Property Tax, School Finance, and the Gallagher Amendment

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Roadmap for Today

Major points for today’s discussion:

• Property taxes and education funding in Colorado.

• How the Gallagher Amendment affects school district property taxes and the state budget for school finance.

• How Gallagher and TABOR interact and affect both the state budget and taxpayer equity.
SCHOOL DISTRICT PROPERTY TAXES: TWO BASIC TYPES

FY 2017-18 School District Property Tax Revenues
($3.4 billion total)

- Mill Levy Overrides, $1.1 billion
- Total Program, $2.3 billion
IMPLICATIONS OF GALLAGHER

Reducing the residential assessment rate (RAR) decreases the amount of property tax revenue collected (relative to the amount with a constant RAR). For education funding, the impact depends on the type of school district property tax.

• For mill levy overrides, reducing the RAR may reduce the total revenues available to school districts, depending on the specifics of the override question. The State does not backfill declines in override revenues.

• For school finance (total program) property taxes, the State backfills declines in property tax revenues. As a result, decreasing local revenues requires additional state funding and/or increases in the budget stabilization factor.
Statutory End Goal: School Finance Formula

Statutory Total Program Goal: $7.5 B in FY 2017-18
Local Share: The Foundation

FY 2017-18 Local Share

Specific Ownership Tax 7%

Property Tax 93%

Statutory Total Program Goal: $7.5 B

Local Share: $2.5 B
HOW WE GET THERE: TOTAL PROGRAM FUNDING

- Local Share: $2.5 B
- Actual State Share: $4.1 B
- BSF: $0.8 B
- Statutory Total Program Goal: $7.5 B
- Actual Funding: $6.6 B
RESIDENTIAL ASSESSMENT RATES AND THE STATE SHARE OF TOTAL PROGRAM

Source: Colorado Division of Property Taxation, Department of Local Affairs; Legislative Council Staff
FY 2017-18 Local Share at Example RAR Levels

- 7.2% RAR (Current Law)
- 7.96% RAR
- 21% RAR

FY 2017-18 Estimated Local Share of Total Program Funding

- Percent of FY 2017-18 Total Program Funding (after BSF)
INTERACTION OF GALLAGHER AND TABOR

Assessed Property Value (Gallagher) × Mill Levy (Tax Rate) (TABOR)
FY 2017-18 Total Program Mill Levies

Source: Legislative Council Staff.
LOCAL SHARE: RURAL RESIDENTIAL DIFFERENCES

Deer Trail
173 pupils/$13,554 per pupil

Primero
187 pupils/$12,278 per pupil
Differences in Property Tax:
$314,200 Home at 7.2% RAR

- Primero (1.68 mills): $38
- Deer trail (27.0 mills): $611

Difference = $573
Differences in Property Tax: Inequity Increases with RAR

Gap=$573

Gap=$633

7.2% RAR

7.96% RAR

Primero (1.68 mills) Deer trail (27.0 mills)
DIFFERENCES IN PROPERTY TAX: INEQUITY INCREASES WITH RAR

Gap=$573
Gap=$633
Gap=$1,671

$38 $42 $111
7.2% RAR 7.96% RAR 21% RAR

Primero (1.68 mills) Deer trail (27.0 mills)
Questions?