



# School Finance Update

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Colorado School Finance Project





# Recent and Potential Changes in School Finance

- Formula Changes
  - SB21-268
- Total Program Mill Levy Credits
  - HB20-1418
  - HB21-1164
- Recent & Potential Property Tax Changes
  - SB21-293
  - Proposition 120



# Total Program Funding Formula Changes

## Senate Bill 21-268

- Changed definition of at-risk students
  - Included reduced price lunch students (~**58,000 FTE**)
  - Eliminated a portion of ELL students (~**2,800 FTE**)
- Changed Funding for ELL students
  - Established new ELL funding factor (**0.08 x prelim TP**)
  - Eliminated ELL funding from Prof. Development Standards Support Program
  - Left ELL categorical program unchanged
- Net Increase in ELL funding of \$21 Million



# Total Program Mill Levy Reset & Credits

House Bill 20-1418 / House Bill 21-1164

HB20-1418 reset district total program mill levies in 2020 to:

- If **not** subject to TABOR limit (176 districts), lesser of:
  - mill when district voted to waive TABOR limit
  - fully funded mill
  - 27 mills
- If subject to TABOR limit (2 districts), lesser of:
  - prior year mill
  - fully funded mill
  - TABOR mill
  - 27 mills



# Total Program Mill Levy Reset

House Bill 20-1418 / House Bill 21-1164

Beginning in 2021, district mill levy uses same formula as under current law:

- If **not** subject to TABOR limit (176 districts), lesser of:
  - prior year mill
  - fully funded mill
  - 27 mills
  
- If subject to TABOR limit (2 districts), lesser of:
  - prior year
  - fully funded mill
  - TABOR mill
  - 27 mills

# Total Program Mill Levy Credits

House Bill 20-1418 / House Bill 21-1164

- In 2020, required mill levy tax credits equal to the increase in mills as a result of the reset
- Beginning in 2021, mill levy tax credits decrease by 1 mill per year until taxpayers pay the number of reset mills

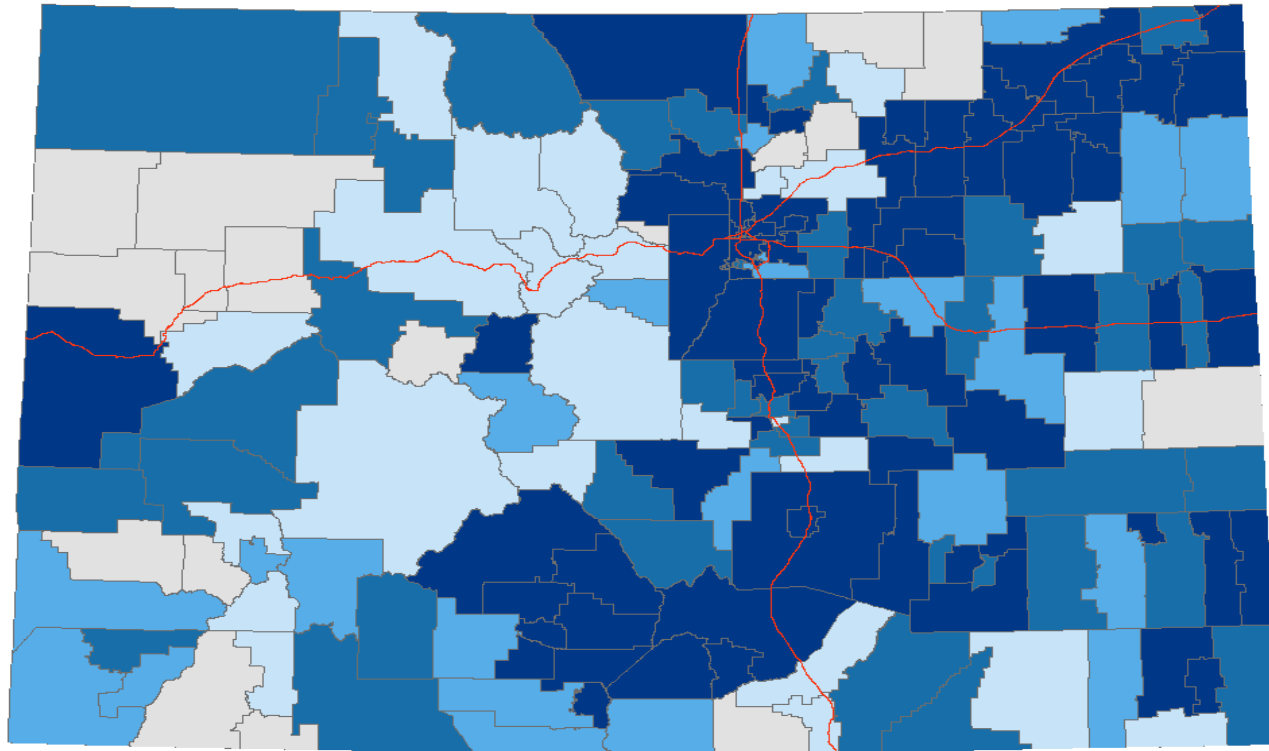


# Total Program Mill Levy Credits

## Estimated Increase in Local Share

- FY 2021-22 (1<sup>st</sup> Year)
  - \$91.7 million
- FY 2022-23 (2<sup>nd</sup> Year)
  - \$145.5 million (estimate does not include changes in AV)
- Full implementation in FY 2039-40

# GEOGRAPHIC DISTRIBUTION OF TOTAL PROGRAM MILL LEVIES, FY 2021-22



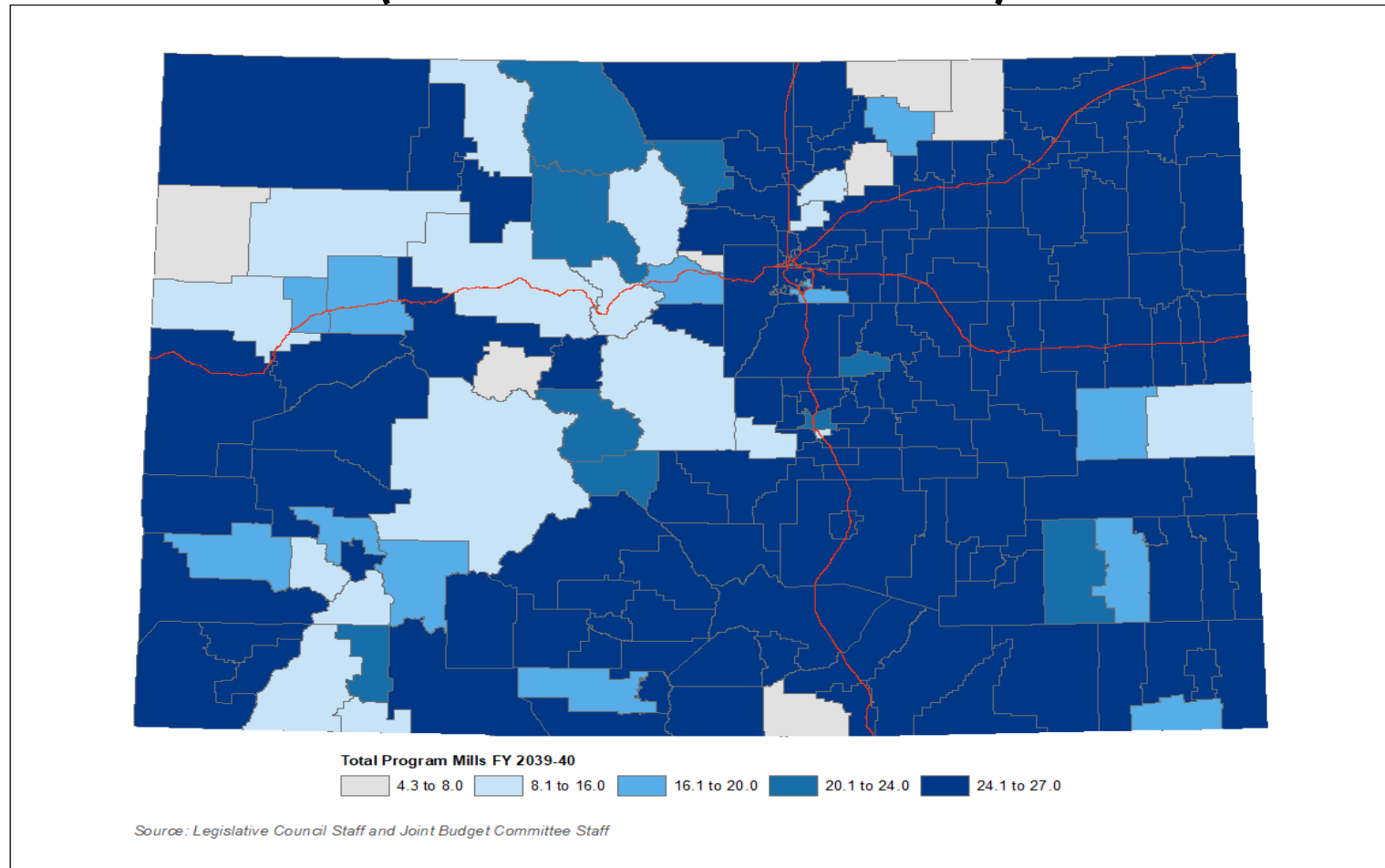
Total Program Mills FY 2021-22



Source: Legislative Council Staff and Joint Budget Committee Staff



# GEOGRAPHIC DISTRIBUTION OF TOTAL PROGRAM MILL LEVIES, FY 2039-40 (FULL IMPLEMENTATION)



# Local Government Property Taxes: What's Changed? What Happens Next?



# HISTORICAL CONTEXT

- In 2020, voters repealed Gallagher Amendment
- Gallagher (1983) required 45/55 split in aggregate residential/nonresidential assessed values
- Split maintained by fixing NRAR and allowing RAR to float up or down
- TABOR (1992) meant RAR could only decline
- From 1983 to 2019, RAR fell from 21 percent to 7.15 percent
- In 2020 session, GA statutorily fixed assessment rates at 29 percent and 7.15 percent

# Senate Bill 21-293 created new subclasses of property and temporarily reduces assessment rates for certain subclasses

Property (Sub)Class	2021	2022 & 2023	2024+
Multifamily	7.15%	6.8%	7.15%
All other residential		6.95%	
Agricultural	29%	26.4%	29%
Land used to produce renewable energy			
All other nonresidential	29%	29%	29%

Local Gov. Rev. Impact: **-\$193.1 million (2022) & -\$209.5 (2023)**

Local Share Impact: **-\$50.9 million (2022) & -\$55.3 (2023)**

For more information, see the bill and fiscal note: <https://leg.colorado.gov/bills/sb21-293>

# On the ballot this November?

- **Proposition 120: Assessment rate reduction**

- Assessment rate reductions permanent not temporary
- Only reduces assessment rates for multi-family homes and lodging as a result of SB 21-293

Property (Sub)Class	Assessment Rate Starting in 2022
Multifamily	6.5% (instead of temporary 6.8%)
Lodging	26.4% (instead of 29%)

**Local Gov. Rev. Impact:  $-\$45.9$  (2022) &  $-\$50.3$  (2023)**

**Local Share Impact:  $-\$12.8$  (2022) &  $-\$14.1$  (2023)**

For more information, please see the Blue Book:

<https://leg.colorado.gov/content/initiatives/initiatives-blue-book-overview/ballot-information-booklet-blue-book>

# Questions?

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