

Taxpayer Equity and the Uniform Total Program Mill Levy Proposal



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STATEWIDE MILL LEVY PROPOSAL

Correct inequities in the school finance property tax system by referring a statewide measure to the voters that would:

- Return the State to a uniform (statewide) *total program* mill levy with each school district's total program mill levy set at the lesser of the statewide mill levy *or* the mill levy necessary to fully fund the district's total program with local revenues.
- Allow mill levies in districts that are fully locally funded (at less than the statewide mill levy) to "float" on an annual basis below the uniform mill levy in order to continue to fully fund the district without requiring state funds.

Effect: Uniform mill levy for districts that receive a state share for total program.

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TAXPAYER EQUITY

Basic Assumption: An equitable system would treat identical taxpayers (in this case measured by property value) similarly...or identically.

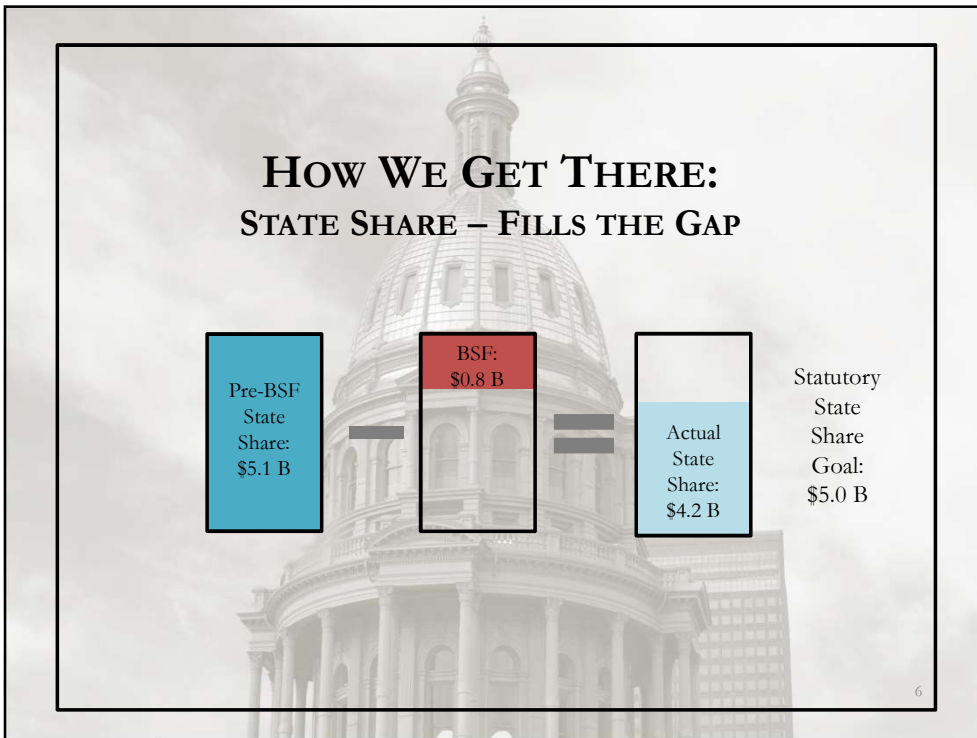
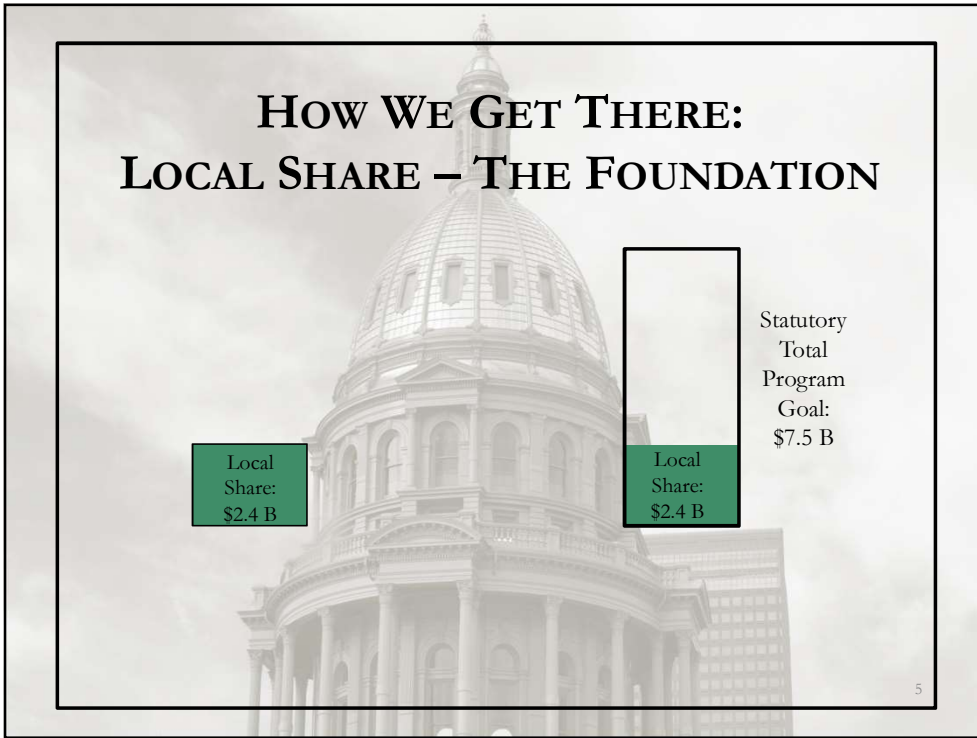
- Because school finance is a state system and the State makes up the difference between the local revenues available and total program funding, this proposal assumes that identical taxpayers *in districts receiving state funds* should be paying identical amounts in *total program* property tax (not including overrides).
- If property tax remains the foundation of the school finance system, the State should equalize local capacity based on an equitable system of taxation rather than subsidize inequitable tax rates.

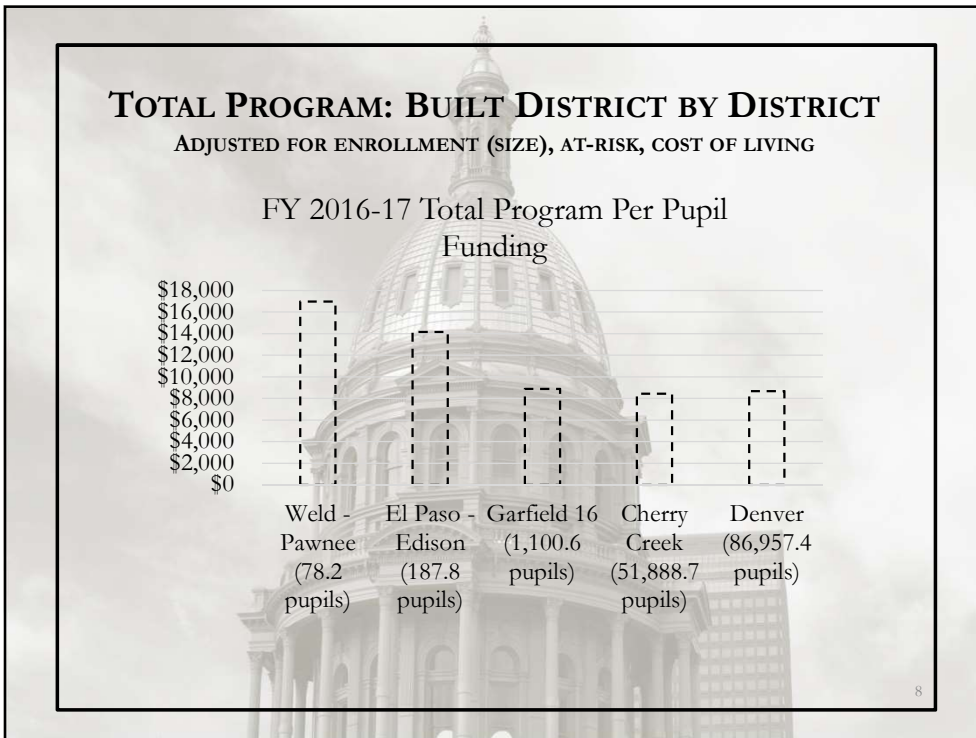
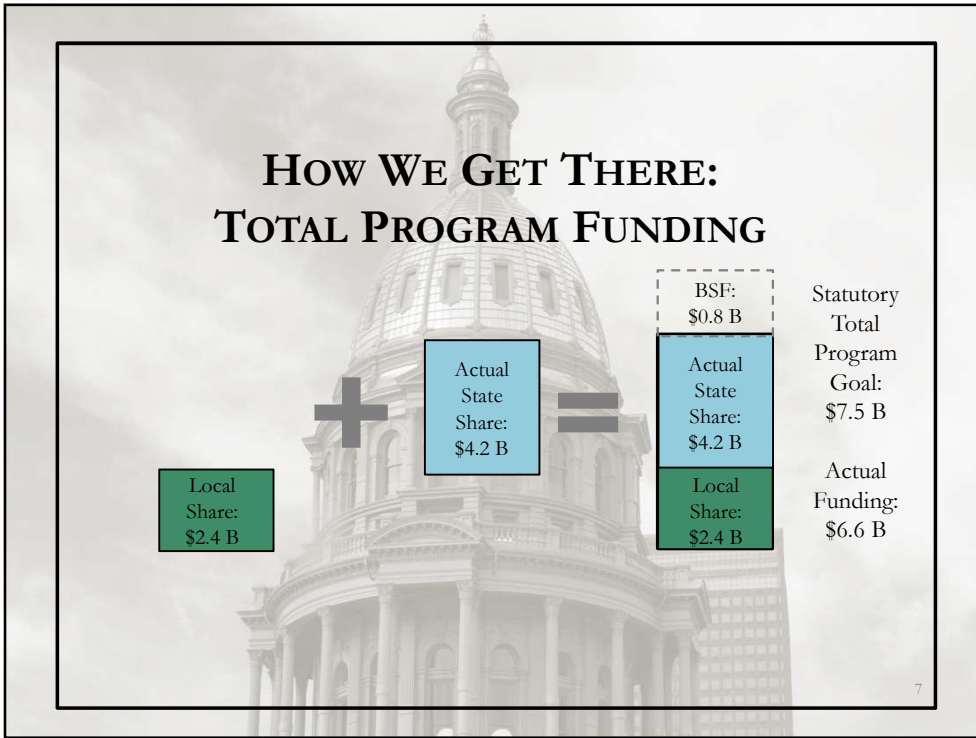
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STATUTORY END GOAL: SCHOOL FINANCE FORMULA

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

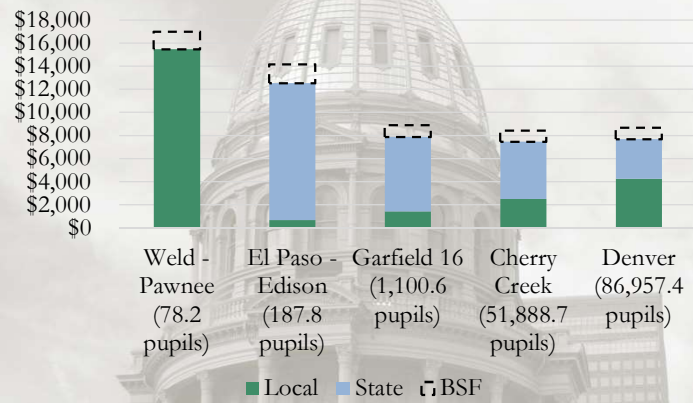
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TOTAL PROGRAM: BUILT DISTRICT BY DISTRICT

FY 2016-17 Total Program Per Pupil Funding



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STATEWIDE LOCAL SHARE: HOW WE BUILD THE FOUNDATION



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LOCAL SHARE: PROPERTY TAX

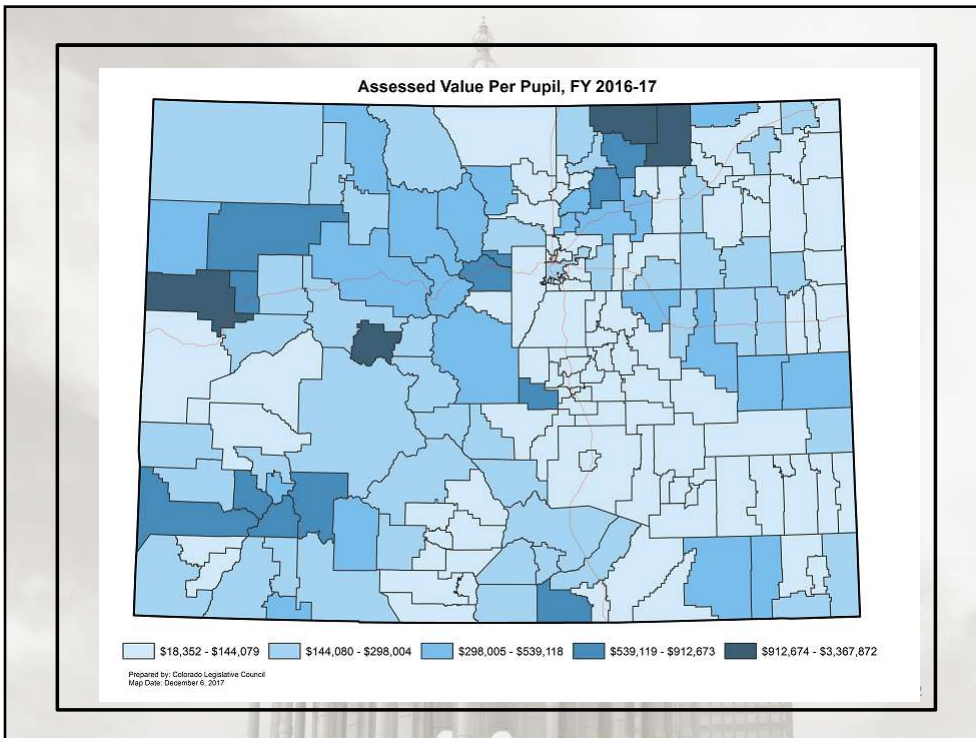
(WHETHER YOU ARE A TAXPAYER OR A DISTRICT)

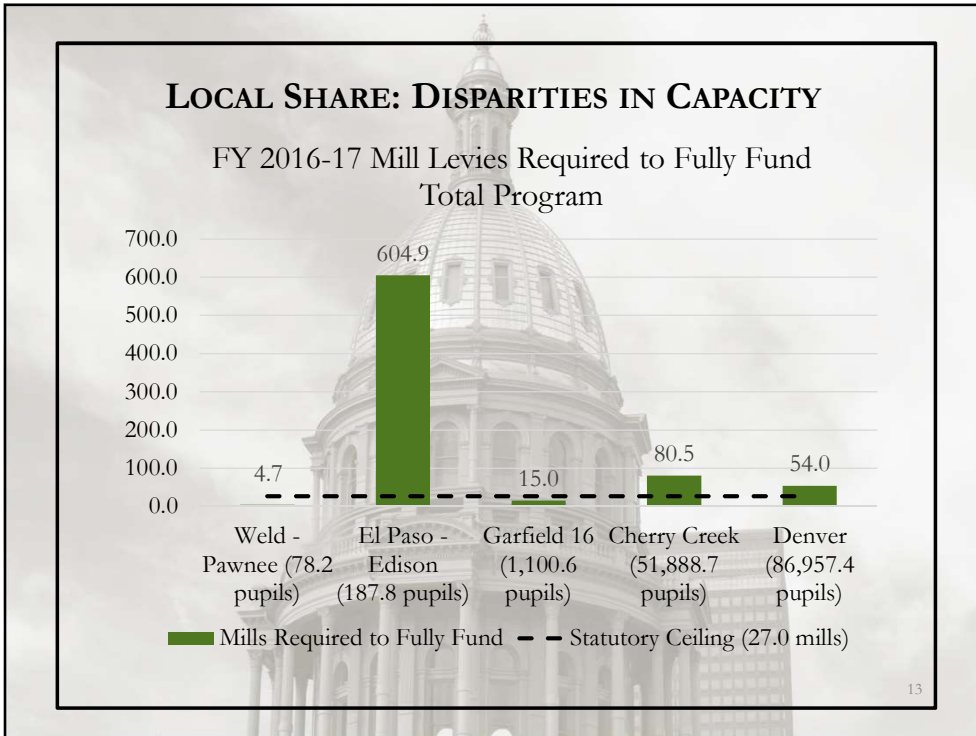
Assessed Property Value
(Gallagher)

×

Mill Levy (Tax Rate)
(TABOR)

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PROPERTY TAX BASICS: MILL LEVY

Total Program Mill Levy: The PROPERTY TAX RATE for each school district's total program (NOT including overrides approved by local voters). There is no local control of this mill levy.

- Each district sets its levy each year based on statute and each levy is certified by CDE. Most have been frozen since FY 2007-08 (S.B. 07-199) but had diverged earlier. Some continue to decrease.
- Currently range from 1.68 mills to a ceiling of 27.0 mills.
- One mill is equal to 1/1000th so 27.0 mills is 0.027.

Assessed Value X Mill Levy = Property Tax

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MILL LEVIES: HOW DID WE GET HERE?

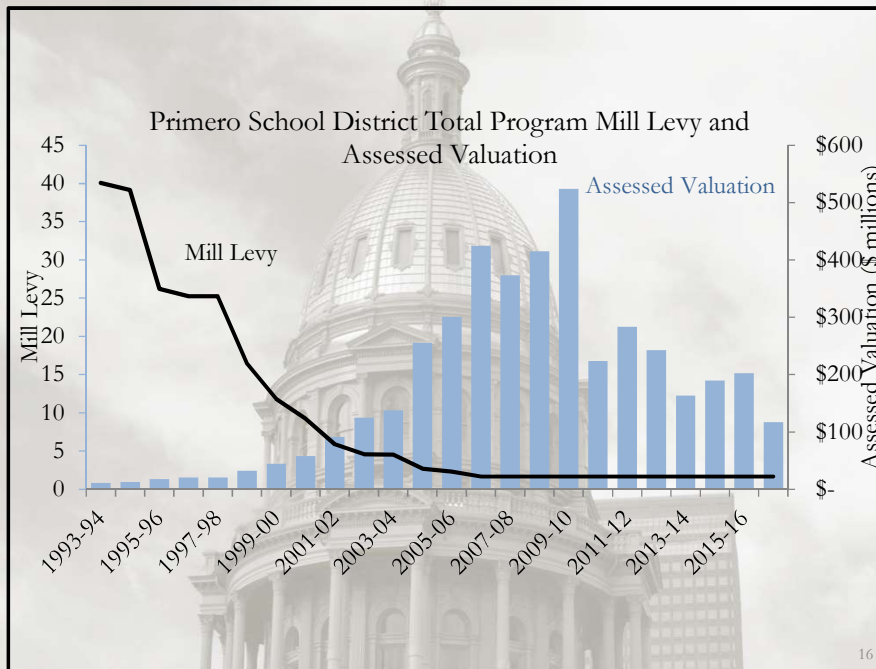
1988: School Finance Act of 1988 instituted a statewide uniform mill levy to equalize local effort and reduce reliance on the local share.

1991: Districts had largely transitioned to a uniform levy of 40.08 mills (except for districts fully funded at a lower level).

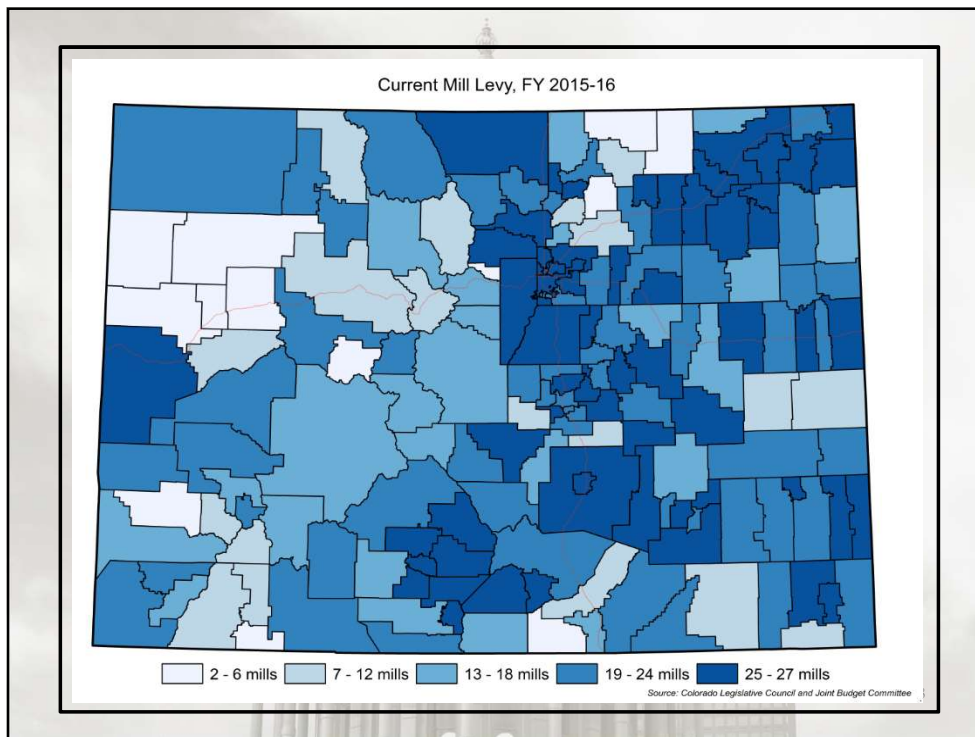
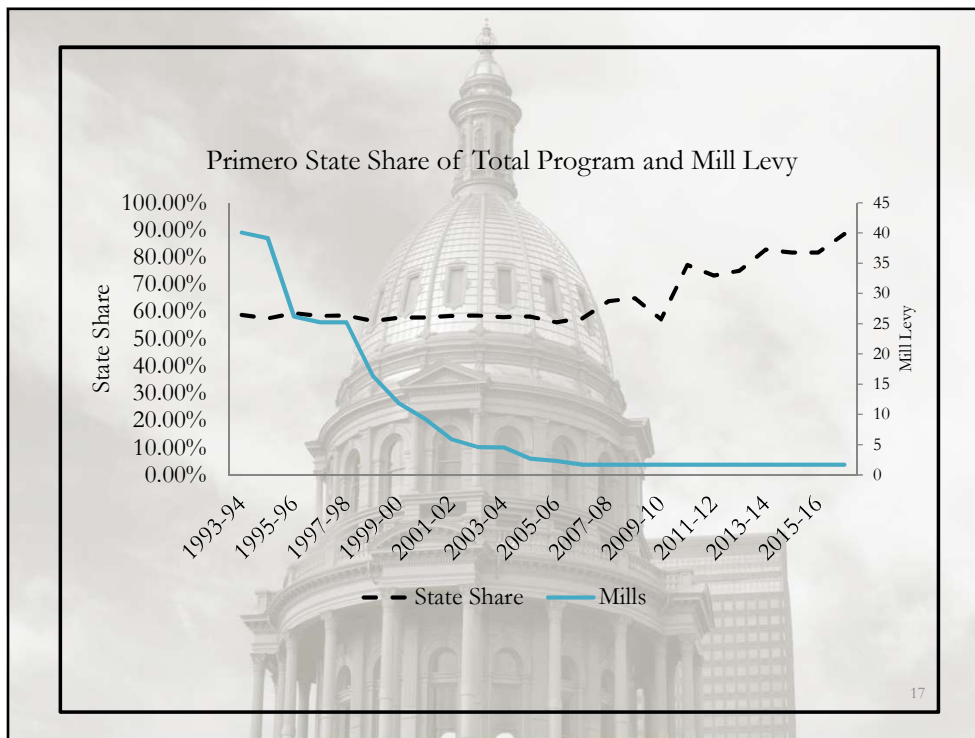
1992: Voters passed the Taxpayers Bill of Rights (TABOR) which constrains local revenues (growth limited to enrollment growth plus inflation) and reduces mill levies to stay under caps. Districts with rapid AV growth see mill levies drop – and they cannot float back up.

2007: Mill levy freeze (S.B. 07-199) for most districts but doesn't correct existing inequities.

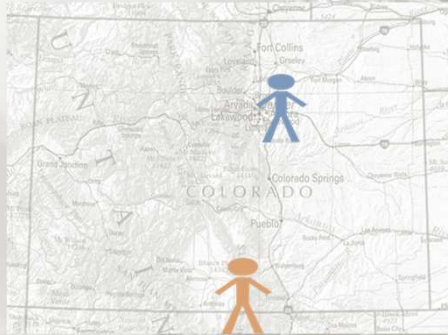
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LOCAL SHARE: RURAL RESIDENTIAL DIFFERENCES



 Kevin lives in Deer Trail
173 pupils/\$13,554 per pupil

 Christina lives in Primero
187 pupils/\$12,278 per pupil

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Christina and Kevin
both own \$312,400 homes.

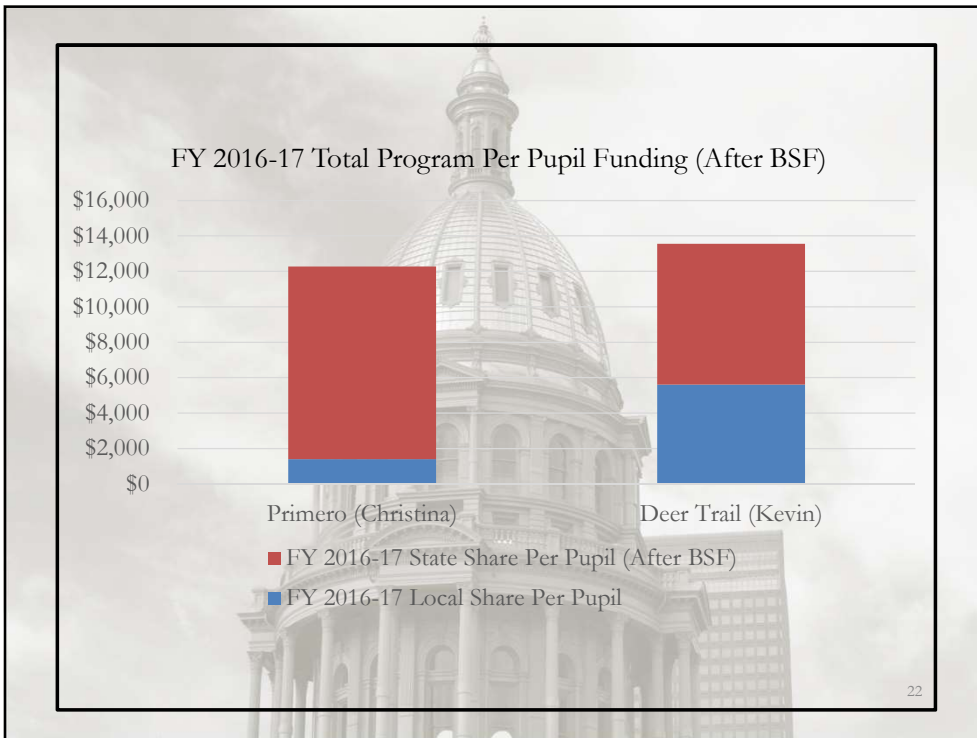
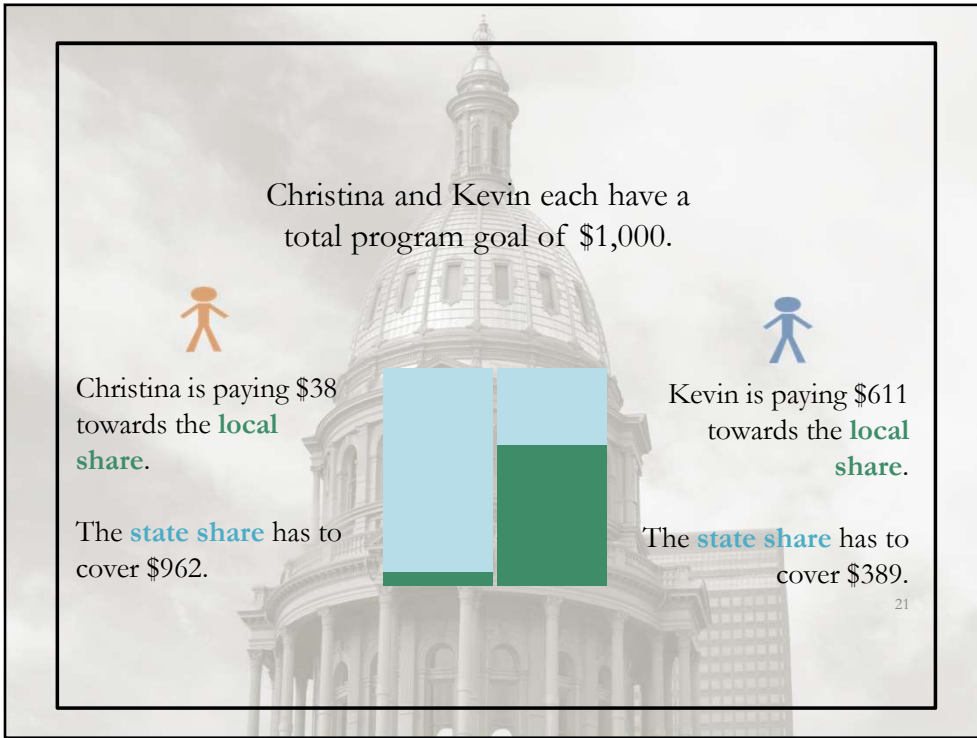


Christina's rate is 1.68 mills.
She pays \$38 in property tax.



Kevin's rate is 27.0 mills.
He pays \$611 in property tax.

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LOCAL SHARE: RURAL BUSINESS DIFFERENCES



Vance has a business in Parachute
(Garfield 16 School District)
1,100 pupils/\$7,875 per pupil

Amanda has a business in Monte
Vista (Rio Grande County)
1,119 pupils/\$7,619 per pupil

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Vance and Amanda
both own \$300,000 businesses.

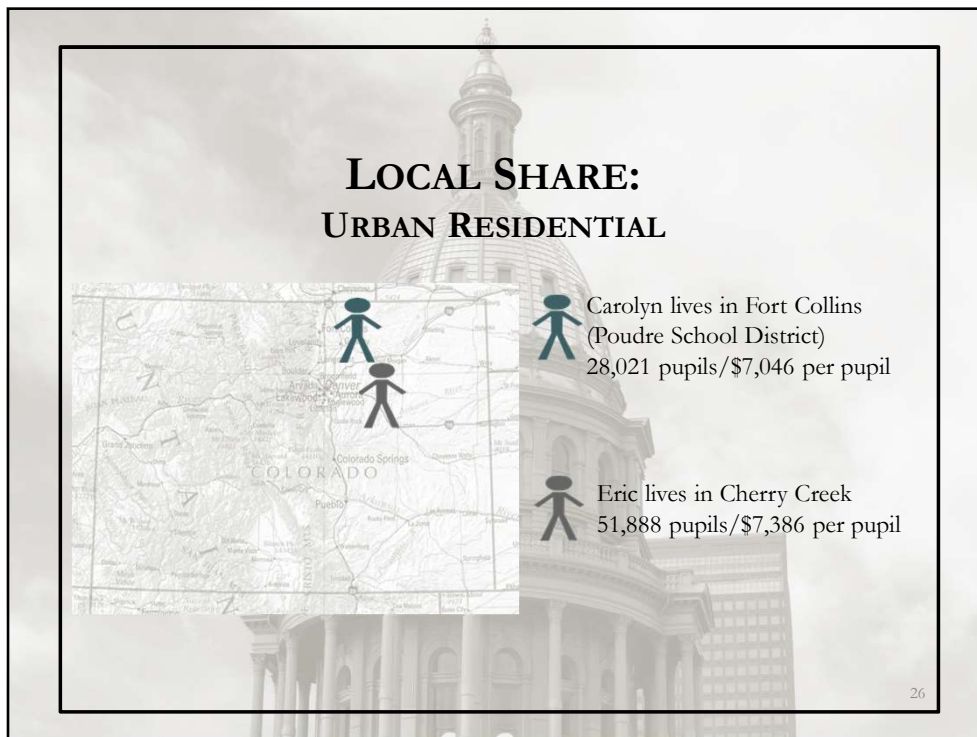
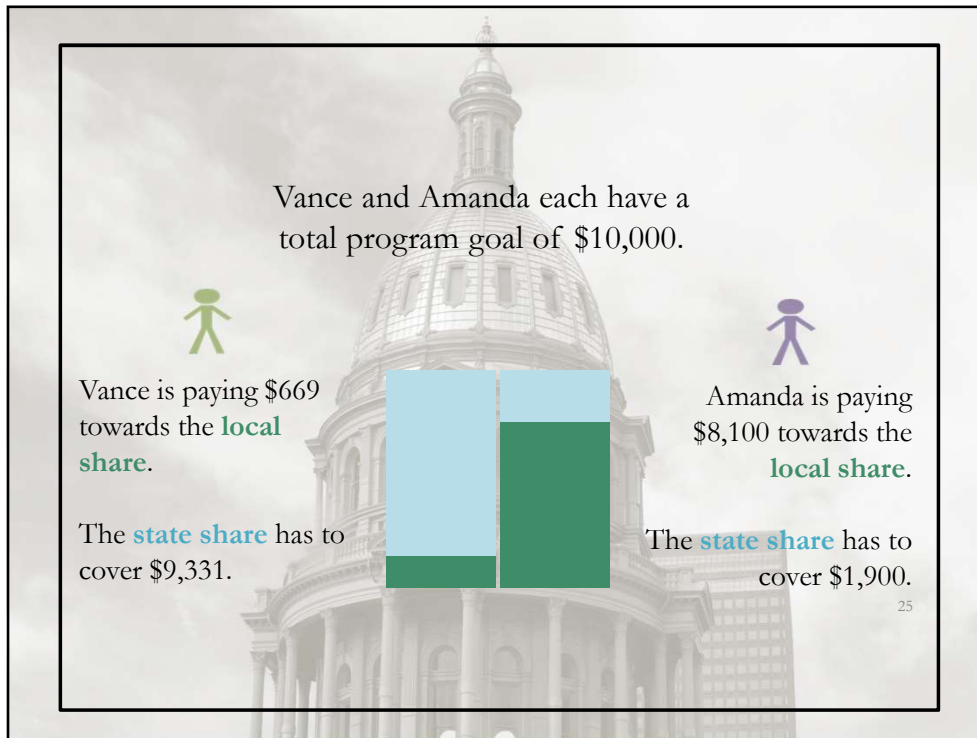


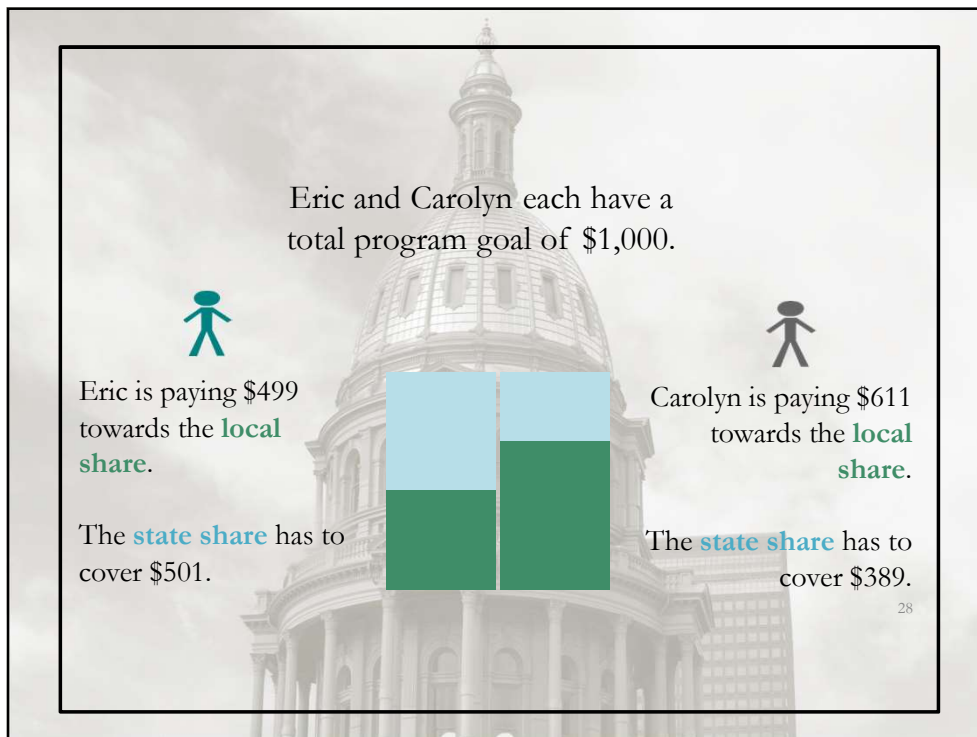
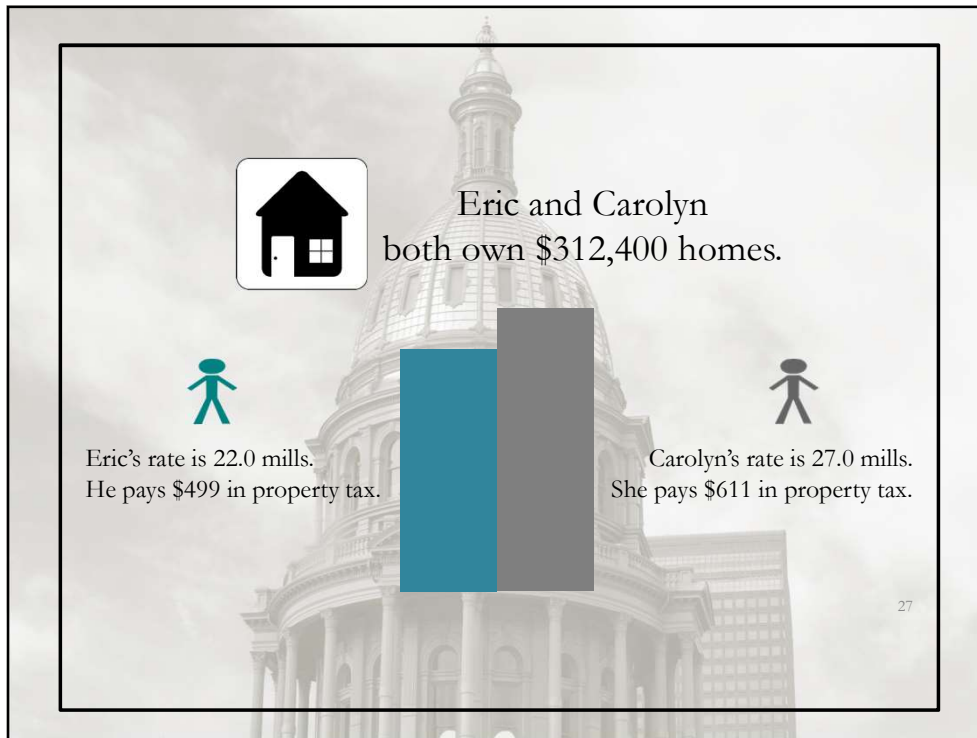
Vance's rate is 2.2 mills.
He pays \$669 in property tax.

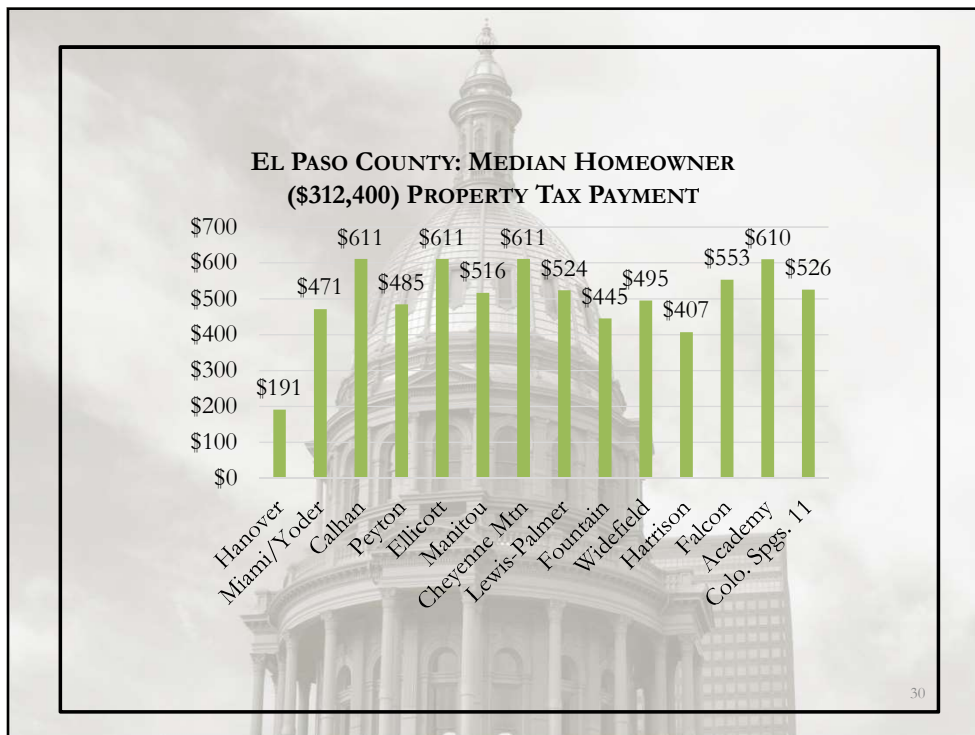
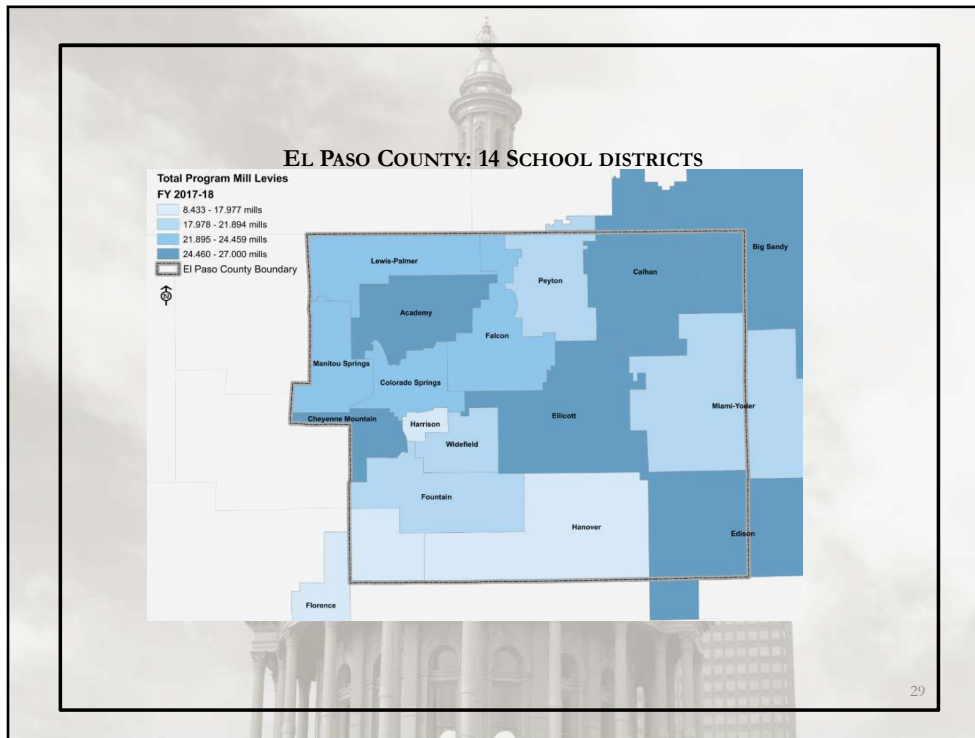


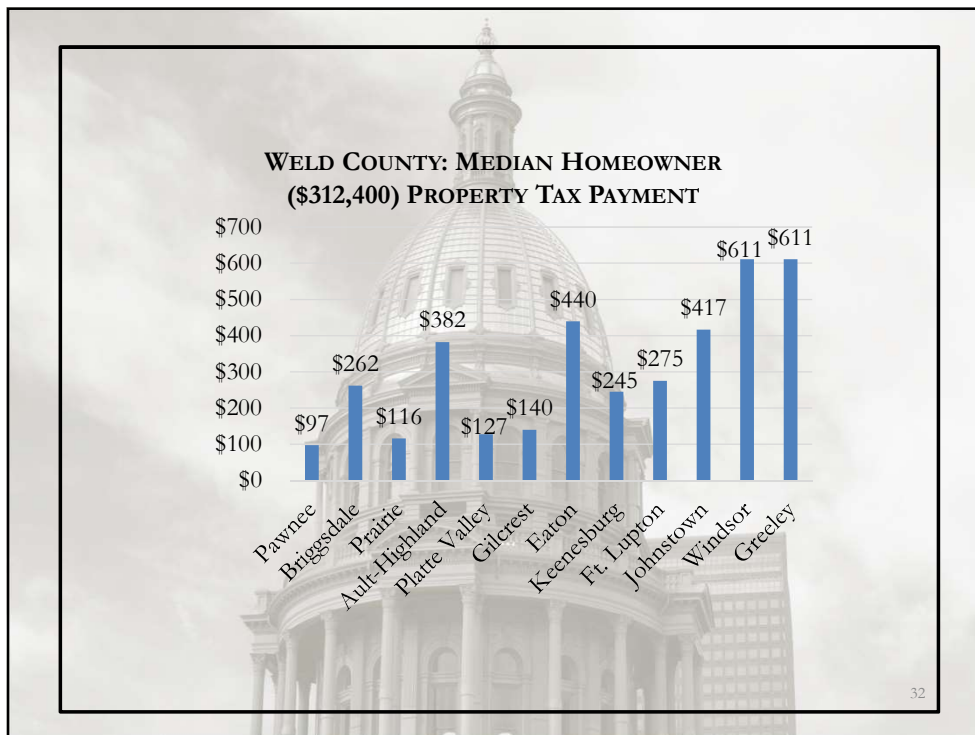
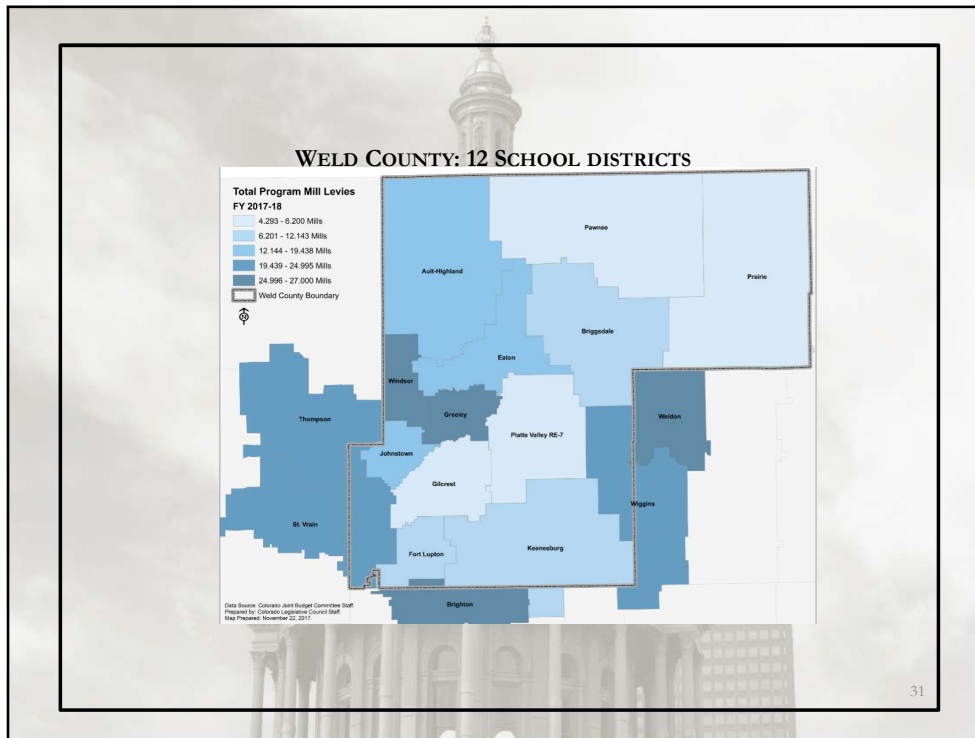
Amanda's rate is 27.0 mills.
She pays \$8,100 in property tax.

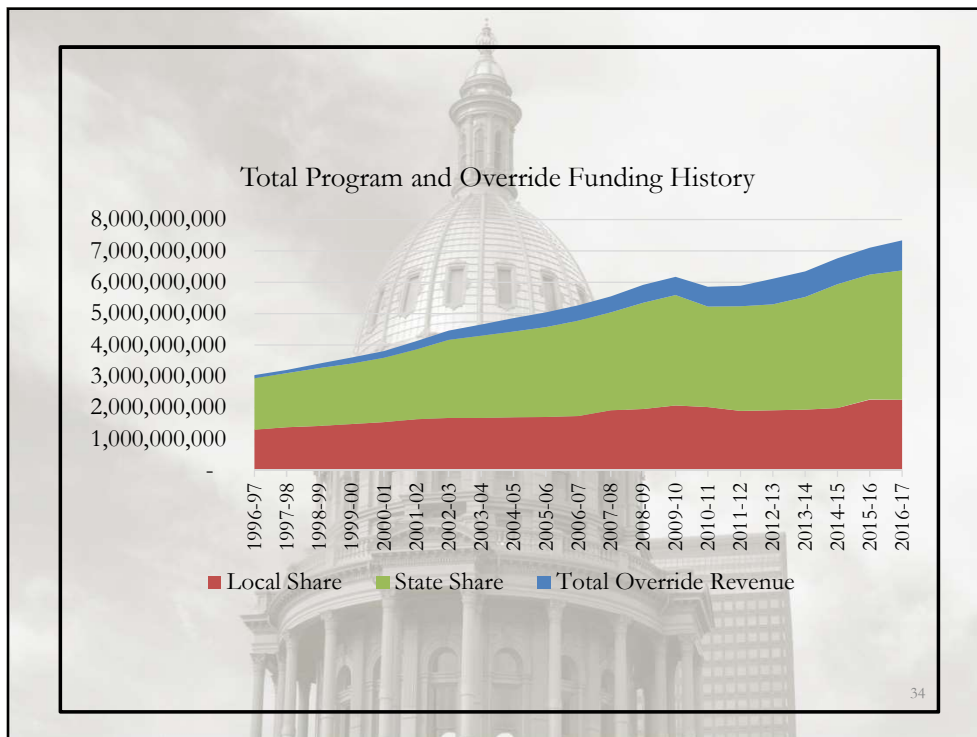
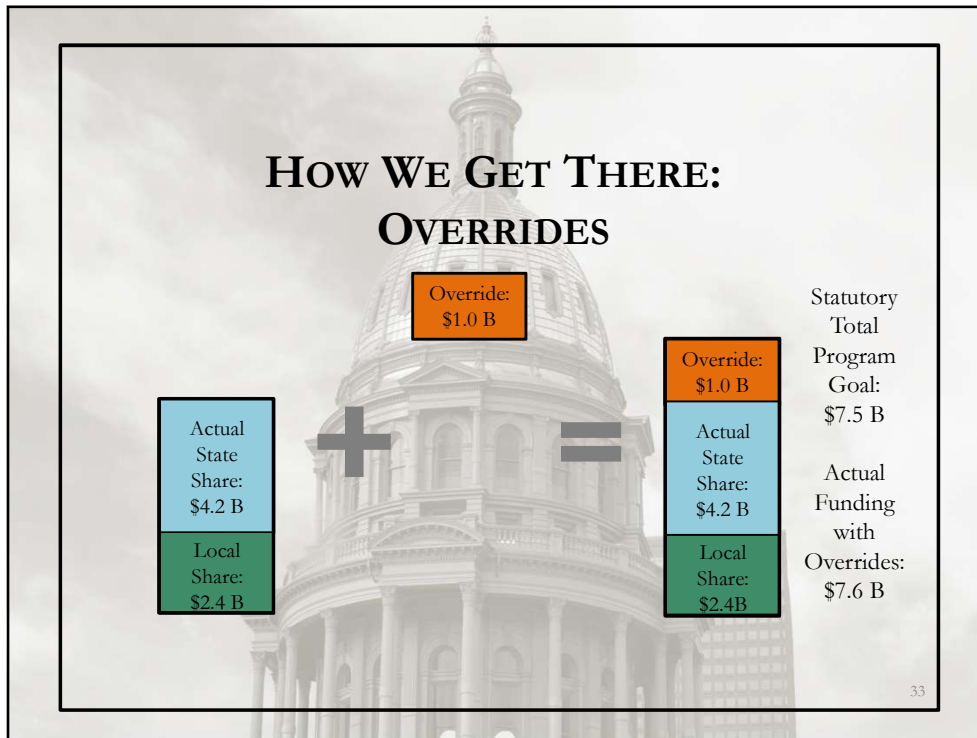
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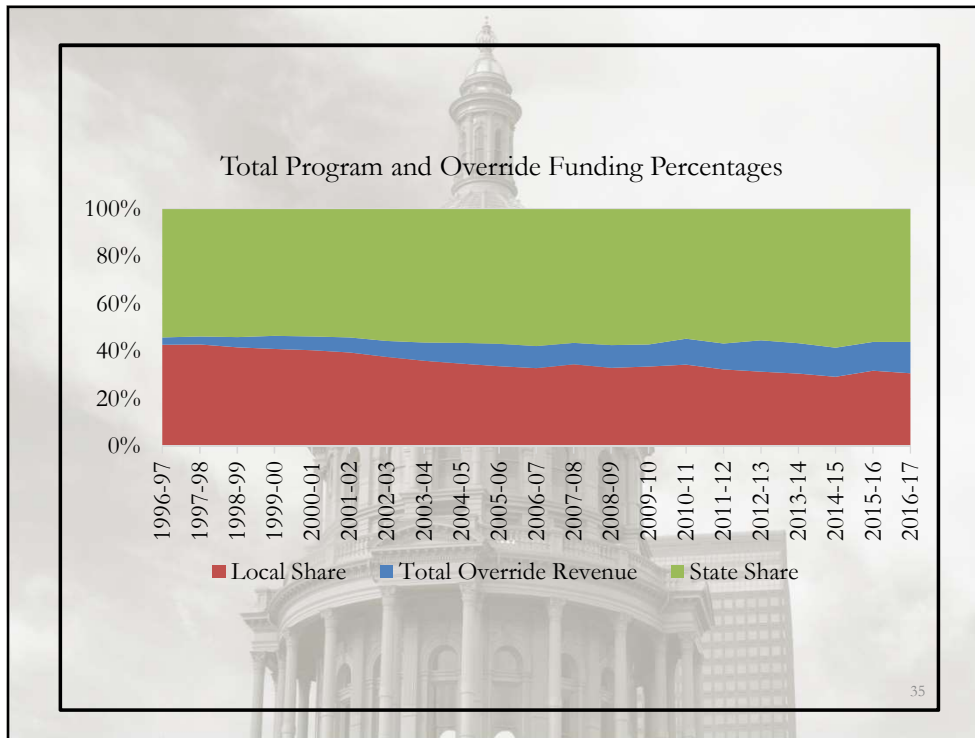












HOW MILL LEVIES AND OVERRIDES INTERACT

Overrides can offer an option for local voters to choose to contribute more to education but raise equity concerns. But the interaction with property values and the school finance mill levies is key.

- 121 districts have mill levy overrides in FY 2017-18, totaling **more than \$1.0 billion** in revenue.
- Overrides are not a viable tool for districts with low property values (assessed value per pupil). The rates required to raise significant revenues are prohibitive.
- Overriding in a low mill levy district is easier than in a high mill levy district. We are asking voters very different questions.
- With the current system, taxpayers statewide are subsidizing low mill levies and effectively subsidizing overrides in those districts.

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