primero and Sierra Grande districts.

The Sierra Grande district is one of the poorest in the state. More than 80 percent of its students are qualified as at-risk by state standards. So many children qualify for reduced and free lunches that the district enrolled in a special program that allows all the children to receive free lunches.

Two years ago, the food services director resorted to opening a fundraising page on the internet to raise money for the \$2,825 cost to open a salad bar at the school lunchroom.

So many transients have moved into the area, the school district has taken on the duty of showering children twice a week and sending food home with them, said Darren Edgar, Sierra Grande's superintendent. There aren't enough computers for all students, he said. In 12 years, the base salary for a school teacher nudged up slightly from \$31,000 to almost \$33,000.

“That speaks volumes as to where we’re at,” Edgar said. “We can’t continue to recruit college graduates who want to be teachers but also don’t want to starve to death.”

Yet Sierra Grande homeowners join those in 38 other districts that pay the highest property tax rate to raise local revenue toward the mandated minimum per-pupil spending in the state, 27 mills. Homeowners in Sierra pay \$678 annually in property taxes on a home worth \$348,999 to meet their minimum costs to educate a student.

The state paid \$1.2 million of the mandated minimum education cost in Sierra Grande this year, or 38 percent. That’s a slight decline from the \$1.3 million the state paid in 2007, when it covered 45 percent of Sierra Grande’s mandated minimum in education costs.

In the resort town of Telluride, meanwhile, the state paid \$4.25 million, or 46 percent of the amount to reach the mandated minimum this year. By comparison in Denver, the state share was \$270 million this year, or 35 percent of the total minimum cost, and in Cherry Creek Schools, \$244 million, or 67 percent.

In the Primero School District, where oil and gas drilling is a dominant industry, homeowners benefited from TABOR-related declines in the tax rates during the 1990s when the energy industry started to boom. As property values increased with drilling profits, TABOR kept rates down.

As a result, homeowners in the Primero district pay the lowest property tax rates in the state toward the mandated minimum per-pupil cost — \$42 on a \$348,999 home.

The state paid 90 percent of the costs, or \$2.08 million this fiscal year to meet the mandated per-pupil minimum education costs in Primero.



Aaron Ontiveroz, The Denver Post

From left to right, Taden Lopez, Kourtney Trujillo and Lauren Smith work on their computers during class at Primero school on Monday, Dec. 17, 2018.

Then there's an extra twist. Colorado's system allows local school districts to ask taxpayers to approve "overrides," which provide additional local property tax funding that is not considered in the minimum per-pupil cost calculation.

As a result, a district paying a low percent toward the state-mandated minimum funding for education can collect its share of state money to meet the minimum and then pass an override to bring in additional revenue.

Meanwhile, homeowners in poorer districts already paying far higher rates for the mandated minimum education costs are apt to balk at raising their rates even higher, Rankin and others fear.

"Some districts just don't have an asset base to raise anything to make it worthwhile to do an override," Rankin said.

The overrides in Primero bring the total costs a homeowner pays to educate a student up to \$148 annually for a \$348,900 home. Sierra Grande passed an override levy too in 2011, bringing its total mill levy rate to educate a student up to 32.1, which costs \$806 on the same value home. Yet Sierra Grande still struggles to raise enough revenue locally to keep pace with its needs.

Rankin and the other legislators are mulling a series of fixes. First they want to encourage poorer districts that haven't passed overrides to do so. Extra state aid would be delivered to those areas if their voters approve overrides, essentially providing those voters an incentive.

The state also would direct every district in the state to adopt a consistent property tax rate that would go to the minimum per-pupil funding level, under one proposal the legislators are considering. Those districts that can fully fund their mandated minimum costs with a lower tax rate only would tax to the level necessary to fully finance that minimum cost.

The uniform rate could be phased in over several years for areas that currently benefit from lower rates in areas like Primero. If the new statewide mill levy rate would increase property taxes in a district, local voters would have to approve the increase. Those districts that don't approve the higher tax rate would see reductions in their state education aid.

Setting a standard statewide property tax rate of 27 mills, the current statutory maximum, which 39 districts currently pay, would raise an additional \$412.5 million statewide annually. That money would free up an equal amount of state aid that now subsidizes areas with low property tax rates. The new money would then be redistributed statewide, giving a lift to poorer areas.

Under one scenario, the legislature would change state law on its own to set the statewide property tax rates school districts would need to adopt. Under another proposal, the legislature would send a uniform tax rate level to voters to consider as a statewide ballot initiative.



Aaron Ontiveroz, The Denver Post

Students Estella Trujillo (left) and Allie Jones (right) walk with Wendy Fischer at Sierra Grande K-12 on Tuesday, Dec. 18, 2018.

Asking voters to dramatically increase their taxes or risk losing state aid is not a prospect officials in districts such as Primero welcome, even if the increases are staggered to soften the blow, said Eric Davies, the business manager for the school district.

“That would end up shooting us clear out of the water,” Davies said. “Those in administration and accounting would be hung by the nearest light pole.”

Davies said a state program that provides construction grants for poorer school districts helps equalize some of the disparities in school finance. He noted that Primero can’t benefit from that program because of the value of property in the area. Primero shoulders those constructions costs solely through local property taxes, he said.

But Sierra Grande is still waiting to see any benefits from that construction program even after voters agreed they would pay more in property taxes to match any state construction. The nearby La Veta School District also is waiting for construction aid from the state, though officials there are hopeful the state will give final approval this year.

Bree Lessar, the superintendent in the La Veta School District, where homeowners already pay a 26 mill tax rate, said she is tired of explaining to parents in her district why Primero can afford to subsidize housing for its teachers. Her district is so pinched for money that she sometimes resorts to holding school district checks on her desk to keep them from bouncing. She said she can't even afford to replace the suburban vans with 250,000 miles of wear that transport her students.

“Primero has a school safety resource officer and bought a new vehicle they decked out for that officer,” Lessar said. “My parents want to know why we can't afford that.”

Popular In the Community



Sponsored



AT THE BORDER, TRUMP
MOVES CLOSER TO

F
E

rwl

7h

Didn't know the
POTUS could throw a...

v
v
:



TAGS: **BOB RANKIN,** **COLORADO DEPARTMENT OF EDUCATION,**
DOMINICK MORENO, **JARED POLIS,** **K-12 EDUCATION,**
SCHOOL FUNDING, **TABOR,** **TAXPAYER'S BILL OF RIGHTS**

Christopher N. Osher

Christopher N. Osher is a reporter on the investigation team at The Denver Post who has covered law enforcement, judicial and regulatory issues for the news organization. He also has reported from war zones in Africa.

Follow Christopher N. Osher @chrisosher

Anna Staver

Anna Staver covers politics and breaking news for The Denver Post. She's spent her career writing in statehouses, courthouses and even a few fair board meetings. She and her husband fell in love with the West a decade ago and have called Oregon, Idaho and Nevada home.

[Follow Anna Staver @AnnaStaver](#)



SPONSORED CONTENT

Transfer your debt to a card with 0% interest until 2020

By CompareCards



If you're carrying a balance on a high interest credit card or are looking to
 use in the coming months, it's time to switch cards...

Unlimited Digital Access for only 99 cents!

SUBSCRIBE