

Property Tax, School Finance, and the Gallagher Amendment



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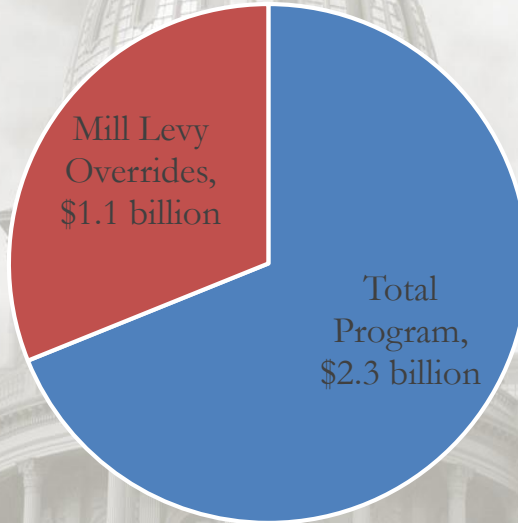
ROADMAP FOR TODAY

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)



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.

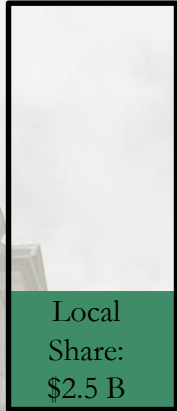
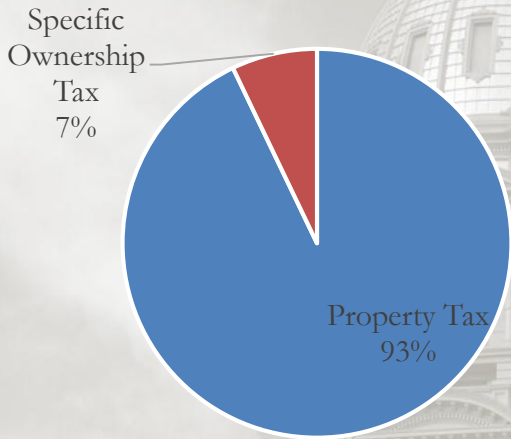


STATUTORY END GOAL: SCHOOL FINANCE FORMULA

Statutory
Total
Program
Goal:
\$7.5 B
in FY
2017-18

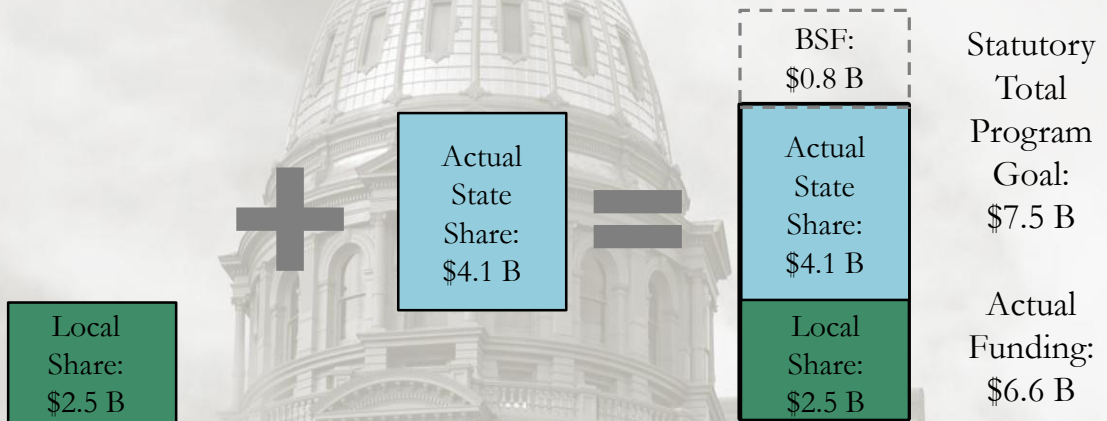
LOCAL SHARE: THE FOUNDATION

FY 2017-18 Local Share

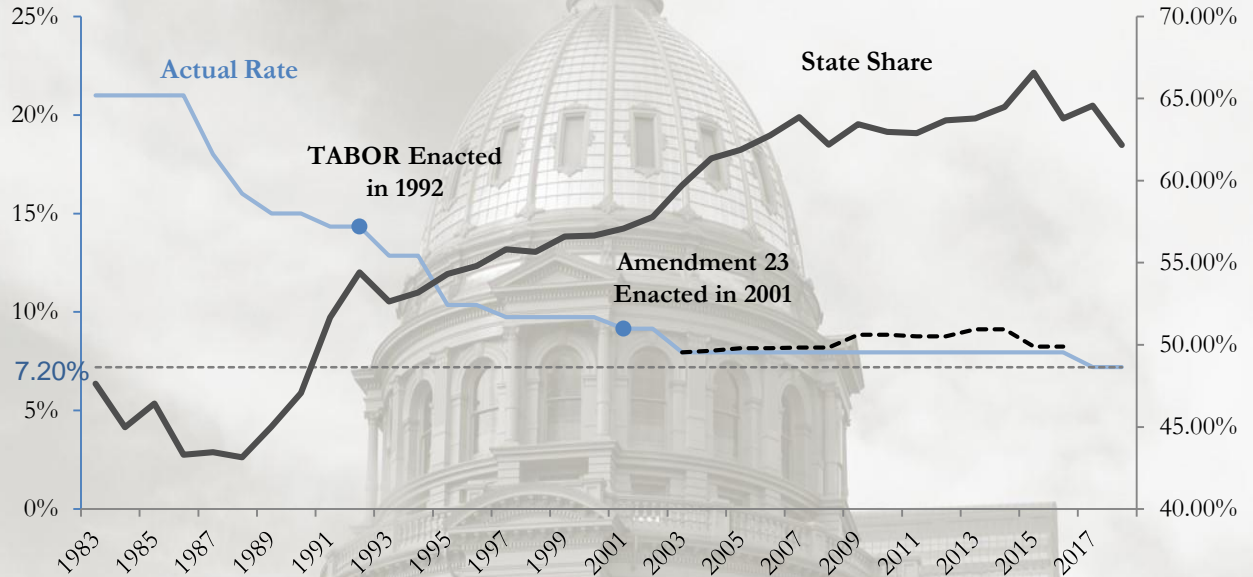


Statutory
Total
Program
Goal:
\$7.5 B

HOW WE GET THERE: TOTAL PROGRAM FUNDING

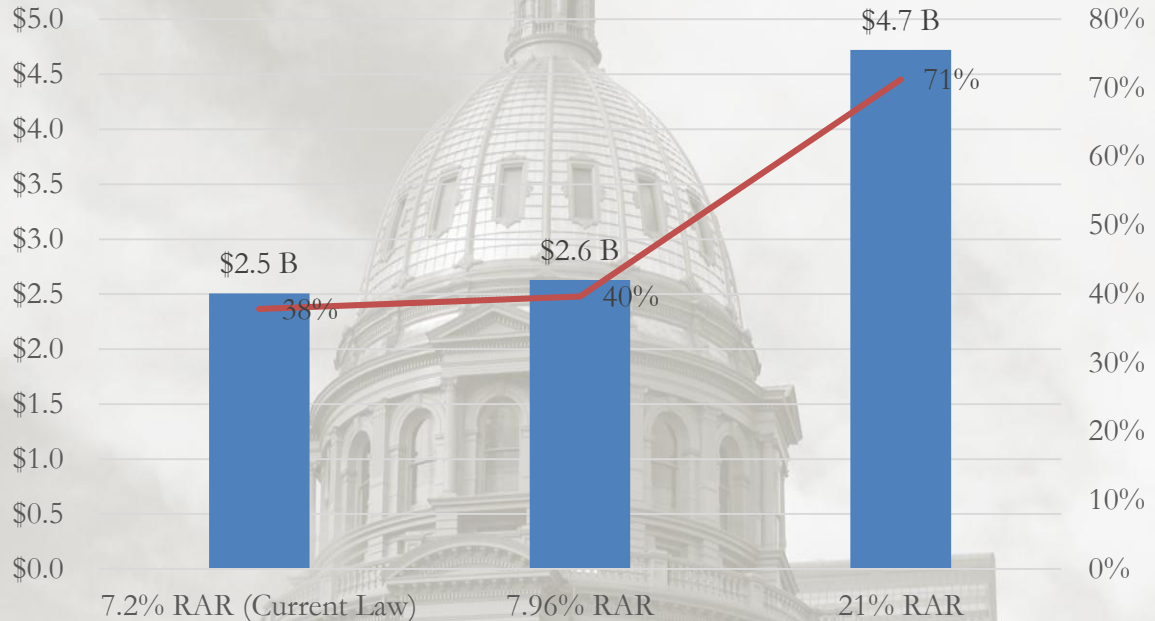


RESIDENTIAL ASSESSMENT RATES AND THE STATE SHARE OF TOTAL PROGRAM



Source: Colorado Division of Property Taxation, Department of Local Affairs; Legislative Council Staff

FY 2017-18 LOCAL SHARE AT EXAMPLE RAR LEVELS



■ FY 2017-18 Estimated Local Share of Total Program Funding
— Percent of FY 2017-18 Total Program Funding (after BSF)

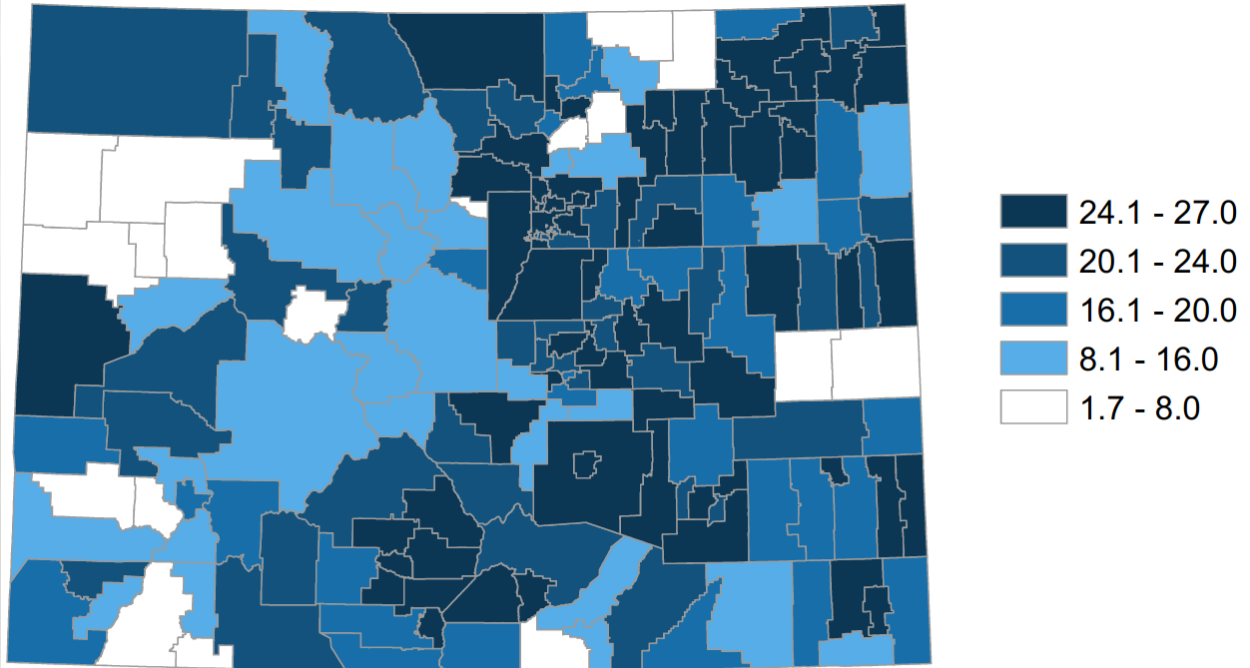
INTERACTION OF GALLAGHER AND TABOR

Assessed Property
Value
(Gallagher)



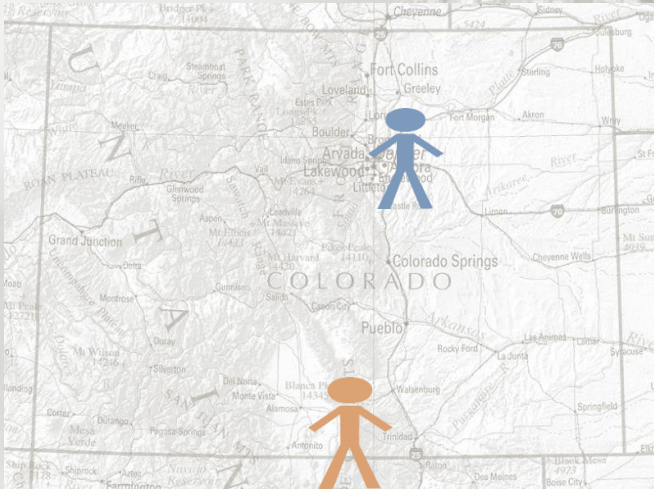
Mill Levy (Tax Rate)
(TABOR)

FY 2017-18 TOTAL PROGRAM MILL LEVIES



Source: Legislative Council Staff.

LOCAL SHARE: RURAL RESIDENTIAL DIFFERENCES



Deer Trail

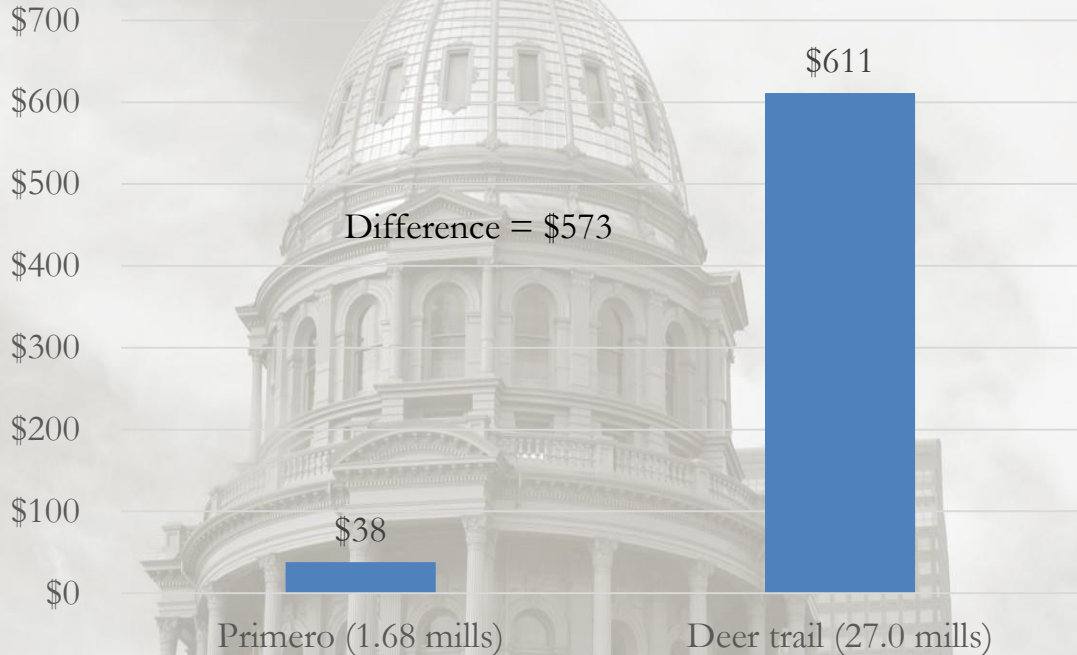
173 pupils/\$13,554 per pupil



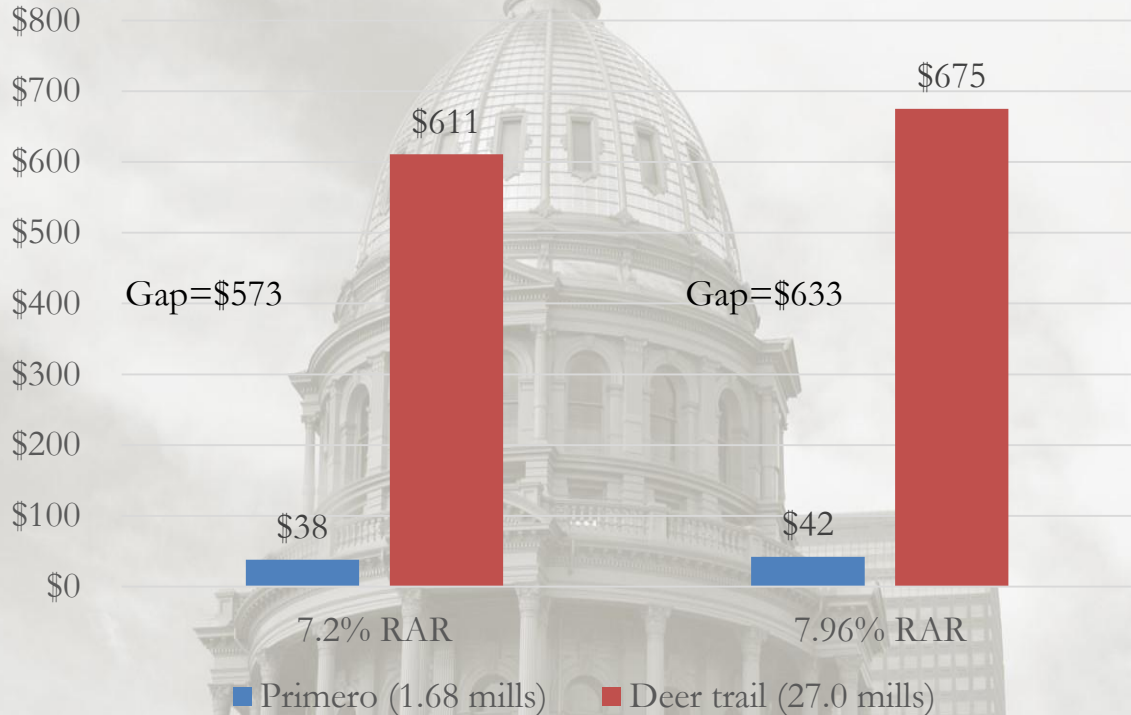
Primero

187 pupils/\$12,278 per pupil

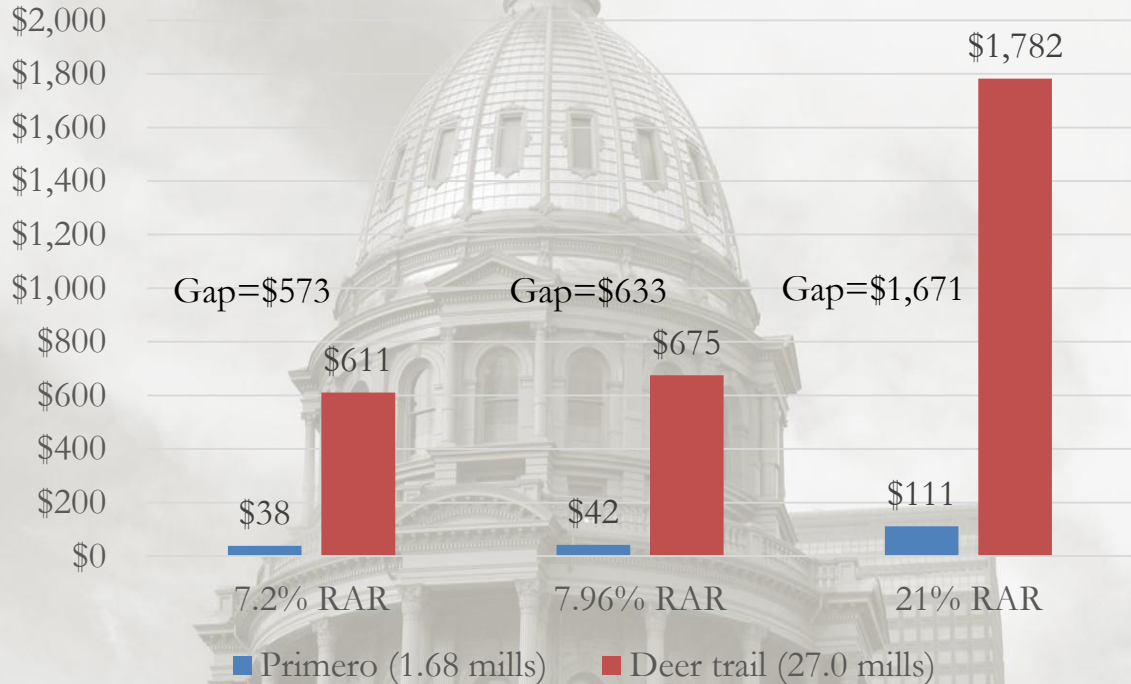
DIFFERENCES IN PROPERTY TAX: \$314,200 HOME AT 7.2% RAR



DIFFERENCES IN PROPERTY TAX: INEQUITY INCREASES WITH RAR



DIFFERENCES IN PROPERTY TAX: INEQUITY INCREASES WITH RAR





Questions?