

**CASE
CONFERENCE
July 26, 2019
Equity**

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Colorado School Finance Project (CSFP)

*Who are we?
What do we do?*

- Non-profit, non-partisan
- Supported by school district contributions
- School finance analysis for local and state policy makers since 1995

Mission: To compile, collect and distribute research-based, non-partisan information and data on topics related to school finance for state and local policymakers.

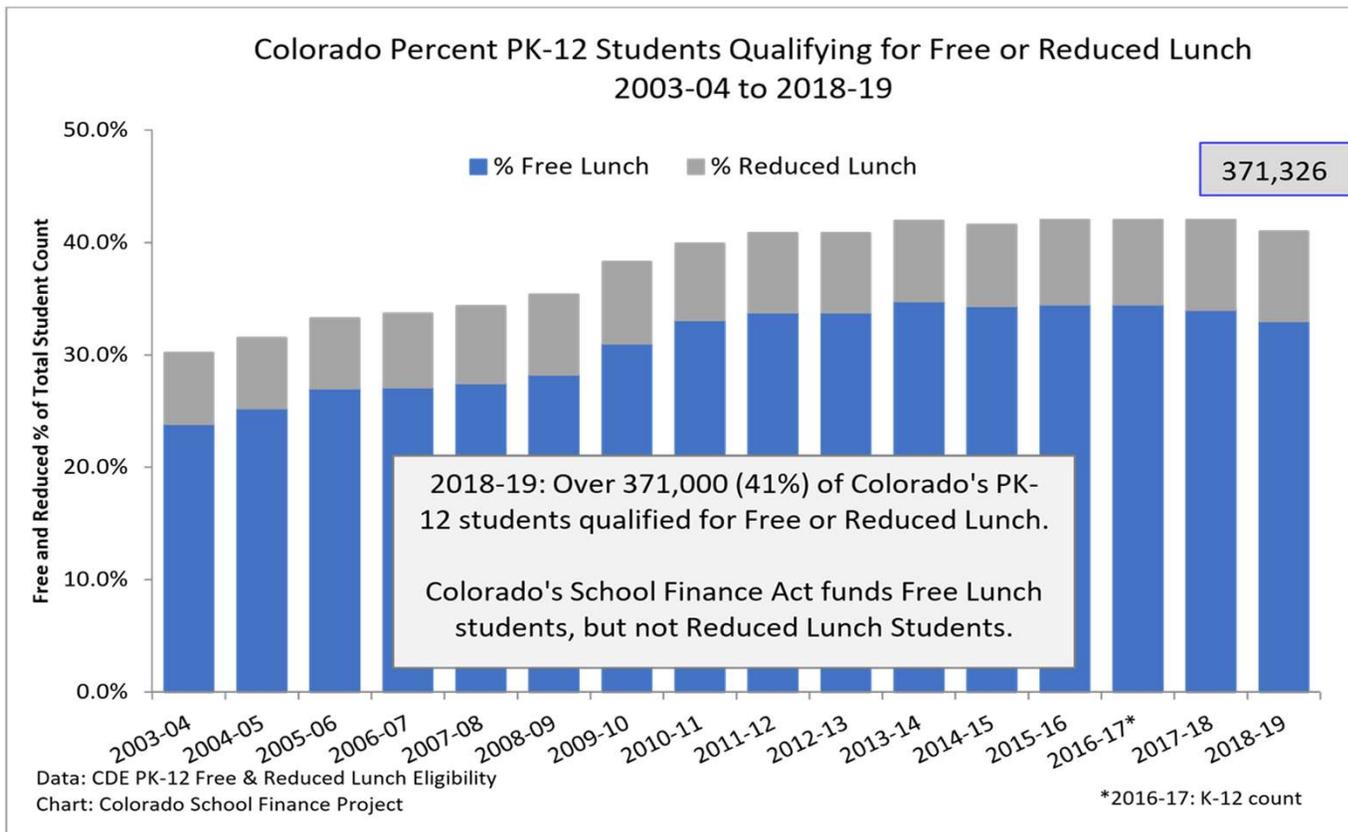
What does equity mean to you and your district?

- How does equity influence your budget?
- How does equity influence your staffing?
- How does equity influence discussions regarding capital and overrides?
- How has equity changed?

**Demographic
changes:
At-risk, ELL,
Special
education,
Gifted**

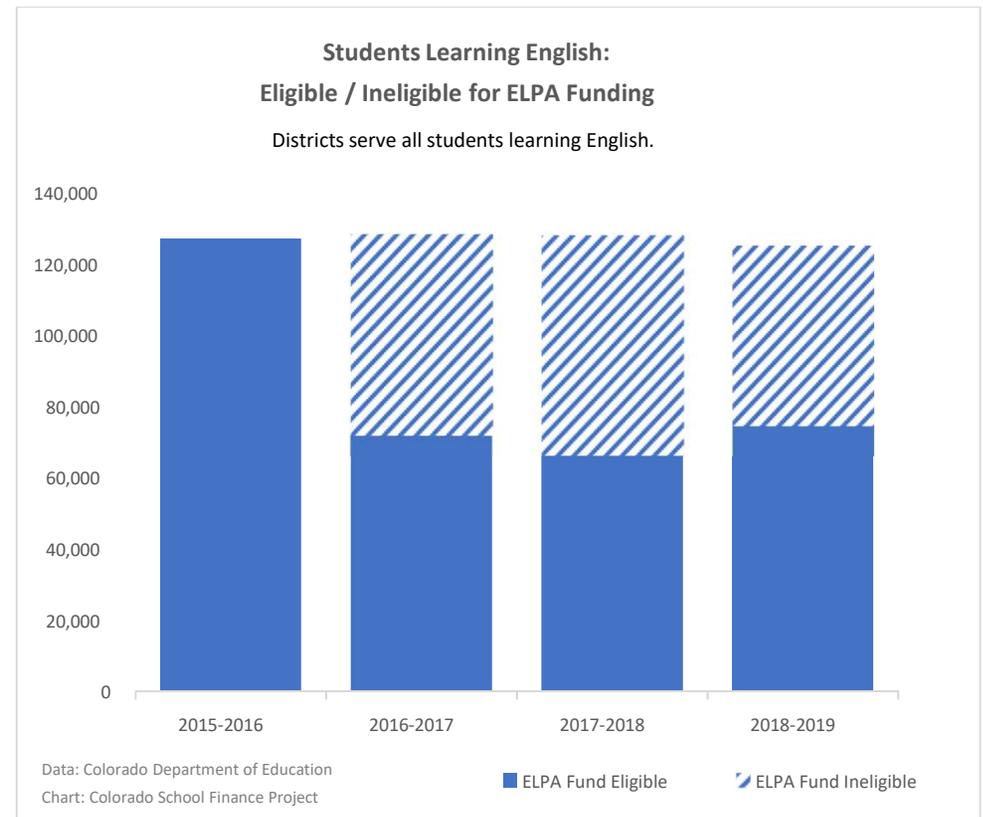
- Over 44% of students qualify for Free or Reduced Price Lunch
- ELL students remain steady- 15% of all students
- Students in Special Education are 11% of the population
- Gifted and Talented students declined from 8% to 7.7%

At-risk Students



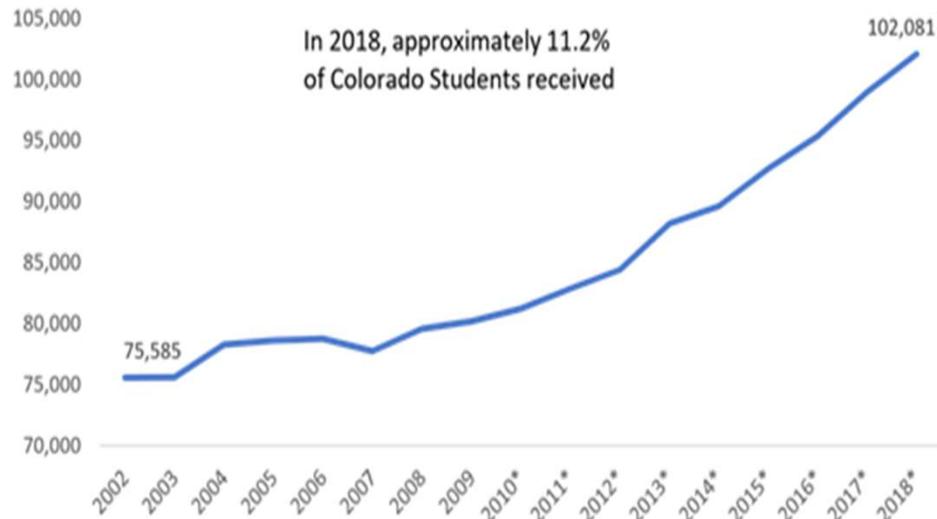
English Language Learners & ELPA

- Over 125,000 students are ELL
- English Language Proficiency Act provide maximum of FIVE years of funding
- Pre-K not eligible for \$
- 235 languages spoken across state



Special Education

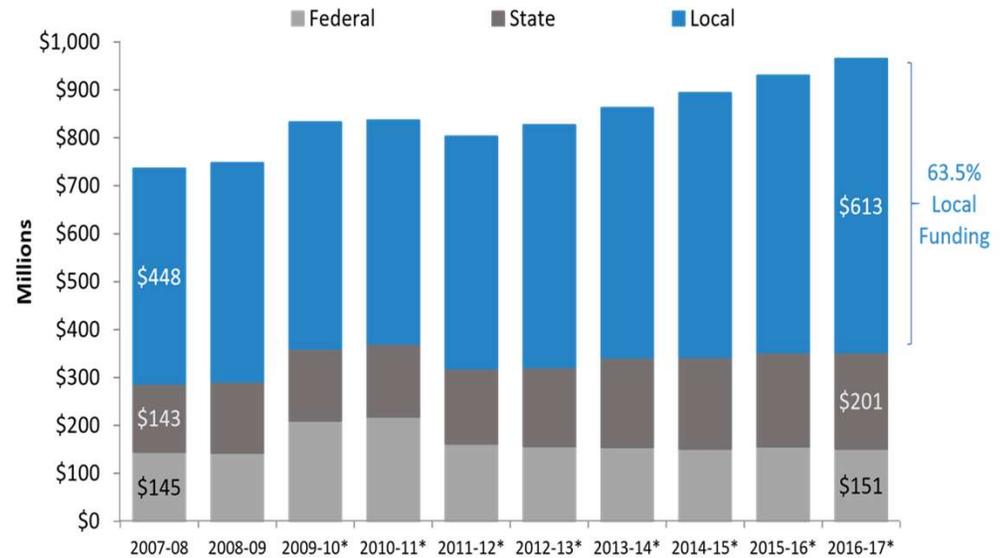
Colorado Students Receiving Special Education Services
PK-12, 2002 - 2018



Data: Colorado Department of Education
Chart: Colorado School Finance Project

*Budget Stabilization Factor (mechanism to reduce funding) incorporated in School Finance Act

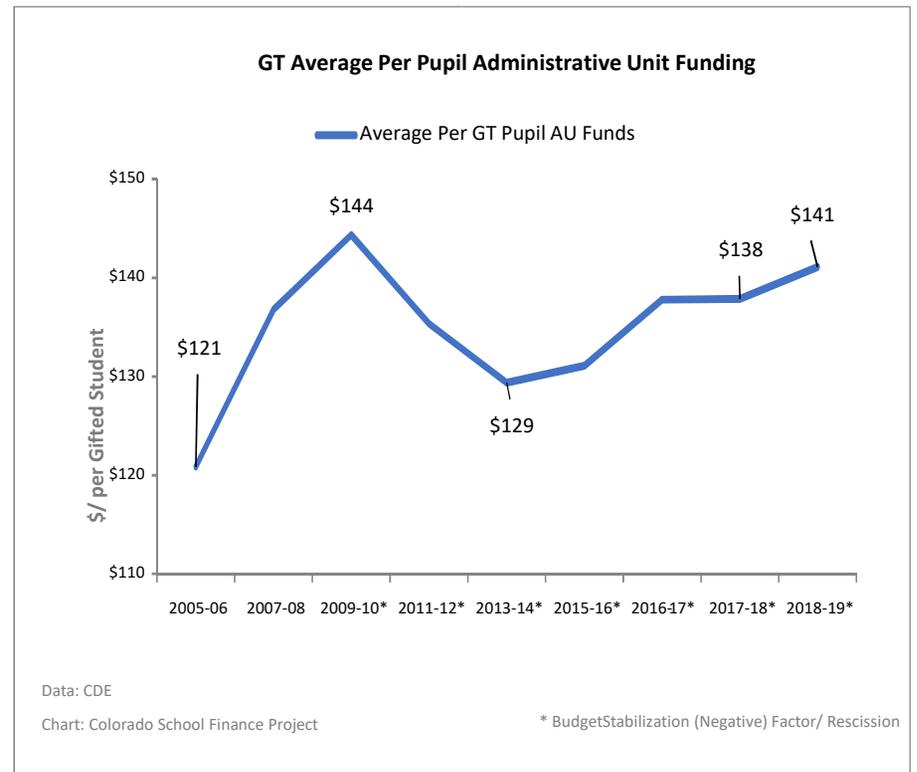
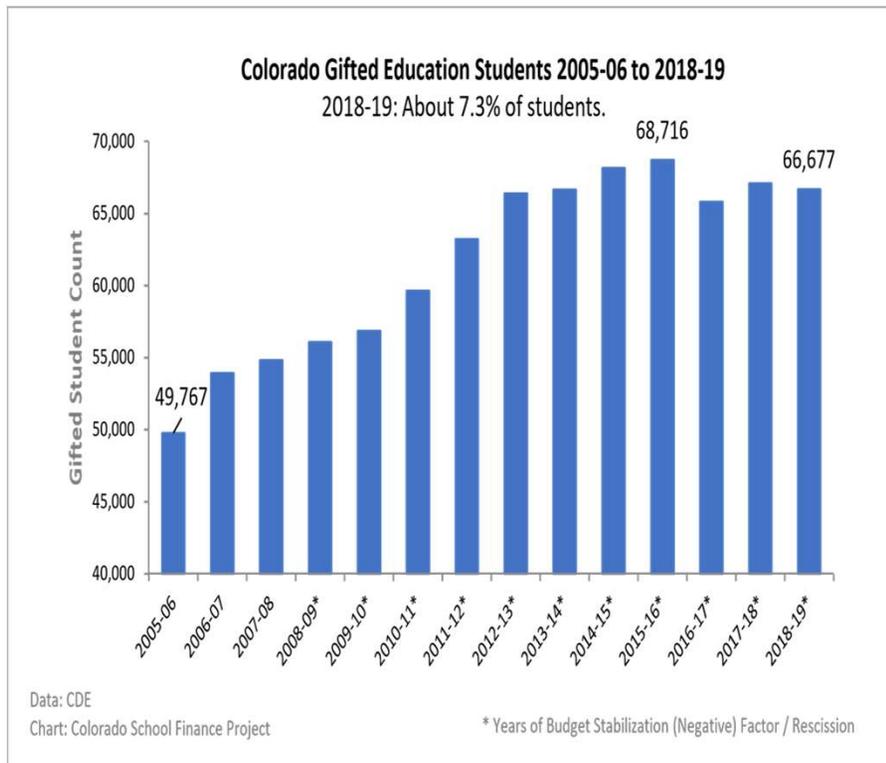
Special Education Funding: Local, State, Federal
Total District Expenditure - 2007-08 to 2016-17



Source: JBC Education Briefing, December

*Negative Factor

Gifted Education



**How does our
current school
finance act
reflect your
changing
demographics?**

- Does it reflect at-risk (poverty)?
- Does the categorical funding reflect costs associated with delivery of program?
- What are the biggest challenges?
- What are suggested solutions?

**Many States
Adjust for
District
Changes in
Student
Demographics
inside the
funding
Formula:**

- At-Risk – many states use higher weights than Colorado and include both Free and Reduced Price Lunch Students (though direct certification being considered)
- Special Education – several states consider varying levels need when distributing funding
- English Language Learners – least frequent student adjustment but a growing area and some states have robust funding

**Equity
associated with
equity of
opportunity**

- What creates these gaps?
- Is it size?
- Location?
- Tax burden?
- Demographic?
- Technology?
- Teacher recruitment, retention, and salary?

States Address Equity of Opportunity in a Number of Ways:

- Size – many states recognize the economies of scale issue associated with smaller district size
- Location – states adjust for geographic cost of living differences and necessary small settings
- Tax Burden – states use equalized formulas with consistent tax rates, second tier equalization, power equalization, and the inclusion of income in wealth calculations to adjust for tax burden issues

Taxpayer Equity

- Goal of the 1994 School Finance Act
- 50/50 split between state and local funding
- Every district at 40 mills
- Differentiate for district and some student characteristics
- Every student should have access to school

Where are we today with meeting those goals?

- The state is contributing 60% to 40% local
- Mills range from less than 2 to 27
- Formula doesn't account for all student need characteristics
- All students to meet academic standards

**Results reflect
the past 25
years**

- Gallagher 1982
- TABOR 1992
- School Finance Act 1994
- Mill Levy Stabilization 2008
- Residential Assessment Rate drop from 24 to 7.15

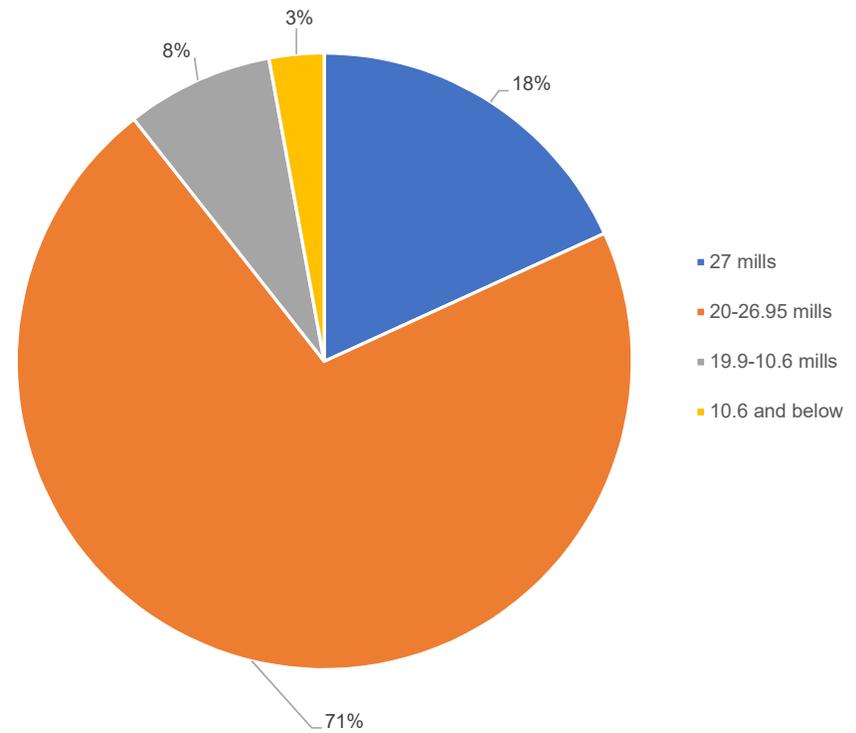
Mill Levy facts

- In 2018-19, statewide average Total Program Mills (without CSI students) is **19.7**
- Average amount raised per student for 1 Mill- **\$262**
 - *Range* is \$19 to \$3,986
 - *Median* \$146

Total Program Mills FY 2018-19

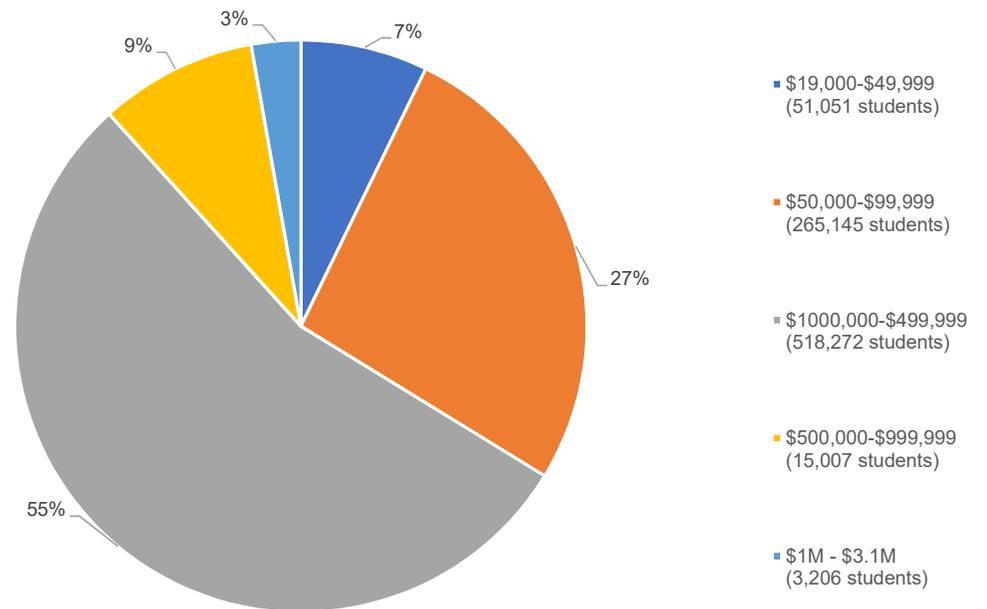
Percent of student enrollment by Total Program Mill

**without CSI students



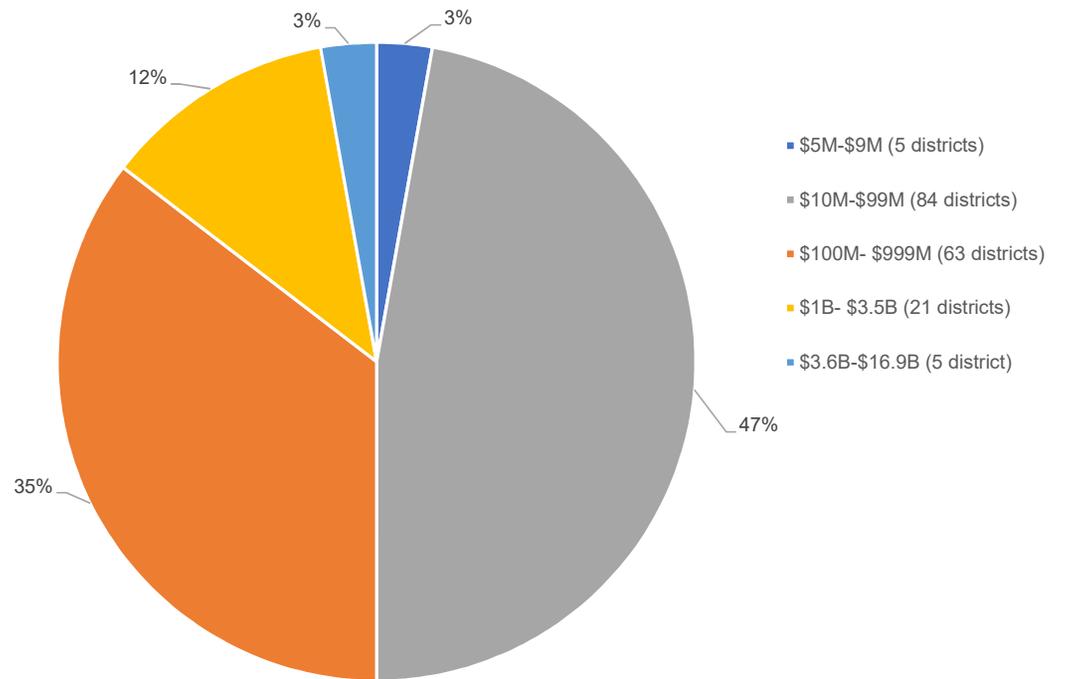
Assessed Value Per Pupil FY 2018-19

Assessed Value Per Pupil- FY 2018-19
*without CSI students



Total Assessed Value FY 2018-19

Total Assessed Valuation by School District- FY 2018-19



Foundation of funding and a source of inequity

- The local share is the foundation school finance funding, with the state filling the gap between local revenues and total program.
- Property tax makes up 93 percent of the local share.
- Disparate property tax rates increase pressure on state resources and add to inequity in the system.

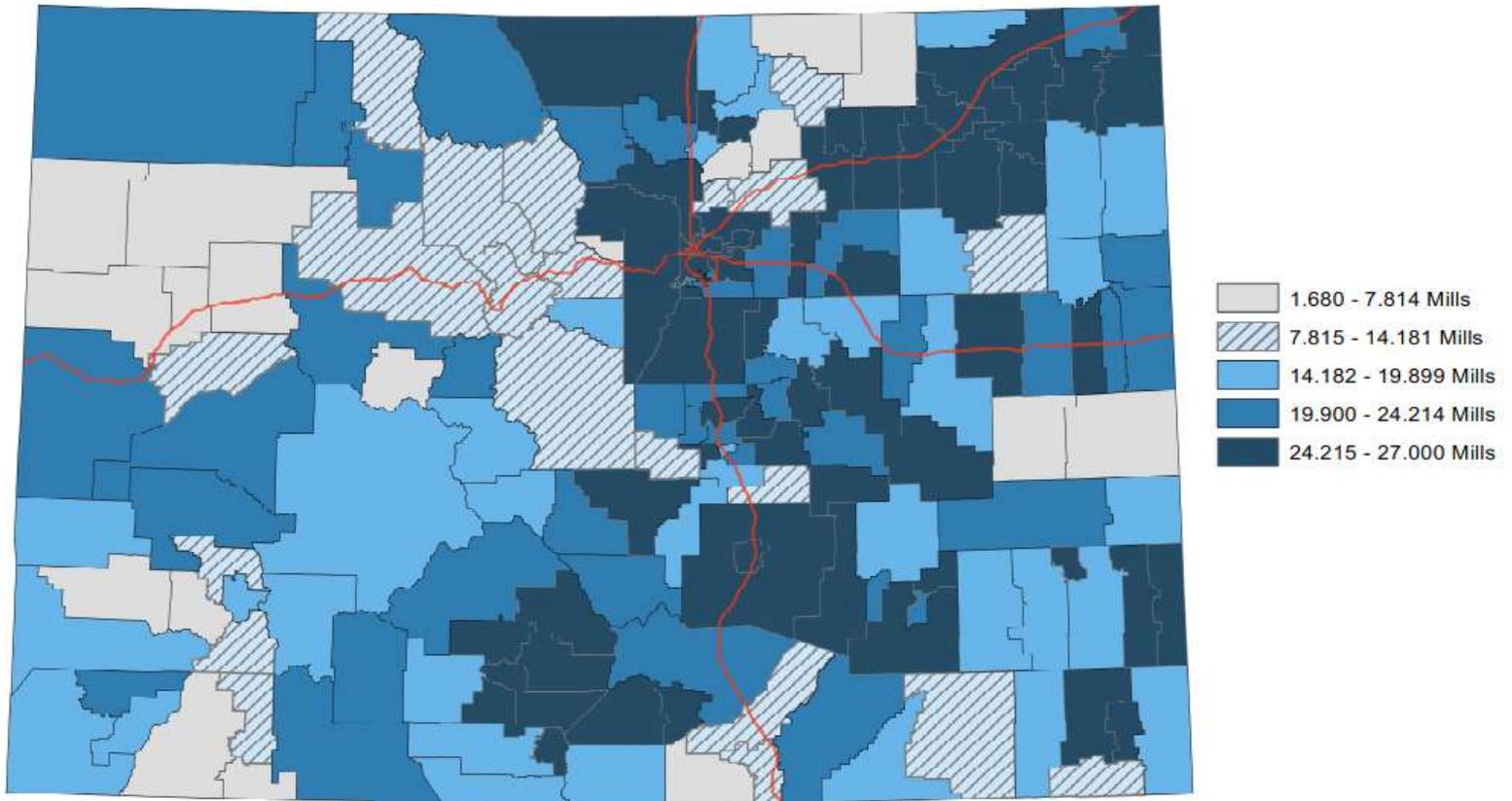
Local Share: A Tax Policy Problem

- A preferred school finance system would equalize local capacity based on consistent local effort (tax rate).
- Disparate property tax rates distort the entire system, contributing to inequity for taxpayers, students, and school districts.
- **Proposed Solution:** Returning to a “uniform” mill levy would equalize local effort and improve the equity of the system.

Local Share: Inconsistent Local Effort

- Following its passage in 1992, the Taxpayer Bill of Rights (TABOR) reduced many school districts' individual total program mill levies to stay within each district's revenue limits.
- Rapid growth in assessed value for individual districts created a patchwork of mill levies, which currently range from 1.6 mills to a statutory ceiling of 27.0 mills.
- Mill levies remain low even if property values fall, further increasing pressure on the state budget to offset losses in local revenue.

FY 2018-19 Total Program Mill Levies

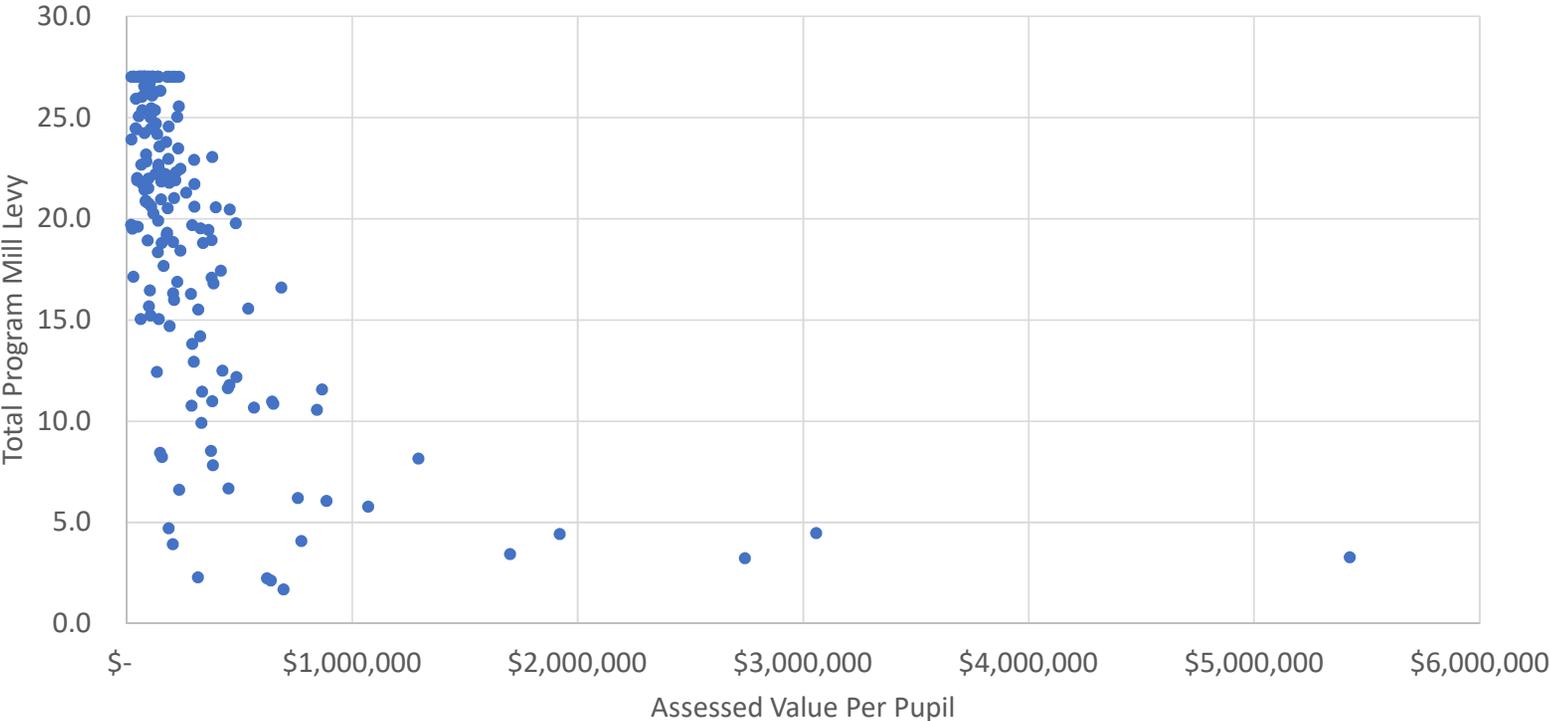


Map prepared by Legislative Council Staff.

7/26/2019

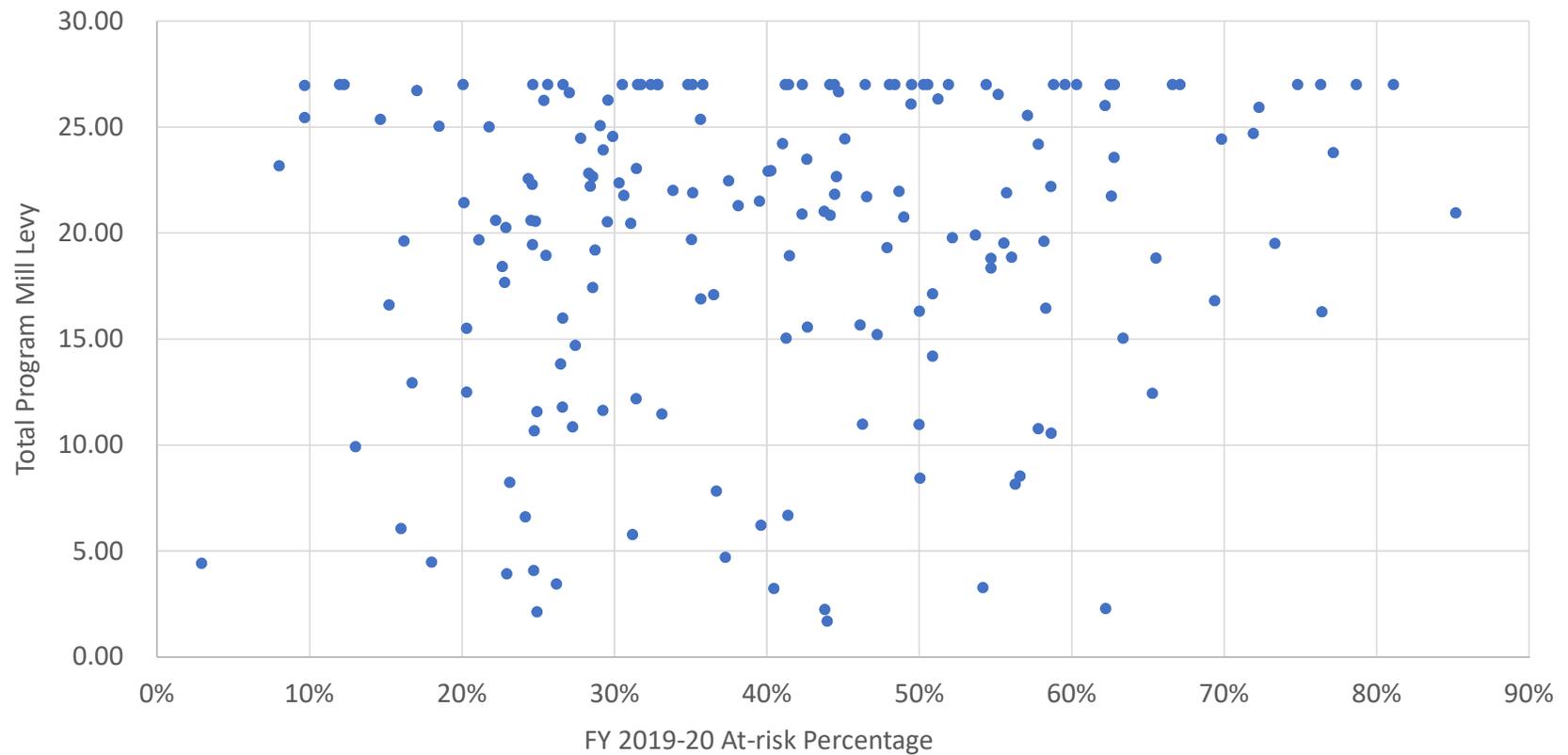
Regressive Property Tax Rates: Mill Levies are Generally Higher for Districts with Lower Property Values Per Pupil

FY 2019-20 Total Program Mill Levy vs. Assessed Value Per Pupil



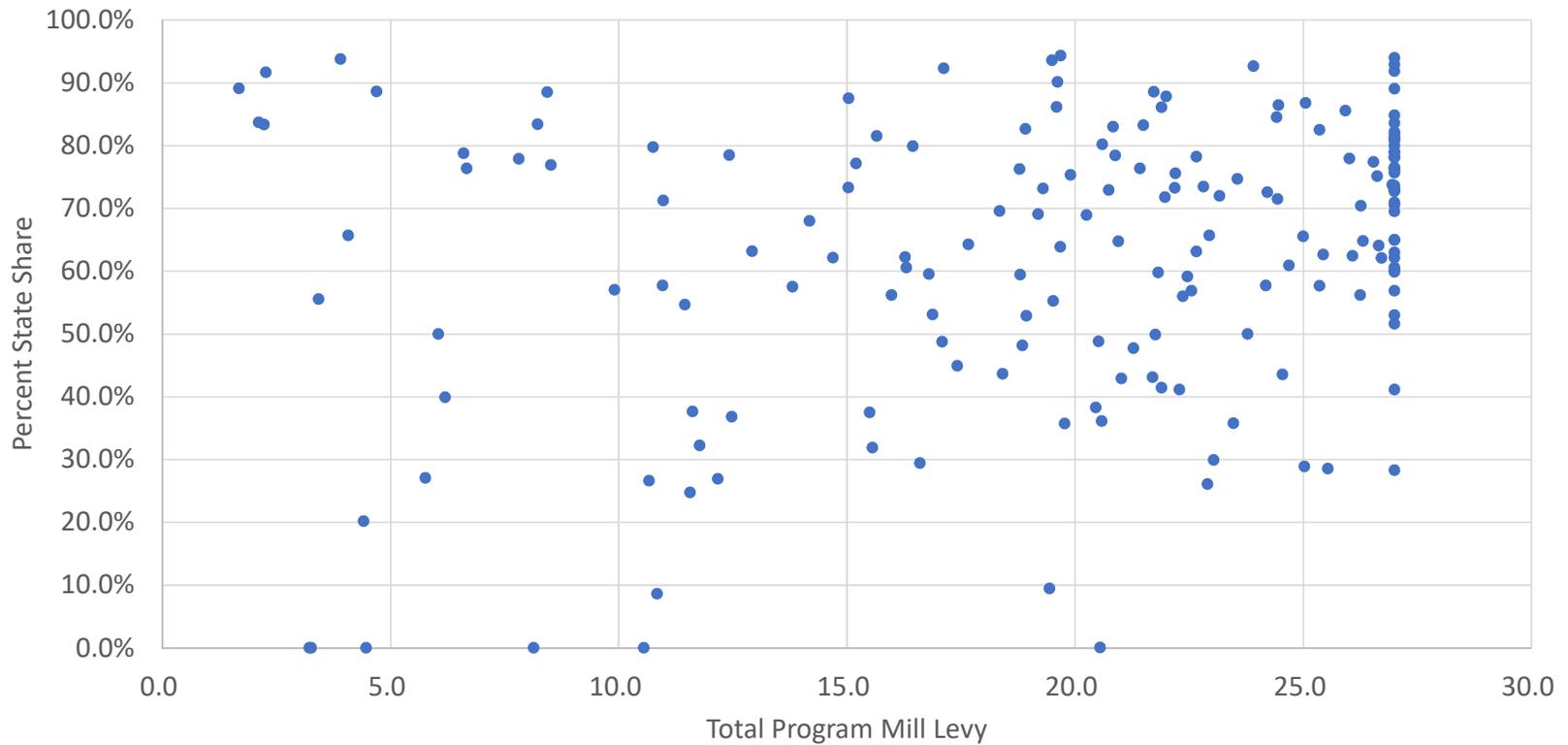
Mill Levies Vary Significantly Between Districts with Similar At-risk Populations

FY 2019-20 Total Program Mill Levy vs. At-risk Percentage



Double Duty: State Share Equalizes Capacity *and* Subsidizes Reduced Mill Levies

FY 2019-20 Percent State Share vs. Total Program Mill Levy



Taxpayer Inequity

- Because of the disparities in mill levies, identical taxpayers pay very different amounts toward school finance.
- For FY 2019-20, total program property tax payments on a \$350,000 home will vary from \$42 to \$676 based entirely on differences in mill levies. Payments on that amount of nonresidential property will range from \$171 to \$2,741.
- Because the state share covers shortfalls in total program funding, state funding that could equalize local capacity is instead subsidizing disparate tax rates.

District and Student Inequity in Total Program

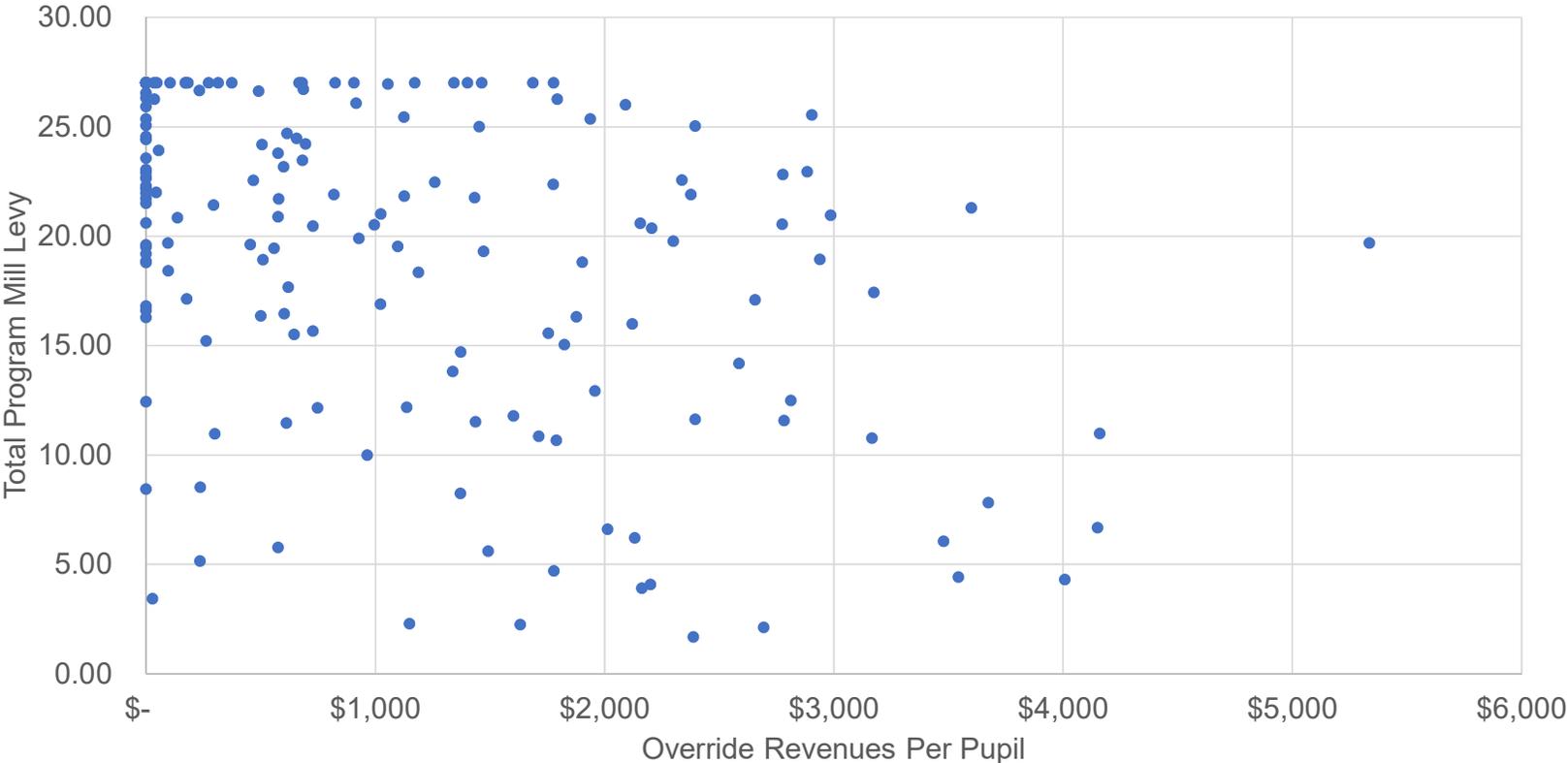
- Subsidizing reduced mill levies increases pressure on the state budget, requiring a higher budget stabilization factor.
- Holding the state share constant, increasing local revenue would increase total program funding and reduce the budget stabilization factor (or allow for changes to the formula).
- For example, a “uniform” mill of 27.0 mills (except for districts fully funded at a lower level) would generate an estimated \$437 million in additional local revenues in FY 2019-20 (representing 76.4 percent of the current value of the budget stabilization factor).

District and Student Inequity in Overrides

- Inequitable total program mill levies also interact with mill levy overrides because voters in districts with low total program mill levies may be more likely to approve significant mill levy overrides (while still keeping property taxes relatively low).
- An inequitable base (the total program mill levy) means districts are asking voters quite different questions with override proposals.
- Overriding on top of low mill levies that are subsidized by the state adds to inequity in the system for students and school districts.

District and Student Inequity: Total Program Mill Levies Also Interact with Overrides

FY 2018-19 Total Program Mill Levy vs. Override Revenues Per Pupil



JBC “Uniform” Mill Levy Proposal

The JBC is considering two proposals to improve equity in school finance – and is seeking your input to inform potential legislation for the 2020 Legislative Session. The first would:

- Return the State to a “uniform” mill levy with each district’s mill levy set at the lesser of the statewide level or the level necessary fully fund total program.
- Authorize districts to raise the total program mill levy with voter approval.
- Assume that each district is on the necessary path to reach the target mill levy and adjust state funding accordingly.
- Authorize mill levies in fully funded districts to “float” below the statewide level to maintain full funding.

“Uniform” Mill Levy Proposal: Big Questions

- Beyond solving the tax policy problem (inequitable rates), what should be the goal? Revenue neutral? Raising revenues? Rebalancing state/local shares?
- Based on the first question, what is the appropriate mill levy? Much discussion has centered on 27.0 mills – anything above about 22.8 mills increases local revenue.
- How should the bill phase in mill levy increases? For example, should assumed increases be limited to a certain number of mills per year (such as 1 or 2 mills per year)?
- Should the bill include a backstop/safety net for districts that do not successfully increase mill levies (such as ensuring a minimum per pupil funding)? If so, at what level?
- Should the bill seek to guarantee specific uses of state revenues made available through increases in the local share? (Such as stay in school finance, stay in K-12, etc.)

JBC Override Equalization Proposal

The second proposal under consideration would:

- Use state funds to match local overrides to increase the utility of overrides in low property value districts.
- For example, the State would match overrides to ensure that districts receive a specific amount per pupil for each override mill.

Override Equalization Proposal: Big Questions

- Would school districts support the use of state funds to equalize the return on override mills?
- At what level? What is the appropriate target?
- Where should the money come from? Prioritizing override equalization vs. budget stabilization factor reduction?

**Questions
Now?
Questions Later
– contact us**

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