

Distance to the Base & Changes to School Finance in 2020

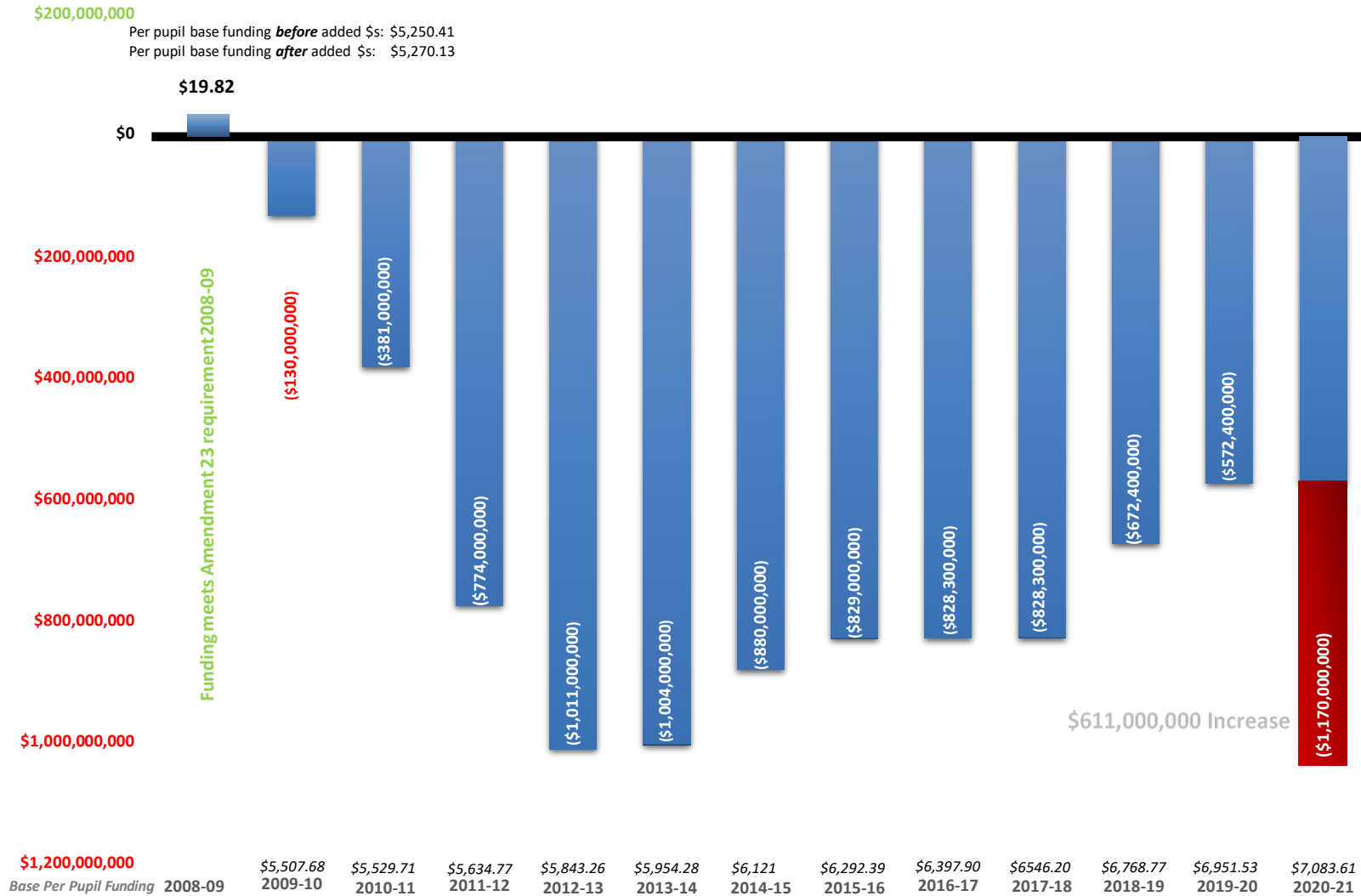
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History of Base Funding

- The Dwyer decision found that Amendment 23 only guaranteed increases in the base funding
 - Factors were not protected by the amendment
- The decision means that the budget stabilization factor can take all of a district's COL, Size, and At-Risk factor funding until they either reach base funding only or are fully locally funded. The BS factor is an equal state percentage reduction so impact to districts varies.
- In 20-21 districts factor funding represented between 20.4% and 65.9% of Total Program funding, with a district average of 37.0%

2008-2021 Budget Stabilization Factor: Reflects passage of HB20-14



What Pieces that Impact BS Factor

- Enrollment
- Local/State share split
- How close a district is to the base level (floor funding)
- Inflation
- How much the state can afford to pay for K-12
- With change to Gallagher the state won't have to backfill
- Changes made to school finance – mill levy tax credits

Factors Overtime

- As the base and enrollment grows the total available factors for reduction grow
 - Total factors in 2020-21 are nearly \$2.1 billion
 - The BS factor can only be applied to factors for districts who are not fully locally funded, meaning the state realizes less than the identified percentage cut.
 - In 2010-11 factors equaled a little more than \$1.4 billion
- The fluctuation in the BS factor impacts the percentage of remaining funding each district has available prior to hitting the base.
 - For 2020-21 the additional reduction available for districts that would never be fully funding ranged from 7.4% to 59.1%

Where Factor Funding Sits

- Though small districts have the highest percentage of funding related to factors, the majority of factor funding dollars sit in large districts
- As the BS factor percentage increases large districts quickly hit the base
 - An additional 10% cut to post-BS funding in 20-21 would see 26 districts hitting base
 - An additional 15% cut would see 60 districts hitting base and only create a 23% effective total BS factor
- Once one district hits base it likely triggers equity issues based on the Lujan and Lobato lawsuits

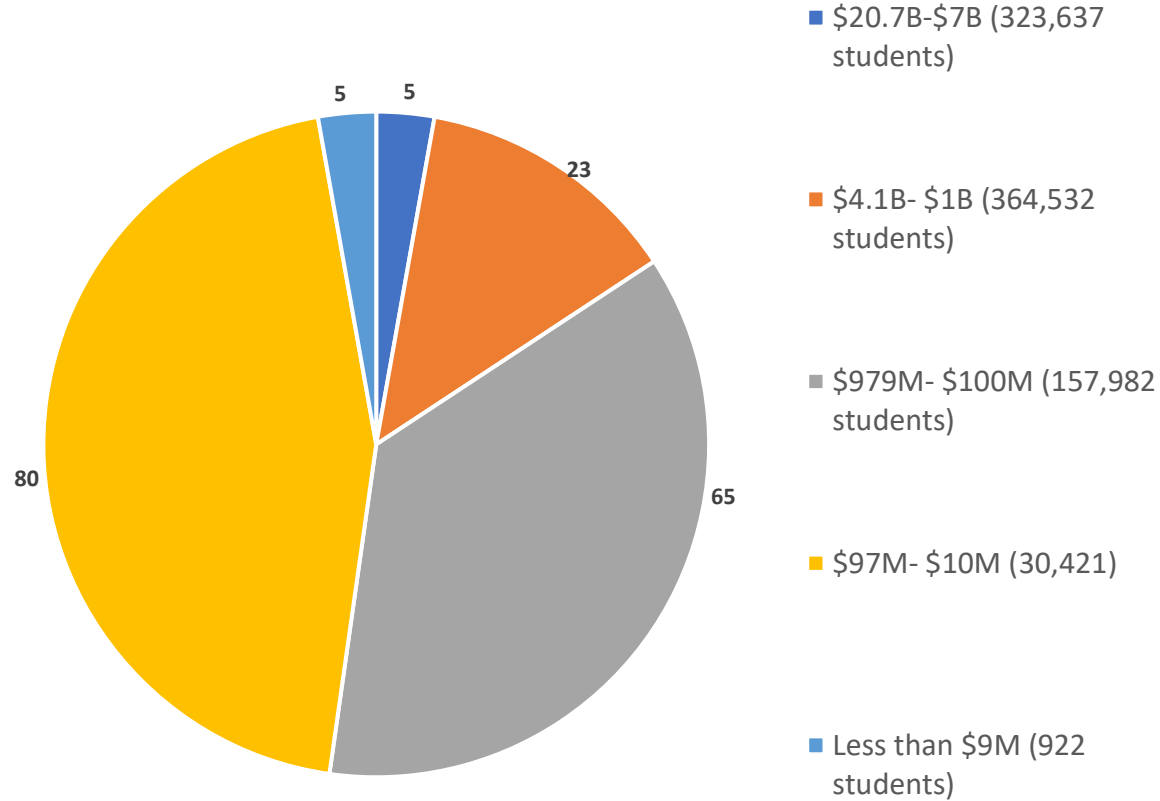
Changes in School Finance Act

- In 2020 the legislature made changes which could increase local share – the impact could mean
 - More funding overall
 - Same funding – just more local dollars
 - Creating more uniformity around number of mills being invested
 - This take legislative action to remove a tax credit – no local action needed
 - This December when certifying mills will also reflect tax credits to your district
 - Only 2 districts have not “de-bruced” or “de-Tabored” – Steamboat and Harrison

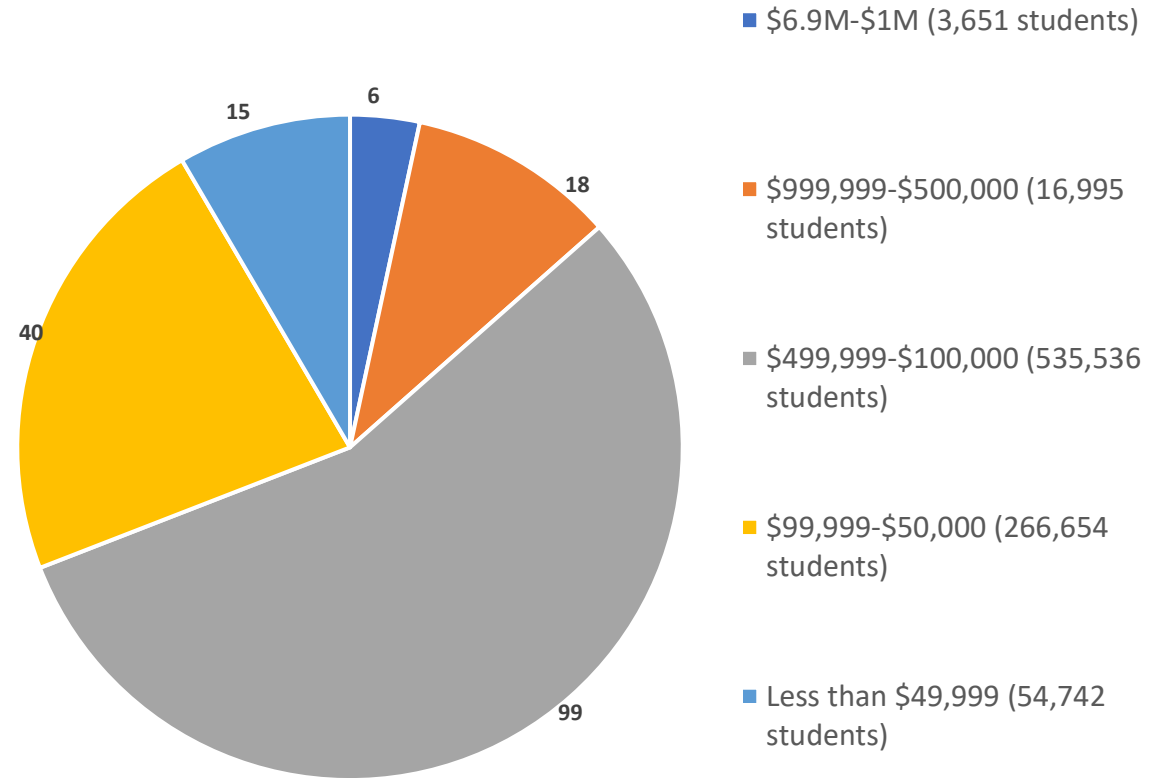
History of De-brucing

| <u>District</u> | <u>School Year</u> | <u>Average</u> | <u>Range</u> |
|-----------------|--------------------|----------------|---------------|
| 6 | 1995-96 | 39.31 | 40.08-36.347 |
| 46 | 1996-97 | 35.908 | 40.08-6.651 |
| 50 | 1997-98 | 33.006 | 40.08-9.178 |
| 32 | 1998-99 | 29.274 | 38.734-7.018 |
| 17 | 1999-2000 | 31.016 | 39.096-23.149 |
| 10 | 2000-01 | 26.482 | 31.667-12.97 |
| 6 | 2001-02 | 22.967 | 28.321-5.886 |
| 2 | 2002-03 | 28.729 | 29.183-28.274 |
| 3 | 2003-04 | 29.4222 | 31.385-26.514 |
| 1 | 2005-06 | 21.419 | 21.419 |
| 1 | 2006-07 | 29.778 | 29.778 |
| 2 | 2020-21 | 19.736 | 20.715-18.756 |

School District's Total Assessed Value (AV)- FY 2019-20



School District's Assessed Value (AV) Per Pupil – FY 2019-20



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(III) FOR THE 2020 PROPERTY TAX YEAR AND PROPERTY TAX YEARS THEREAFTER, EACH DISTRICT SHALL LEVY THE NUMBER OF MILLS DETERMINED PURSUANT TO SUBSECTION (2.1) OF THIS SECTION. THE AMOUNT OF PROPERTY TAX REVENUE THAT A DISTRICT IS ENTITLED TO RECEIVE FROM THE LEVY, LESS THE AMOUNT OF REVENUE ATTRIBUTABLE TO THE PROPERTY TAX CREDIT DESCRIBED IN SUBSECTION (2.1)(d) OF THIS SECTION, ASSUMING ONE HUNDRED PERCENT COLLECTION, ALONG WITH THE AMOUNT OF SPECIFIC OWNERSHIP TAX REVENUE PAID TO THE DISTRICT IS THE DISTRICT'S SHARE OF ITS TOTAL PROGRAM.

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(2.1) (a) THE GENERAL ASSEMBLY FINDS THAT, FOR PROPERTY TAX YEARS 1994 THROUGH 2006, SUBSECTION (2)(a)(III) OF THIS SECTION, AS IT EXISTED BEFORE MAY 9, 2007, WAS WRONGLY INTERPRETED AND APPLIED TO REDUCE SEVERAL DISTRICTS' PROPERTY TAX MILL LEVIES TO THE NUMBER OF MILLS THAT A DISTRICT COULD LEVY UNDER THE PROPERTY TAX REVENUE LIMITATION IMPOSED BY SECTION 20 OF ARTICLE X OF THE STATE CONSTITUTION, EVEN THOUGH THE DISTRICT HAD OBTAINED VOTER APPROVAL TO RETAIN AND SPEND REVENUE IN EXCESS OF THAT PROPERTY TAX REVENUE LIMITATION. THE GENERAL ASSEMBLY FINDS, THEREFORE, THAT THE REDUCTIONS IN DISTRICT MILL LEVIES FOR PROPERTY TAX YEARS 1994 THROUGH 2006 WERE NOT AUTHORIZED BY STATUTE AND ARE VOID FOR PURPOSES OF DETERMINING A DISTRICT'S CORRECT MILL LEVY PURSUANT TO THIS SUBSECTION (2.1) FOR THE 2020 PROPERTY TAX YEAR AND PROPERTY TAX YEARS THEREAFTER, AND THE DETERMINATION AND LEVY OF THE CORRECT NUMBER OF MILLS THAT A DISTRICT IS REQUIRED TO LEVY PURSUANT TO THIS SUBSECTION (2.1) DOES NOT REQUIRE ACTION BY THE DISTRICT OTHER THAN TO CERTIFY THE MILL LEVY.

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(b) FOR THE 2020 PROPERTY TAX YEAR, EXCEPT AS OTHERWISE PROVIDED IN SUBSECTION (2.1)(e) OF THIS SECTION FOR REORGANIZED DISTRICTS: (I) A DISTRICT THAT HAS OBTAINED VOTER APPROVAL TO RETAIN AND SPEND REVENUE IN EXCESS OF THE PROPERTY TAX REVENUE LIMITATION IMPOSED ON THE DISTRICT BY SECTION 20 OF ARTICLE X OF THE STATE CONSTITUTION SHALL LEVY THE LESSER OF:

(A) TWENTY-SEVEN MILLS;

(B) THE NUMBER OF MILLS THAT THE DISTRICT WOULD HAVE BEEN REQUIRED TO LEVY UNDER SUBSECTION (2)(a) OF THIS SECTION FOR THE 2020 PROPERTY TAX YEAR IF NOT FOR THE UNAUTHORIZED REDUCTIONS IN THE DISTRICT'S MILL LEVY IN PROPERTY TAX YEARS FOLLOWING THE PROPERTY TAX YEAR IN WHICH THE DISTRICT OBTAINED VOTER APPROVAL TO RETAIN AND SPEND REVENUE IN EXCESS OF THE PROPERTY TAX REVENUE LIMITATION IMPOSED ON THE DISTRICT BY SECTION 20 OF ARTICLE X OF THE STATE CONSTITUTION, WHICH REDUCTIONS RESULTED FROM THE UNAUTHORIZED APPLICATION OF SUBSECTION (2)(a)(III) OF THIS SECTION AS IT EXISTED BEFORE MAY 9, 2007; OR

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C) THE NUMBER OF MILLS THAT THE DISTRICT MAY LEVY UNDER THE PROPERTY TAX REVENUE LIMITATION IMPOSED ON THE DISTRICT BY SECTION 20 OF ARTICLE X OF THE STATE CONSTITUTION. IN CALCULATING LOCAL GROWTH FOR PURPOSES OF DETERMINING THE PROPERTY TAX

REVENUE LIMITATION IMPOSED ON A DISTRICT BY SECTION 20 OF ARTICLE X OF THE STATE CONSTITUTION, A DISTRICT'S STUDENT ENROLLMENT IS THE DISTRICT'S FUNDED PUPIL COUNT. (c) FOR THE 2021 PROPERTY TAX YEAR AND EACH PROPERTY TAX YEAR THEREAFTER, EXCEPT AS OTHERWISE PROVIDED IN SUBSECTION (2.1)(e) OF THIS SECTION FOR REORGANIZED DISTRICTS, EACH DISTRICT SHALL LEVY THE LESSER OF:

(I) THE NUMBER OF MILLS THAT WILL GENERATE PROPERTY TAX REVENUE IN AN AMOUNT EQUAL TO THE DISTRICT'S TOTAL PROGRAM FOR THE APPLICABLE BUDGET YEAR MINUS THE AMOUNT OF SPECIFIC OWNERSHIP TAX REVENUE PAID TO THE DISTRICT. REGARDLESS OF THE APPLICABILITY OF SECTION 22-54-104 (5)(g), FOR THE PURPOSES OF THIS SUBSECTION (2.1)(c)(I), A DISTRICT'S TOTAL PROGRAM IS THE AMOUNT CALCULATED PURSUANT TO SECTION 22-54-104 (2).

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(II) FOR A DISTRICT THAT HAS NOT OBTAINED VOTER APPROVAL TO RETAIN AND SPEND REVENUE IN EXCESS OF THE PROPERTY TAX REVENUE LIMITATION IMPOSED ON THE DISTRICT BY SECTION 20 OF ARTICLE X OF THE STATE CONSTITUTION, THE NUMBER OF MILLS THAT THE DISTRICT MAY LEVY UNDER THE PROPERTY TAX REVENUE LIMITATION IMPOSED ON THE DISTRICT BY SECTION 20 OF ARTICLE X OF THE STATE CONSTITUTION. IN CALCULATING LOCAL GROWTH FOR PURPOSES OF DETERMINING THE PROPERTY TAX REVENUE LIMITATION IMPOSED ON A DISTRICT BY SECTION 20 OF ARTICLE X OF THE STATE CONSTITUTION, A DISTRICT'S STUDENT ENROLLMENT IS THE DISTRICT'S FUNDED PUPIL COUNT.

(III) THE NUMBER OF MILLS LEVIED IN THE PRECEDING PROPERTY TAX YEAR; OR

(IV) TWENTY-SEVEN MILLS.

(d) IN A PROPERTY TAX YEAR IN WHICH A DISTRICT, PURSUANT TO THIS SUBSECTION (2.1), IS REQUIRED TO LEVY A GREATER NUMBER OF MILLS THAN IT LEVIED IN THE 2019 PROPERTY TAX YEAR, THE DISTRICT BOARD OF EDUCATION BY RESOLUTION SHALL GRANT A TEMPORARY PROPERTY TAX CREDIT EQUAL TO THE NUMBER OF MILLS LEVIED IN THE APPLICABLE PROPERTY TAX YEAR THAT EXCEEDS THE NUMBER OF MILLS LEVIED IN THE 2019 PROPERTY TAX YEAR.

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(e) NOTWITHSTANDING ANY OTHER PROVISION OF THIS SUBSECTION (2.1) TO THE CONTRARY, FOR THE 2020 PROPERTY TAX YEAR AND EACH PROPERTY TAX YEAR THEREAFTER, IF THERE IS A REORGANIZATION PURSUANT TO ARTICLE 30 OF THIS TITLE 22 THAT RESULTS IN THE CREATION OF A NEW DISTRICT, THEN IN THE FIRST YEAR OF OPERATION THE NEW DISTRICT SHALL LEVY THE LESSER OF:

(I) TWENTY-SEVEN MILLS; OR

(II) THE NUMBER OF MILLS THAT WILL GENERATE PROPERTY TAX

REVENUE IN AN AMOUNT EQUAL TO THE DISTRICT'S TOTAL PROGRAM FOR THE FIRST YEAR OF OPERATION MINUS THE AMOUNT OF SPECIFIC OWNERSHIP TAX REVENUE PAID TO THE DISTRICT. REGARDLESS OF THE APPLICABILITY OF SECTION 22-54-104 (5)(g), FOR THE PURPOSES OF THIS SUBSECTION (2.1)(e)(II), THE DISTRICT'S TOTAL PROGRAM IS THE AMOUNT CALCULATED PURSUANT TO SECTION 22-54-104 (2).

Questions

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