

# Property Tax and Educational Equity in Colorado's School Finance System



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COMMITTEE STAFF  
FEBRUARY 15, 2019**

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## POTENTIAL LEGISLATION UNDER JBC CONSIDERATION

The Joint Budget Committee is currently considering two potentially complementary proposals to improve both taxpayer equity and educational equity in the school finance system.

- *Uniform Mill Levy:* Amend the School Finance Act to effectively return the State to a “uniform” (statewide) *total program* mill levy with each school district’s total program mill levy set at the lesser of the statewide mill levy *or* the mill levy necessary to fully fund the district’s total program with local revenues.
- *Override Equalization:* Provide a State match for mill levy override revenues raised in districts with lower property values (per pupil) to increase equity in mill levy overrides for lower-property-wealth districts. Matching system could be added to the uniform mill levy.

Note: The JBC has approved *drafting* both bills but has not yet reviewed bill drafts. No bill has been introduced. Many important details remain undecided.

## “UNIFORM” MILL LEVY: STATUTORY PROPOSAL

Previous discussions have focused on a statewide/constitutional change. The current discussion focuses on a *statutory* solution. The proposal would:

- Return the State to a “uniform” (statewide) *total program* mill levy with each school district’s total program mill levy set at the lesser of the statewide mill levy *or* the mill levy necessary to fully fund the district’s total program.
- Authorize school districts to raise local total program mill levies (with voter approval) to reach the “uniform” level, with a phase-in period for districts with significant increases.
- Assume that districts are levying mill levies according to the legislation and distribute state aid accordingly.
- Allow mill levies in districts that are fully locally funded (at less than the statewide mill levy) to “float” on an annual basis below the uniform mill levy in order to continue to fully fund the district without requiring state funds.
- Avoid a statewide vote but require local votes in districts requiring increases.

Goal: Uniform mill levy for districts that receive state aid for total program.

# TAXPAYER EQUITY

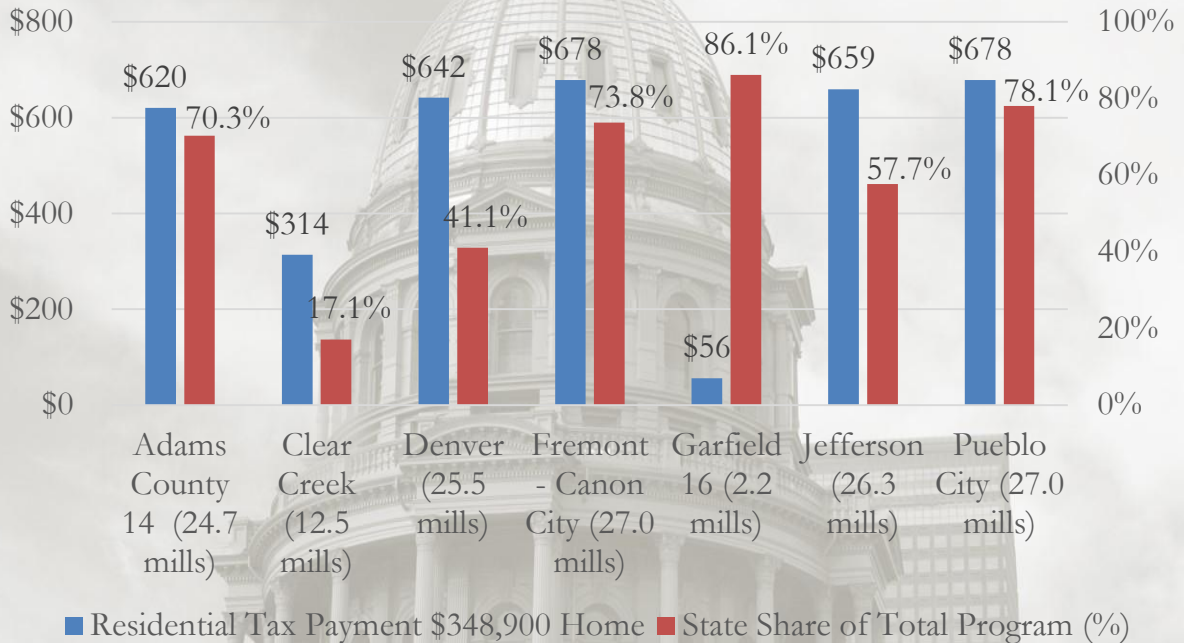


Basic Assumption: An equitable system would treat identical taxpayers (in this case measured by property value) similarly...or identically.

- Because school finance is a state system and the State makes up the difference between the local revenues available and total program funding, this proposal assumes that identical taxpayers *in districts receiving state funds* should be paying identical amounts in *total program* property tax (not including overrides).
- If property tax remains the foundation of the school finance system, the State should equalize local capacity based on an equitable system of taxation rather than subsidize inequitable tax rates.

# TAXPAYER EQUITY: HOW DO WE FARE?

FY 2018-19 RESIDENTIAL PROPERTY TAX PAYMENT ON STATEWIDE MEDIAN VALUE HOME VS. STATE SHARE OF TOTAL PROGRAM





**STATUTORY END GOAL:  
SCHOOL FINANCE FORMULA**

Statutory  
Total  
Program  
Goal:  
\$7.8 B  
in FY  
2018-19

# HOW WE GET THERE: LOCAL SHARE – THE FOUNDATION

Local  
Share:  
\$2.5 B

Local  
Share:  
\$2.5 B

Statutory  
Total  
Program  
Goal:  
\$7.8 B

# HOW WE GET THERE: STATE SHARE – FILLS THE GAP





# HOW WE GET THERE: TOTAL PROGRAM FUNDING

Local  
Share:  
\$2.5 B



Actual  
State  
Share:  
\$4.5 B



Actual  
State  
Share:  
\$4.5 B

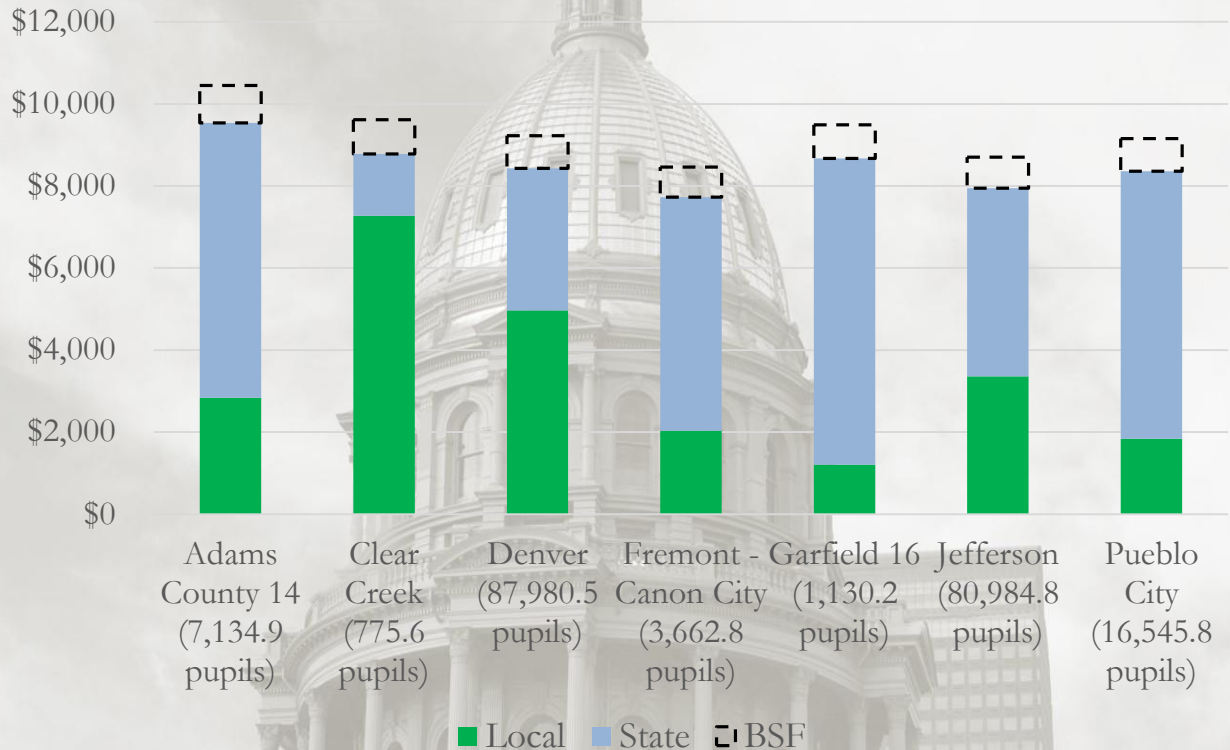
Local  
Share:  
\$2.5 B

BSF:  
\$0.7 B

Statutory  
Total  
Program  
Goal:  
\$7.8 B

Actual  
Funding:  
\$7.1 B

## FY 2018-19 TOTAL PROGRAM PER PUPIL FUNDING (ORIGINAL APPROPRIATION – NOT WITH MID-YEAR)



# STATEWIDE LOCAL SHARE: HOW WE BUILD THE FOUNDATION



# LOCAL SHARE: PROPERTY TAX

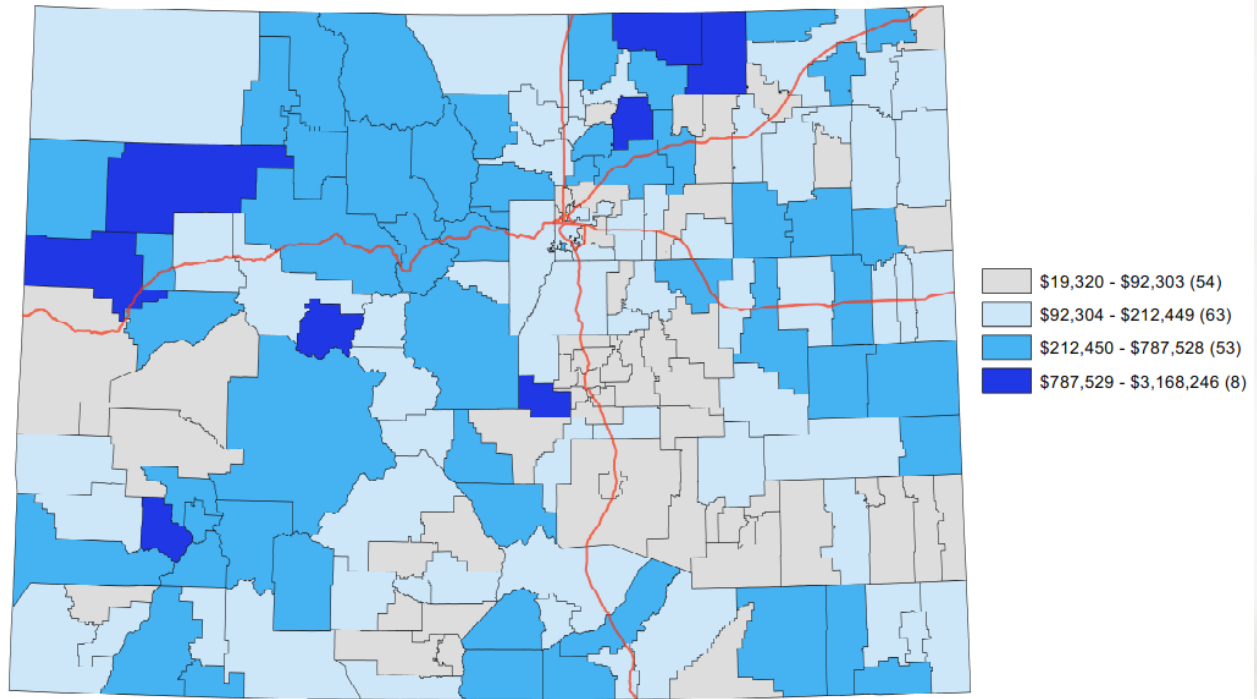
(WHETHER YOU ARE A TAXPAYER OR A DISTRICT)

Assessed Property  
Value  
(Gallagher)



Mill Levy (Tax Rate)  
(TABOR)

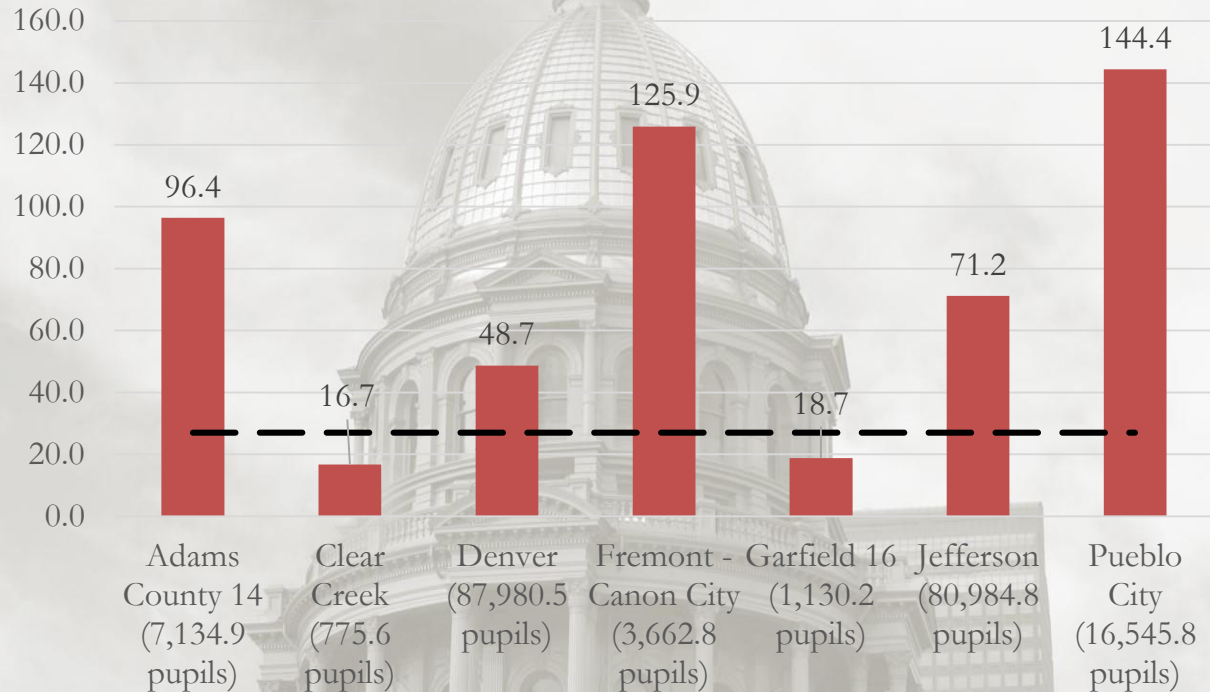
# FY 2018-19 ASSESSED VALUE PER PUPIL



Map prepared by Legislative Council Staff.  
Map Date: November 29, 2018

# LOCAL SHARE: DISPARITIES IN CAPACITY

FY 2018-19 MILL LEVIES REQUIRED TO FULLY FUND TOTAL PROGRAM



# PROPERTY TAX BASICS: MILL LEVY

*Total Program Mill Levy:* The PROPERTY TAX RATE for each school district's total program (NOT including overrides approved by local voters). There is currently no local control of this mill levy.

- Each district sets its levy each year based on statute and each levy is certified by CDE. Most have been frozen since FY 2007-08 (S.B. 07-199) but had diverged earlier. Some continue to decrease.
- Currently range from 1.68 mills to a ceiling of 27.0 mills.
- One mill is equal to  $1/1000^{\text{th}}$  so 27.0 mills is 0.027.

Assessed Value X Mill Levy = Property Tax

# MILL LEVIES: HOW DID WE GET HERE?

1988: School Finance Act of 1988 instituted a statewide uniform mill levy to equalize local effort.

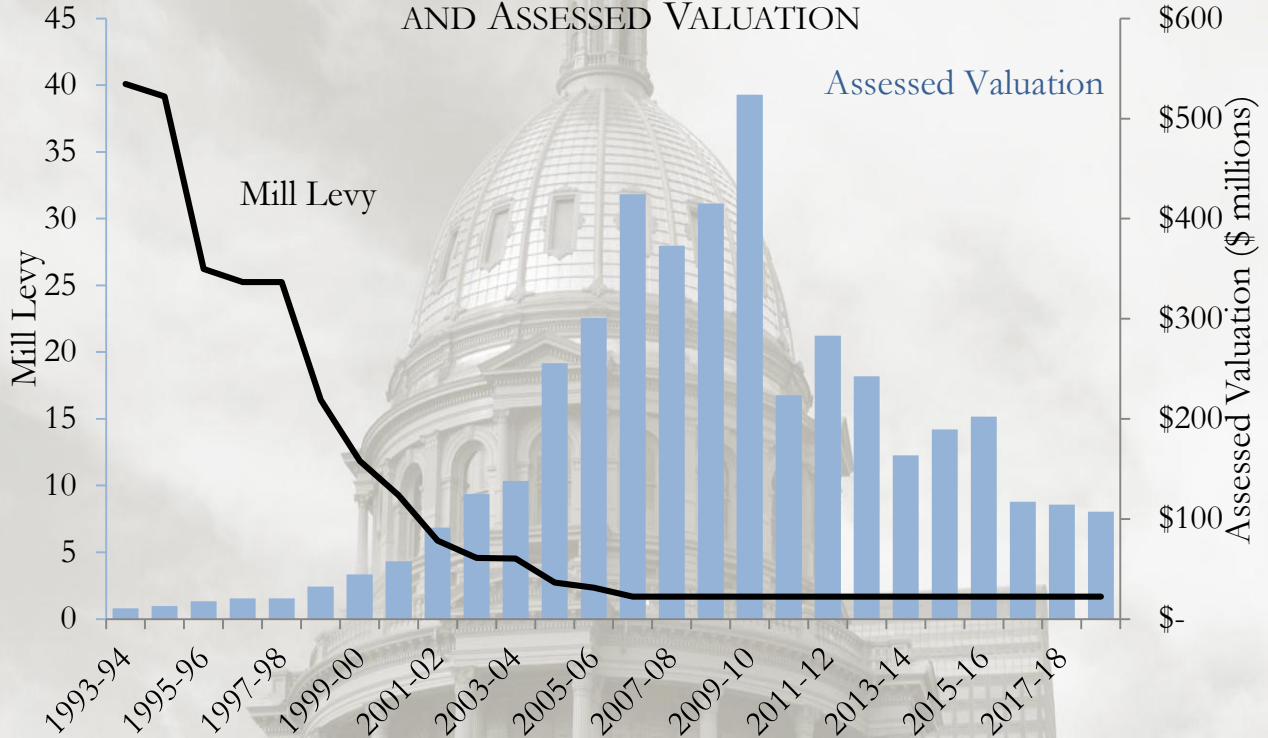
1991: Districts had largely transitioned to a uniform levy of 40.08 mills (except for districts fully funded at a lower level).

1992: Voters passed the Taxpayers Bill of Rights (TABOR) which constrains local revenues (growth limited to enrollment growth plus inflation) and reduces mill levies to stay under caps. Districts with rapid AV growth see mill levies drop – and they cannot float back up.

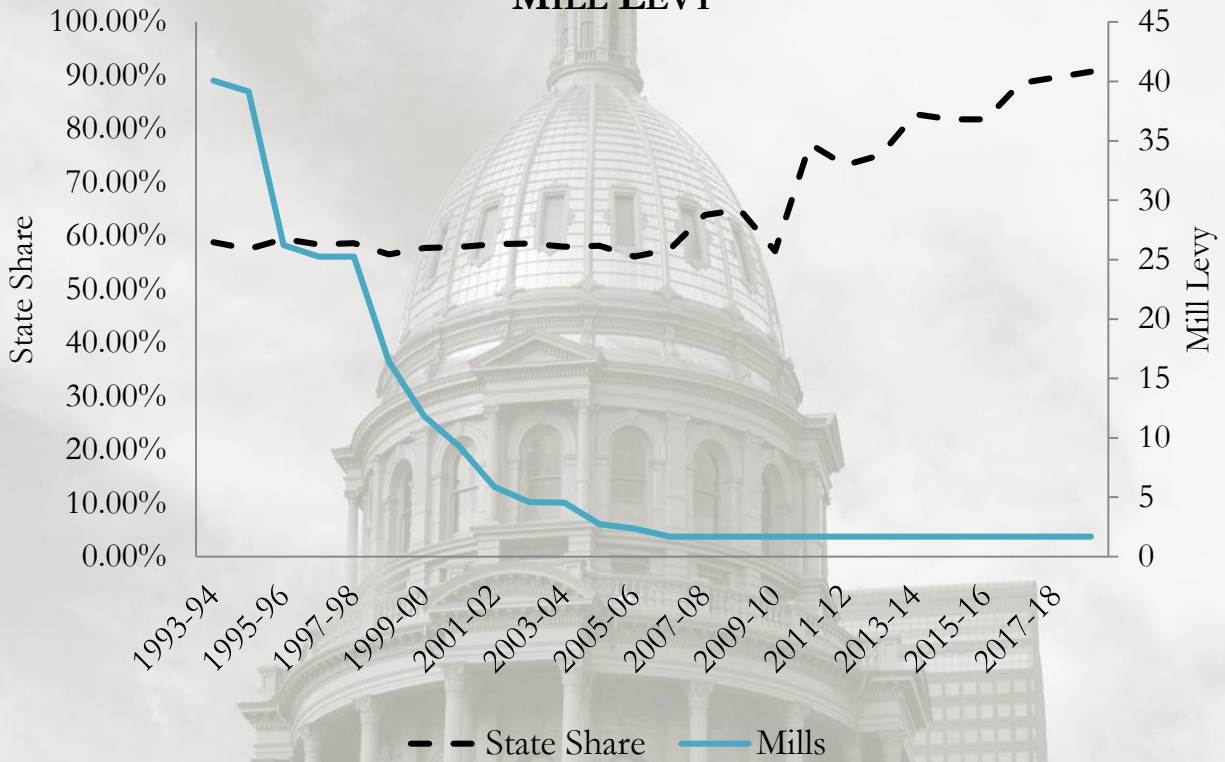
2007: Mill levy freeze (S.B. 07-199) for most districts but doesn't correct existing inequities.



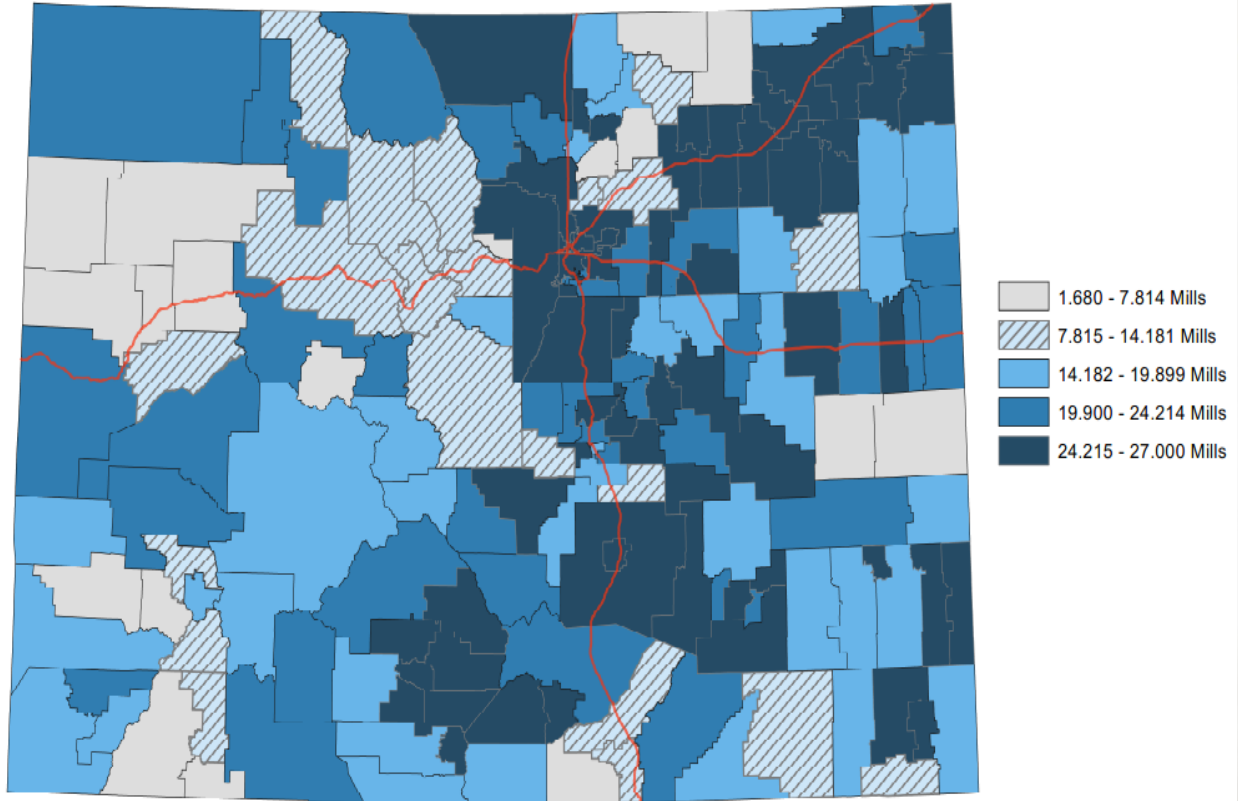
# PRIMERO SCHOOL DISTRICT TOTAL PROGRAM MILL LEVY AND ASSESSED VALUATION



# PRIMERO STATE SHARE OF TOTAL PROGRAM AND MILL LEVY

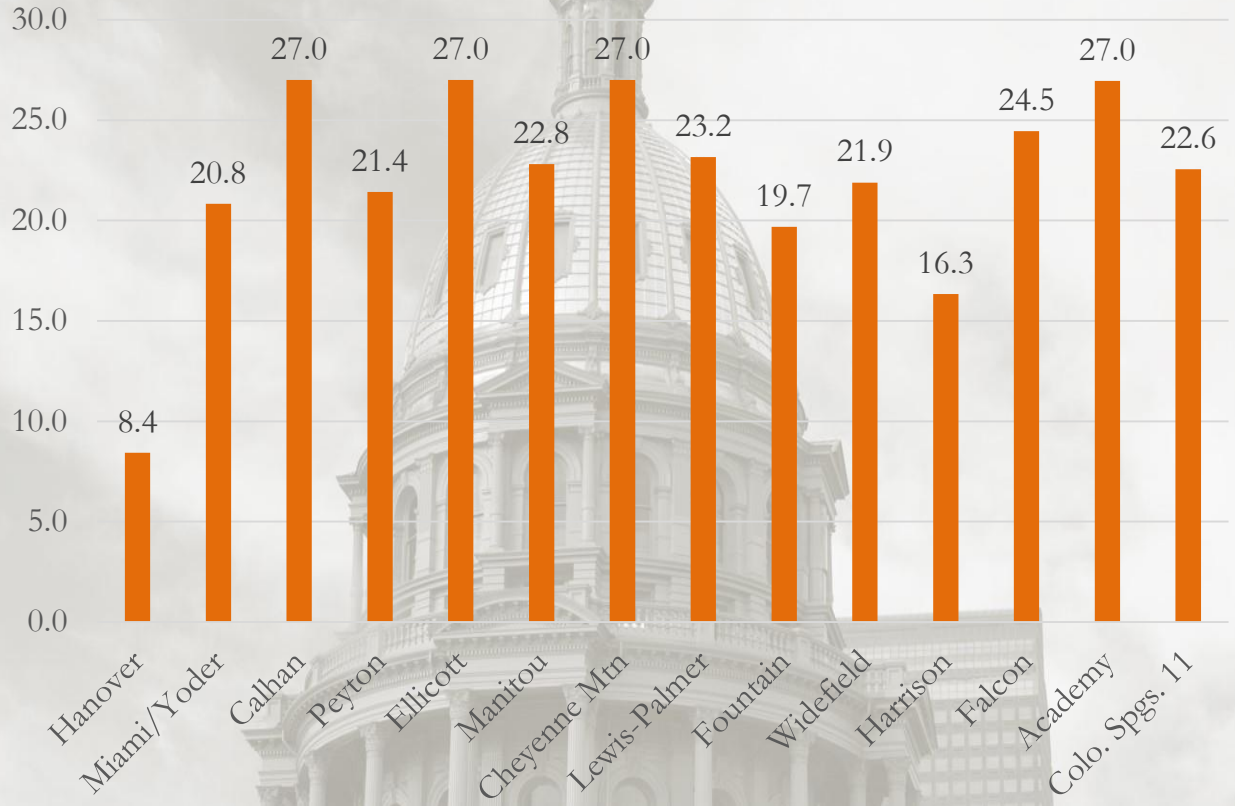


# FY 2018-19 TOTAL PROGRAM MILL LEVIES

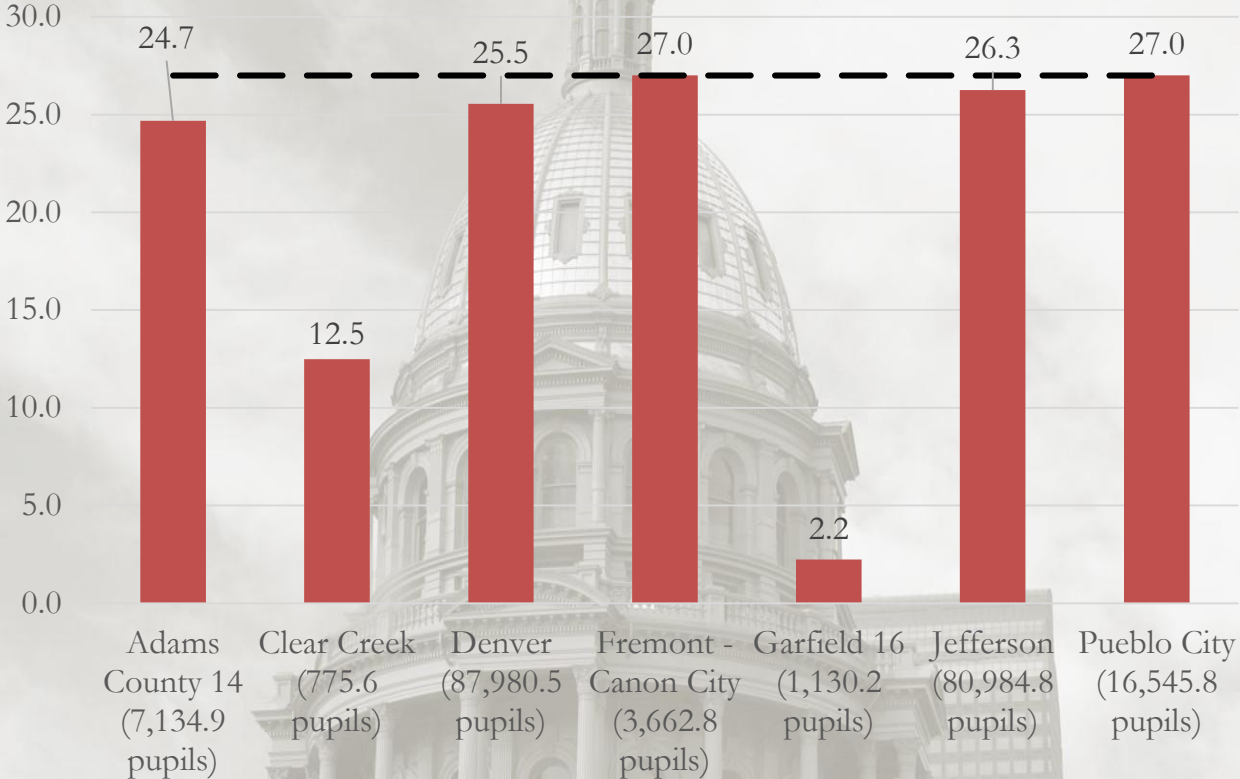


Map prepared by Legislative Council Staff.

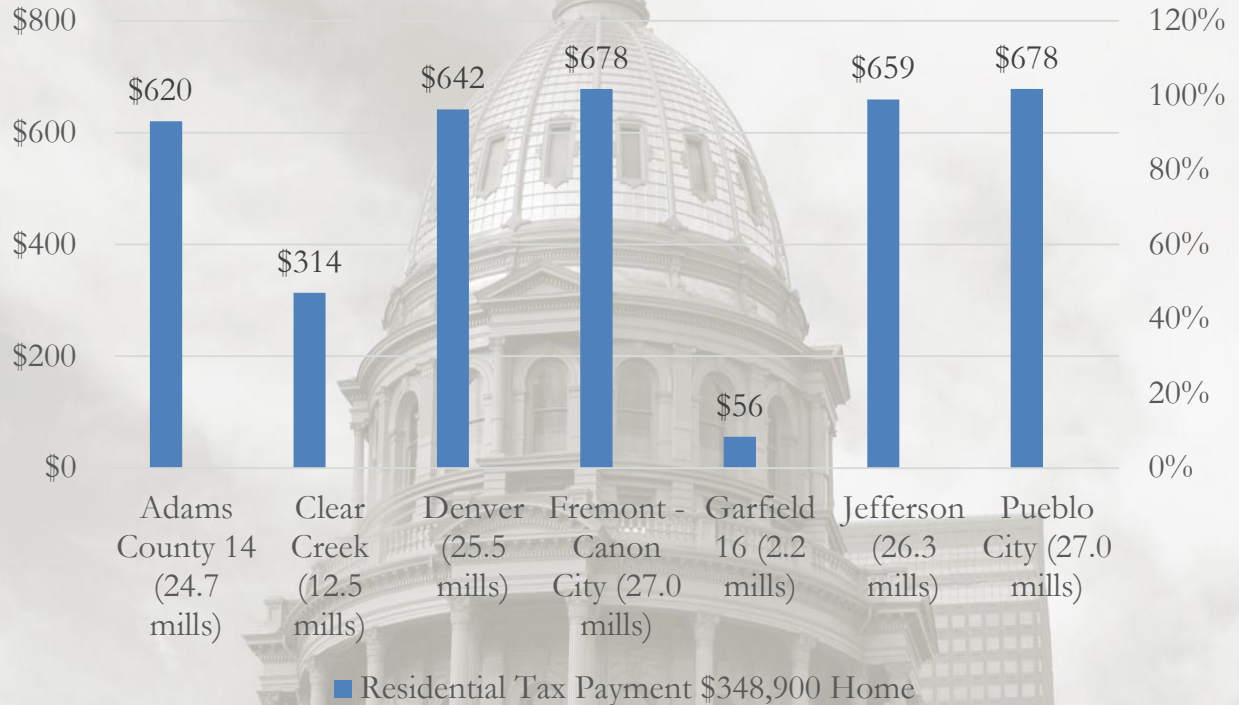
# EL PASO COUNTY TOTAL PROGRAM MILL LEVIES



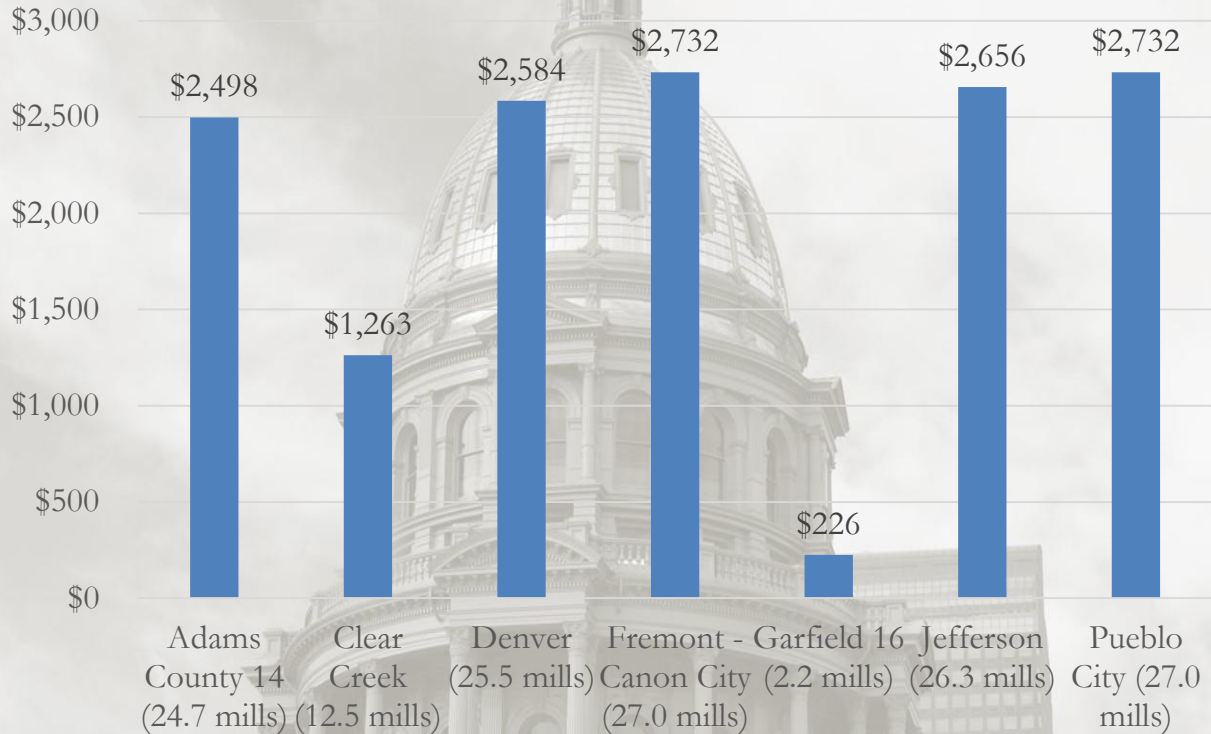
# FY 2018-19 TOTAL PROGRAM MILL LEVIES



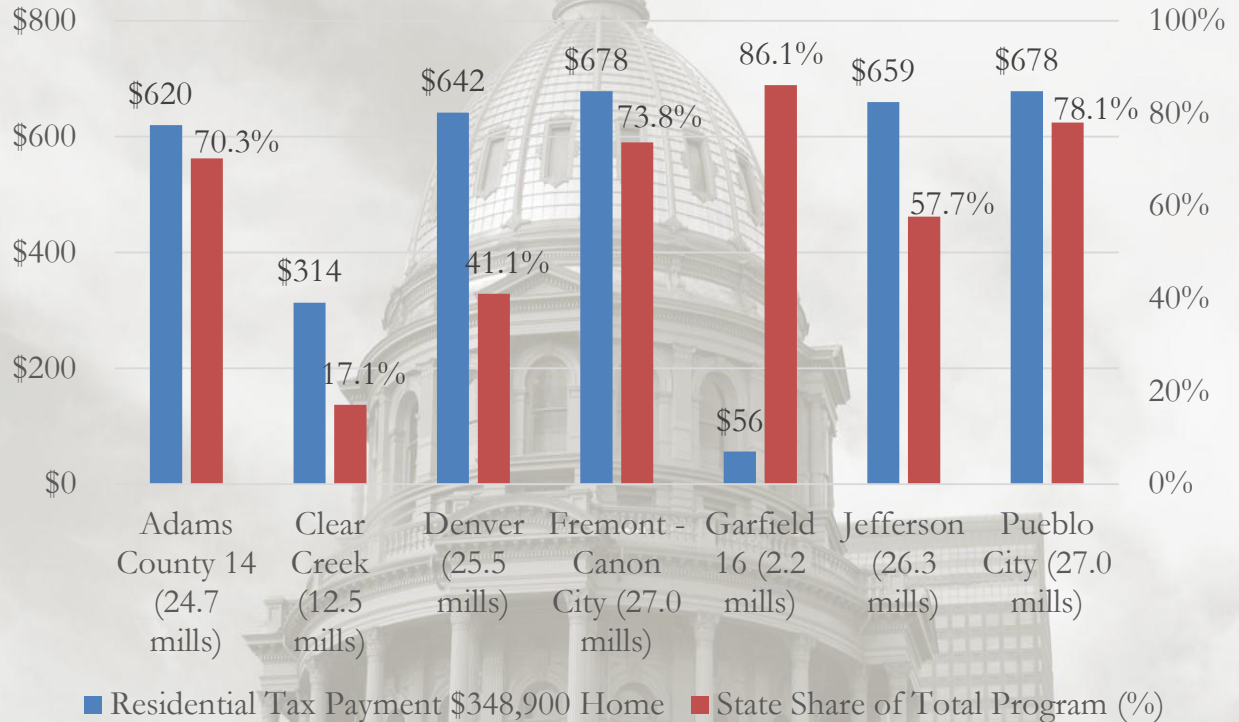
## FY 2018-19 RESIDENTIAL PROPERTY TAX PAYMENT ON STATEWIDE MEDIAN VALUE HOME VS. *STATE* SHARE OF TOTAL PROGRAM



CURRENT NON-RESIDENTIAL TOTAL PROGRAM TAX  
PAYMENT \$348,900 PROPERTY VALUE

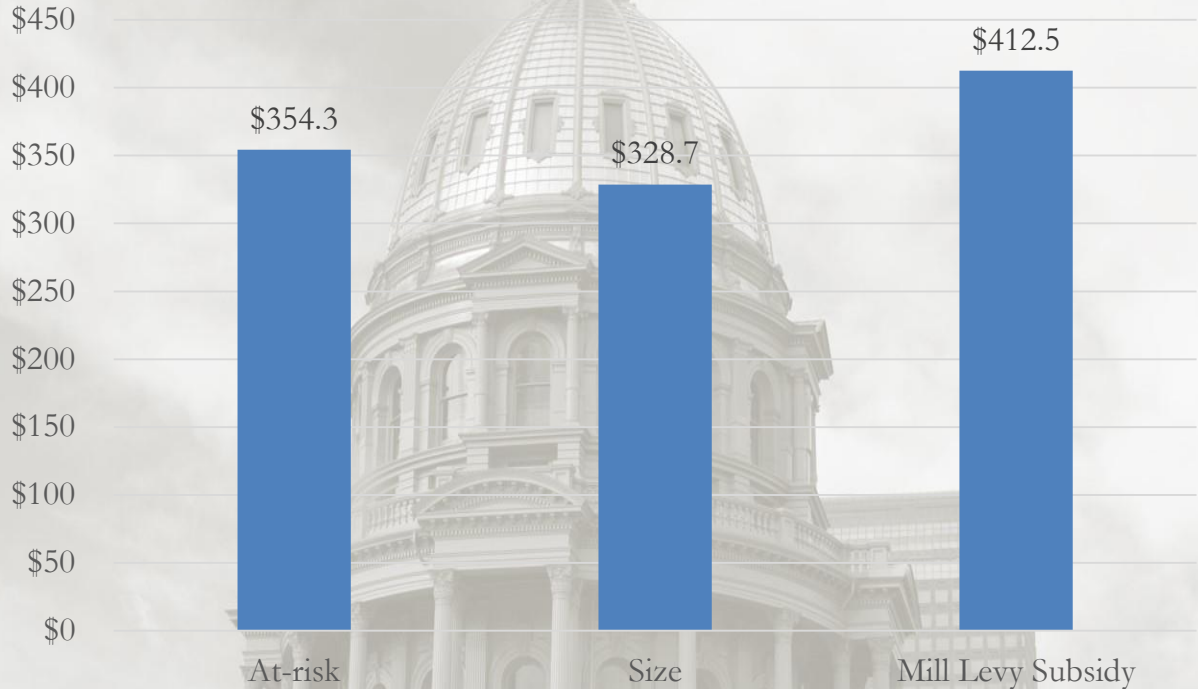


## FY 2018-19 RESIDENTIAL PROPERTY TAX PAYMENT ON STATEWIDE MEDIAN VALUE HOME VS. *STATE* SHARE OF TOTAL PROGRAM





MILL LEVY SUBSIDY RELATIVE TO SIZE FACTOR AND AT-RISK  
FUNDING BEFORE BUDGET STABILIZATION FACTOR  
(ORIGINAL FY 2018-19 APPROPRIATION, \$ IN MILLIONS)



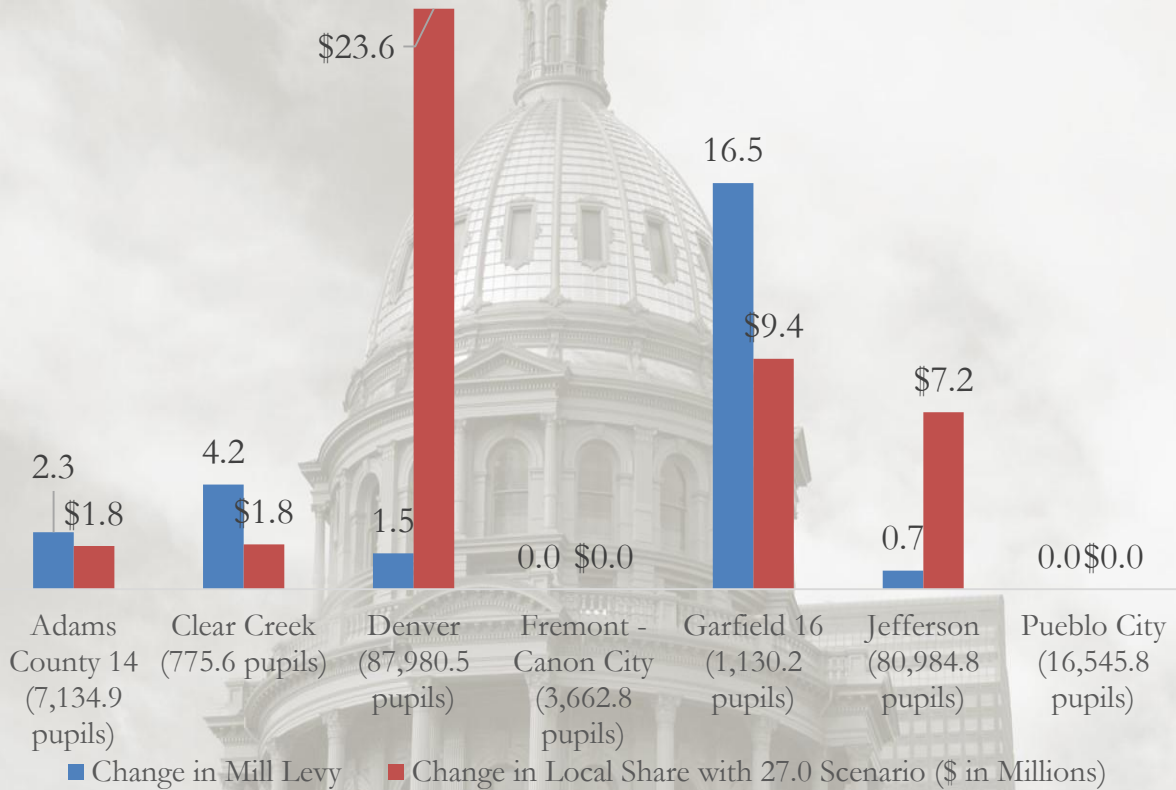
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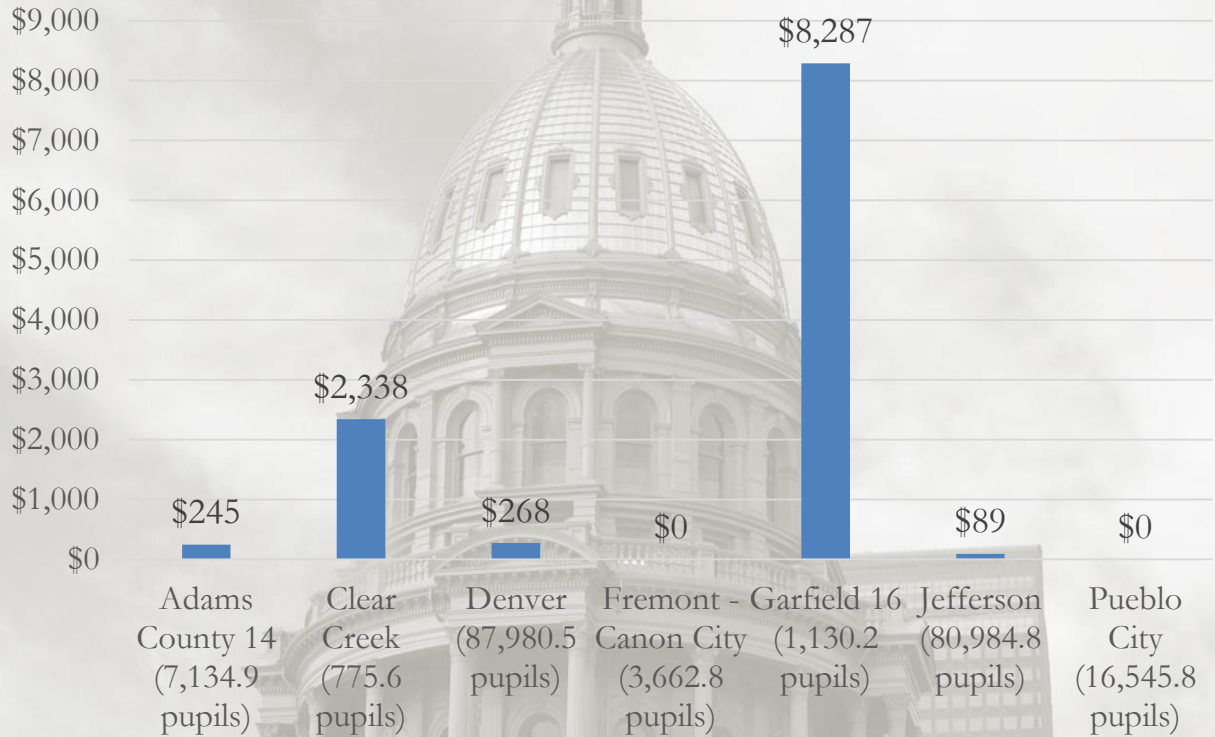
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Effect: Uniform mill levy for districts that receive a state share for total program.

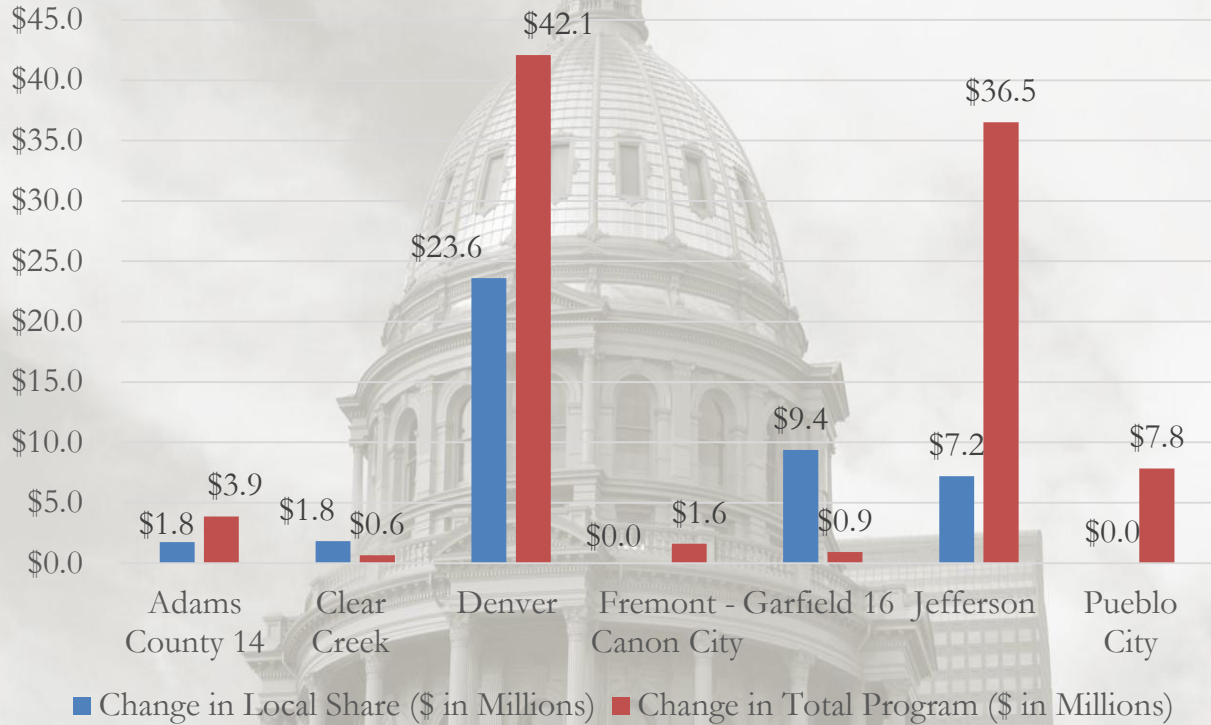
## CHANGE IN MILL LEVY AND CHANGE IN LOCAL SHARE (27.0 MILL SCENARIO ILLUSTRATION, \$ IN MILLIONS)



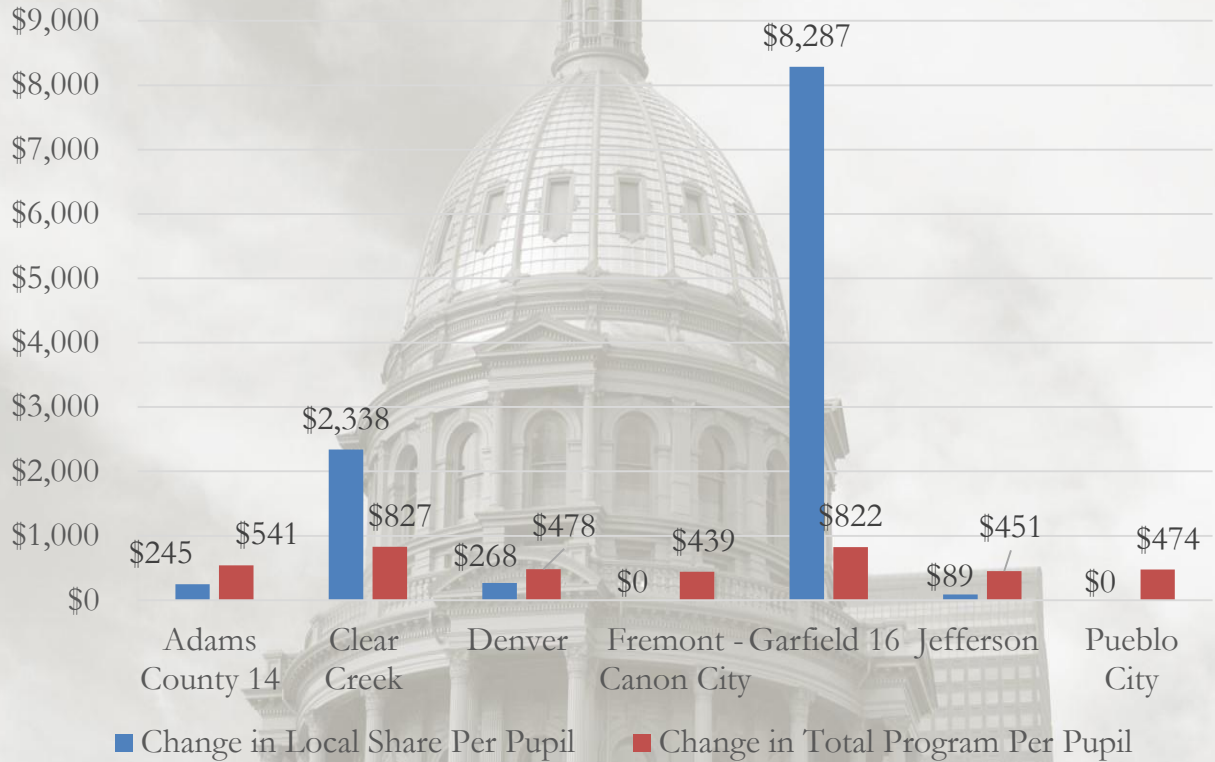
## CHANGE IN LOCAL SHARE PER PUPIL - 27.0 MILL SCENARIO



CHANGES IN LOCAL SHARE AND TOTAL PROGRAM  
 (\$ IN MILLIONS)  
 27.0 MILLS SCENARIO



## CHANGE IN LOCAL SHARE AND TOTAL PROGRAM PER PUPIL 27.0 MILLS SCENARIO





## “UNIFORM” MILL LEVY: BIG OUTSTANDING QUESTIONS

- What is the goal? Raising revenues? Simply leveling the playing field (revenue neutral)? Rebalancing state/local shares?
- Based on question 1, what is the appropriate “uniform” mill levy?
  - Anything above 22.6 mills increases local revenue.
  - Current estimates indicate that immediate implementation (see below) 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).
- How should the bill phase in the mill levy for districts facing larger increases? For example, should it cap the increase at a certain number of mills per year?
- Should the bill provide a backstop (safety net) if voters do not approve increases for a given district? If so, at what level?

# HOW MILL LEVIES AND OVERRIDES INTERACT

Overrides can offer an option for local voters to choose to contribute more to education but raise equity concerns. But the interaction with property values and the school finance mill levies is key.

- 122 districts have mill levy overrides in FY 2018-19, totaling **more than \$1.3 billion** in revenue.
- Overrides are not a viable tool for districts with low property values (assessed value per pupil). The rates required to raise significant revenues are prohibitive.
- Overriding in a low mill levy district is easier than in a high mill levy district. We are asking voters very different questions.
- With the current system, taxpayers statewide are subsidizing low mill levies and effectively subsidizing overrides in those districts.



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Questions?