Uniform Statewide School Mill Levy Questions & Answers

Why is CASB considering the same resolution again on the statewide uniform mill levy at its Delegate Assembly on October 19, 2019?

- The Delegate Assembly is the foundation of CASB's governance structure and provides critical direction to CASB when it represents members' interests before state and national policymakers.
- CASB is being **proactive** in having its membership discuss and provide guidance to CASB on anticipated bills this upcoming legislative session.
- This concept is **complex** and has a **significant impact** on our membership.
- Having a resolution adopted by CASB membership will **give CASB significant leverage in shaping this legislation**. **Having a resolution allows CASB to be at the table.**

How is the conversation today on this topic different than past JBC-supported ideas to use the mill levy override money to address the Budget Stabilization factor?

- **Past proposals** have focused on the state redistributing the revenue raised through local mill levy overrides in order to eliminate the Budget Stabilization Factor (BSF). This idea is probably best characterized as the "Robin Hood" concept.
    - The policy goal being addressed through this concept is to treat local mill levy override (MLO) funds as a state resource and eliminate the BSF by redistributing those local MLO funds across the state.
- **The proposal** being discussed now is based on a tax policy goal that seeks to have all taxpayers pay the same tax rate (school mill levy) toward funding their local schools. The state share would then backfill the amount needed to get the district to its Total Program Funding amount. Since local districts with a school mill levy below 27 would be raising more revenue locally to fund their schools, the amount the state needs to backfill decreases, leaving more revenue in the state budget that will then be used to pay down the BSF — a condition to CASB's support of this legislation.
    - The policy goals of this concept are to move the state in the direction of the pre-TABOR policy of a uniform statewide school mill levy and to stabilize the local share of school funding. Taxpayers statewide now pay between 1.68 mills to 27 mills toward funding their local schools. The state is now subsidizing those school districts with lower mill levies and effectively subsidizing overrides in those districts.

Aren't the rural districts raising more money resulting in the Front Range districts getting the benefit?

- Rural districts are more at risk during economic downturns than other districts and they lose more in their per pupil revenue calculation by the way the Budget Stabilization Factor (BSF) cuts impact school funding. By stabilizing the local share of school funding across the state and requiring the state to reinvest its state share savings into reducing the BSF, rural districts would benefit.
- Given that the Front Range districts serve the majority of students in Colorado, these districts will benefit as well with new state share being invested into schools.
- Any district with a school mill levy below the proposed uniform rate would be asked to raise more revenue locally that would support their local schools. However, it is important to note that no one's taxes in any school district will increase without a local vote to approve an increase in the school mill levy rate. CASB's resolution outlines the necessary guardrails that must be put in place.

If CASB passes the resolution again, what will CASB do if the hold harmless guardrails are not put into the legislation?

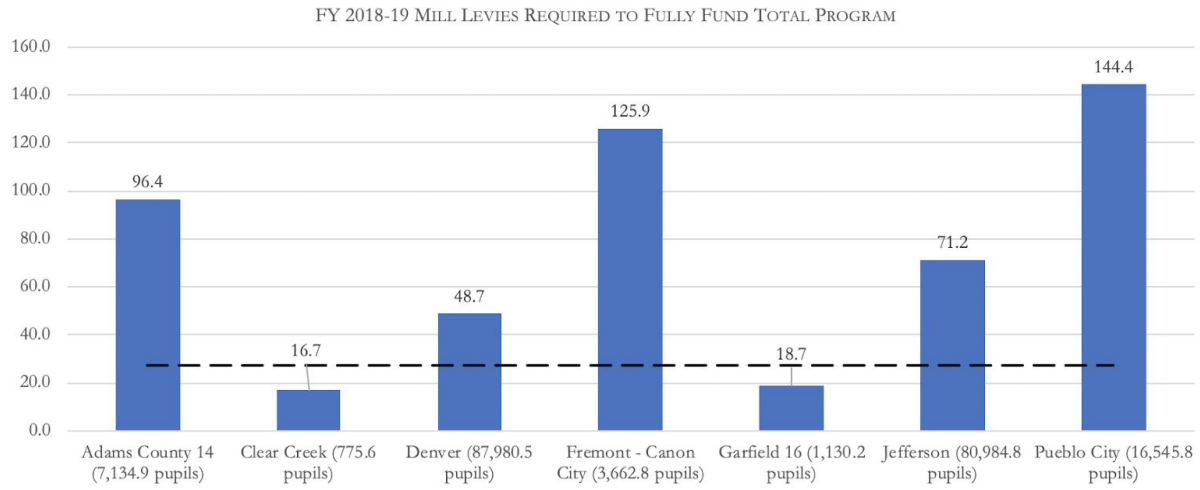
CASB will oppose the bill if the new legislation does not meet the guardrails put in place. Currently the resolution has the following guardrails:

- All new funding from local property tax revenue will be stable and sustainable in future years;
- All state General Fund revenues which fund the Colorado School Finance Act and which are replaced by local property tax revenue as a result of this legislation will be reinvested in our public schools by providing additional state funding to significantly reduce the Budget Stabilization Factor;
- The options made available to school districts which must increase their local school mill levies to the uniform school mill levy, and the length of time available to make such an increase, will be fair and reasonable to school districts and local taxpayers;
- School districts which have characteristics or circumstances that make it difficult or impossible to raise their local school mill levies to the uniform school mill levy will not lose funding as a result of this legislation; and
- If as a result of this legislation, the Colorado Constitution requires any school district to lower its mill levy to the uniform school mill levy, any such decrease in the local school mill levy shall be temporary, to the extent legally permissible, and local school boards shall have the ability to restore the local school mill levy to the same level the school mill levy was set prior to the temporary decrease without voter approval.

Why is it fair to ask taxpayers in certain school districts to pay more locally?

- No taxpayer in any school district will be required to pay more than 27 mills (or whatever the uniform school mill levy rate is adopted).
- School districts which currently have a lower school mill levy will be required to ask their voters to increase their mill levy to 27 mills (or the new uniform rate). CASB will not support any legislation which cuts the funding of any school district if voters who not approve the request to increase local funding. CASB will also seek to have incentives in the law to encourage approval of the request to increase local mill levies.
- Under the current system, taxpayers who pay the maximum 27 mills in their school district ask why it is fair that taxpayers in neighboring districts pay a lower, sometimes much lower, school mill levy in their school district.
- This legislation creates a fair and equitable pathway over time to have the same mill levy in every school district.

THE STATE SHARE IS MEANT TO MAKE UP FOR DISPARITIES IN CAPACITY TO RAISE REVENUE AT THE LOCAL LEVEL. CHART SHOWS MILLS NEEDED TO FULLY FUND TOTAL PROGRAM IN EACH OF THESE SCHOOL SCHOOLS.



When Colorado experiences the next recession, how will having a uniform school mill levy in place help or hurt?

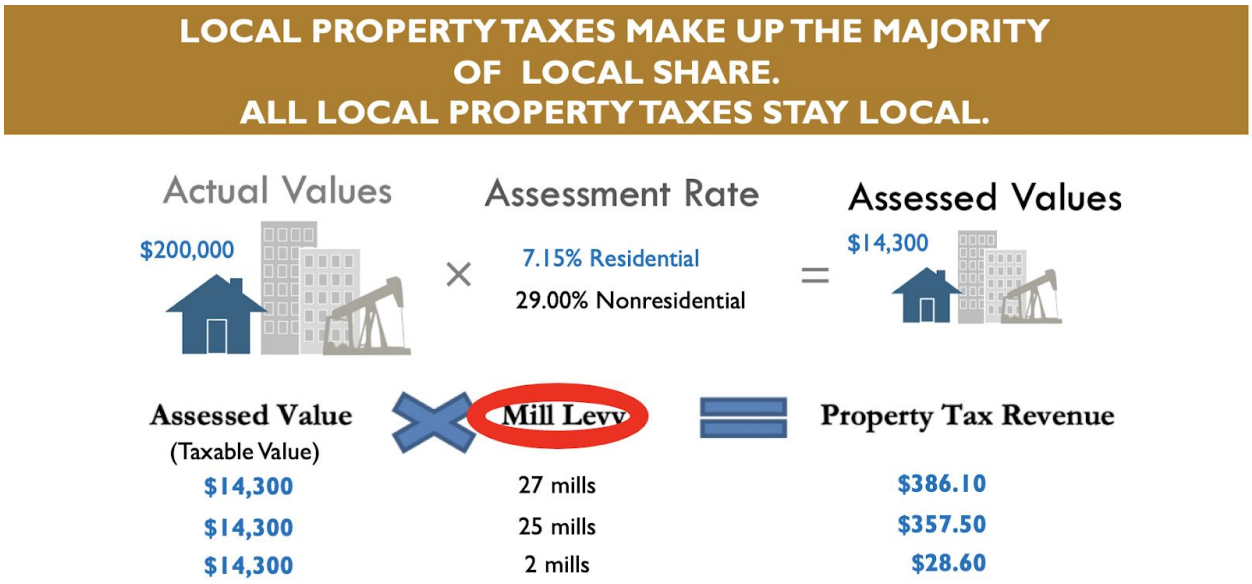
- A new recession will most likely result in the Budget Stabilization Factor (BSF) growing as the state will have less revenue available to fund schools.
- The Budget Stabilization Factor (BSF) measures the amount the state now budgets K-12 funding below the formulaic funding requirements. This amount is

currently at $572 million and has exceeded $1 billion in the years most impacted by the last recession.

- With the implementation of the uniform school mill levy proposal that requires new state revenue savings to be reinvested in K-12, the BSF factor will be hundreds of millions of dollars lower than where it currently stands. This puts local school districts in a better financial situation leading into an economic downturn.

Since there is greater awareness of the Gallagher problem today and given policy makers are talking about a fix that could be made toward the residential assessment rate component of the local share calculation, could the uniform school mill levy proposal be putting something in place that will hurt us in the long run?

- The local share of school funding is primarily from property taxes, which are calculated by applying the **mill rate** to the **assessed value** of the property (see image below). Both of these components come into play in determining the amount of local property revenue raised.
- Any **Gallagher fix** would be addressing the **assessment rate component** of the property tax calculation. The Residential Assessment Rate (RAR) has dropped from 21% when the Gallagher Amendment was passed to its current 7.20% and is projected to fall to 6.78% in April. The state already has a statewide uniform RAR. A Gallagher fix might freeze or raise the RAR, but the **RAR would remain uniform across the state**.



- The **uniform school mill levy proposal** is asking all taxpayers to pay a **uniform school mill levy** to fund our local schools (not to exceed a mill levy rate that fully funds its local schools).

- Decreases in mill rates and in RAR both affect the amount of property tax revenue raised.
- The uniform school mill levy proposal will not harm schools as this change will stabilize the local share by asking all taxpayers to invest at the same level toward funding their local schools. And, with the guardrails discussed, local schools will be in a better financial situation.

What key questions should boards be discussing on this topic?

- **What should the state's obligation be toward school funding?**
    - The 1994 School Finance Act had a tax policy goal that sought to balance funding between local and state sources at 50 percent from each. In addition, it attempted to standardize the mill levy at 40 mills in all school districts, regardless of local property wealth. Your district fact sheet will show you the percentage of state share that goes toward your district's Total Program funding.
- **Should all taxpayers pay the same tax rate (school mill levy) for their local schools?**
    - With the current system, taxpayers statewide are subsidizing low mill levies and effectively subsidizing overrides in those districts.
- **If all taxpayers are asked to pay the same rate, what is the appropriate "uniform" mill levy?**
    - Should it be revenue neutral at 22.6 mills?
    - Current estimates indicate that full implementation at 27.0 mills would generate an additional $450 million in FY 2019-20 (accounting for assessed value projections and a reduced residential assessment rate).

What are the benefits of adopting a uniform school mill levy rate?

- This change reinstates a tax policy goal that asks all taxpayers to pay the same tax rate (uniform school mill levy) toward funding their local schools.
    - **It's important to remember that all money raised through property taxes stays local. If the district's school mill levy goes up, that means it will raise more revenue through property taxes that will go toward funding its local schools. If a district's school mill levy goes down, it means the state share will need to increase in order to make up for less local revenue raised.**
    - The state share is not made up of local property taxes, it is made up of state income and sales taxes.
    - The state share is the amount the state is required to "backfill" local school districts in order to get them to their Total Program funding level.
- The erosion of the local share will stop immediately. Moreover, over time, assuming the front range continues to grow and develop as it is projected to do, the local share will begin to increase.
- This is a legislative effort to address tax policy to create a stable and fair statewide system. The alternative is passing ballot initiatives that result in formulas in the

Constitution. The past several statewide funding efforts for schools (and other statewide priorities, such as transportation) have failed.

What are the challenges/downside of adopting a uniform school mill levy rate?

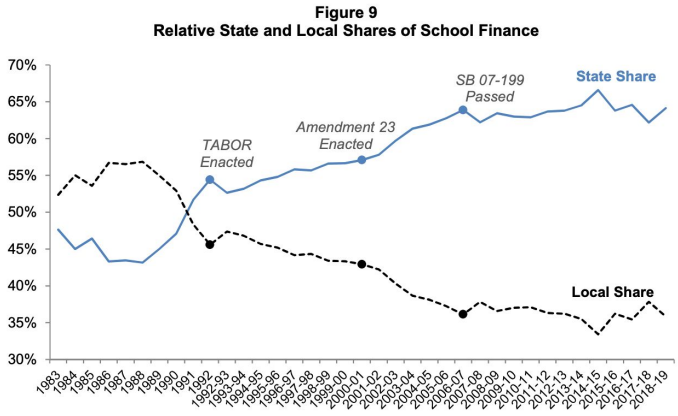
- Due to the wide variances in property wealth and school mill levy rates across the state, there are districts which will have significant hurdles in meeting either a uniform school mill levy rate of either 22.6 or 27. The CASB resolution provides key policy concerns that need to be addressed in any legislation that would be creating a uniform school mill-levy rate. The following items must be addressed:
    - All new funding from local property tax revenue will be stable and sustainable in future years;
    - All state General Fund revenues which fund the Colorado School Finance Act and which are replaced by local property tax revenue as a result of this legislation will be reinvested in our public schools by providing additional state funding to significantly reduce the Budget Stabilization Factor;
    - The options made available to school districts which must increase their local school mill levies to the uniform school mill levy, and the length of time available to make such an increase, will be fair and reasonable to school districts and local taxpayers;
    - School districts which have characteristics or circumstances that make it difficult or impossible to raise their local school mill levies to the uniform school mill levy will not lose funding as a result of this legislation; and
    - If as a result of this legislation, the Colorado Constitution requires any school district to lower its mill levy to the uniform school mill levy, any such decrease in the local school mill levy shall be temporary, to the extent legally permissible, and local school boards shall have the ability to restore the local school mill levy to the same level the school mill levy was set prior to the temporary decrease without voter approval.
- Districts that have passed MLOs have made promises to their local communities about how the money would be spent. If MLOs are allowed to help satisfy a new school mill levy requirement, how should this be addressed locally in order not to erode trust? Regardless of this being a statutory change, school boards will need to work with their local communities to explain any changes made.

Will this solve school funding issues in Colorado?

With a price tag of over $2 billion dollars to bring Colorado to the national average in school funding, the short answer is no, this proposal would not solve school funding.

Why is the legislature considering a move to a statewide uniform mill levy?

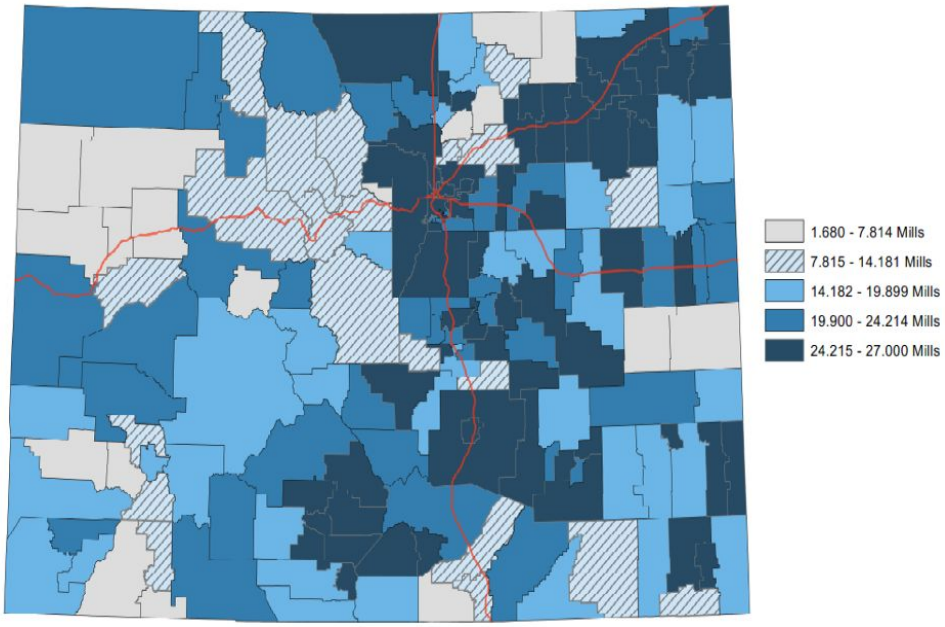
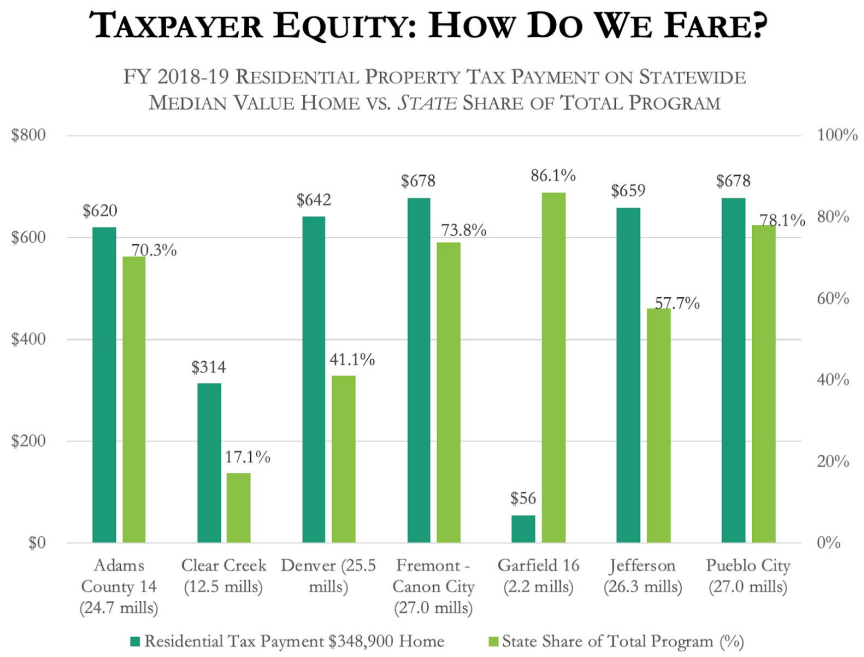
- **Colorado schools are struggling with chronic underfunding that is exacerbated by taxpayer and school district inequities across Colorado.**
    - One measure of this underfunding is a loss in purchasing power that is tracked through the Budget Stabilization factor (negative factor) that is at **$572 million** this year and totals over **$8.1 billion since 2009**.
    - The Budget Stabilization factor reduces the state's share of school funding to a targeted level determined by the General Assembly.
    - It's important to note that the Budget Stabilization number does not track adequacy; it tracks loss in purchasing power since 2009. Colorado would need to invest over $2 billion more in funding to reach the national average.
- **The impacts of interacting constitutional constraints have created a system where local share of school funding has declined dramatically, requiring the state share to increase.**
    - The local contribution toward school funding has plummeted since the tax policy goal of a 50/50 balance between state and local share was put into the School Finance Act of 1994.
    - "When the Act was initially passed in 1994, school districts provided about 46.8 percent of public school funding, and the state provided the remaining 53.2 percent. Between FY 1993-94 and FY 2006-07, the state's share of school funding increased to 63.9 percent, while the local share decreased to 36.1 percent." (Leg Council)



Source: Legislative Council Staff.
Note: Prior to 1993, K-12 funding was done on a calendar year basis.

- **The impacts of interacting constitutional constraints have created a system where there is growing taxpayer and district inequities.**
    - A school district has no control over the amount of its school school mill levy that funds the School Finance Act. The average school mill is 19.7 mills and the range is between 1.68 and 27 mills.
    - Because the school mill levy varies significantly across Colorado the amount raised on the same value of property varies dramatically across Colorado. In order to equalize funding to school districts, the state contribution "backfills" the amount necessary that is not raised locally in order to meet the school funding required (minus the Budget Stabilization factor that is applied equally across all school districts). This chart shows a comparison of school property taxes raised

on the same home value and the state share that goes into each school district. (Leg Council)



Map prepared by Legislative Council Staff.