Constitutional Environment for School Finance

Julie Pelegrin
Office of Legislative Legal Services
March 2, 2016

Property Tax

• Actual value:
  ▫ Residential property – market value
  ▫ All other taxable real property – market value and other methods

• Assessment rate:
  ▫ Percentage of actual value

• Assessed value:
  ▫ market value X assessment rate

• Property tax amount:
  ▫ \([\text{Assessed value} \times \text{number of mills}] \div 1,000\)
Gallagher Amendment

- Controls the assessment rates
  - 1982

- All taxable non-residential real property
  - 1985 on: 29% of actual value

- Residential real property: reset every 2 years
  - 1985: 21% of market value

Statewide Ratio of Assessed Value (AV) of Taxable Real Property

- Residential Real Property AV - 46%
- All Other Taxable Real Property AV - 54%
Gallagher Amendment

• Assessment rate for residential real property
  ▫ 1985: 21%
  ▫ 2016: 7.96%

Gallagher Amendment

• Effect:
  ▫ Generally lower residential property assessed value
  ▫ Generally lower local property tax revenues
  ▫ Pressure on state resources to pay state share of total program funding
TABOR Amendment

- 1992

- Requires voter approval for:
  - Increases in assessment rate
  - Increases in mill levy

- Imposes revenue limits
  - Inflation plus enrollment growth

TABOR Amendment

- Effect
  - In years when residential assessment rate would increase, it doesn’t
  - In years when assessed value increases, the total program mill levy must decrease to stay within revenue limits
    - Mill levy freeze in 2007 – stopped decreases in mill levies except for 4 districts that are still subject to TABOR revenue limits
  - School district cannot increase its mill levy to offset decreases in assessed value
TABOR Amendment

- **Overall Effect:**
  - Pressure on state resources to pay state share of total program funding
  - State share – Local share ratio:
    - 1990: 47%-53%
    - 1992: 51%-49%
    - 1994: 54%-46%
    - 2016: 64%-36%

Amendment 23

- **2000**

- **2001-2010:** statewide base per pupil funding annual increase by at least inflation plus 1%

- **Since 2011:** statewide base per pupil funding annual increase by at least inflation
Amendment 23

- Effect:
  - Pressure on state resources to increase the level of total program funding

Great Recession of 2008

- Decrease in state revenues
- Decrease in residential market value so decrease in assessed value
- No decrease in costs – statewide base per pupil funding required to increase by at least inflation plus 1%
Negative Factor

- 2010

- Insufficient state revenue to pay state share of total program and all other state budget needs

- Reduce state share of total program proportionately across school districts
  - Doesn’t affect districts that receive sufficient local revenues to fully fund total program