Taxpayer Equity and the Uniform Total Program Mill Levy Proposal

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Address 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 such that each school district’s total program mill levy would be 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.
Overview of K-12 School Finance

Sources of Funding for K-12 Total Program
($6.4 billion in FY 2016-17 after the negative factor)

**State Sources**
- General Fund: $3.6 billion (87%)
- State Education Fund: $467 million (11%)
- State Public School Fund: $56 million (1%)
- State Education Fund: $467 million (11%)
- Spec. Ownership Taxes: $168 million (7%)

**Local Sources**
- Property Taxes: $2.1 billion (93%)

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**Assessment Rate:** The percentage of property value that is taxable (29.0% for non-residential and 7.96% for residential in FY 2016-17). The residential rate is dropping in FY 2017-18 because of Gallagher.

**Assessed Value (AV):** The taxable portion of property value in the school district. As an index of property wealth, AV varies significantly between districts and can vary a lot from year to year (particularly for oil and gas districts).

**Assessed Value Per Pupil** is an index of a district’s property wealth per student and capacity to fund locally.
Assessed Value Per Pupil

Assessed Value Per Pupil, FY 2015-16

Source: Colorado Legislative Council and Joint Budget Committee
**Total Program Mill Levy**: The PROPERTY TAX RATE for each school district’s total program (NOT including overrides approved by local voters).

- 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.
Local money (mostly property tax) provides the first source of revenues for school finance. The State fills the gap between local revenues and each district’s total program funding.

- State funding designed to equalize local capacity (AV per pupil) is having to equalize both capacity and different mill levies.
Disparate 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: By 1992, districts had largely transitioned to a uniform levy of 40.08 mills (except for districts fully funded at a lower level).

1992: Voters pass 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.
Example 1: Primero School District

Primero Mill Levy and Assessed Value Per Pupil
Example 1: Primero School District

Primero State Share of Total Program and Mill Levy

- State Share
- Mills


State Share and Mill Levy percentages are shown over time.
Example 2: Aspen

Aspen State Share of Total Program and Mill Levy

- **State Share**
- **Mills**

The graph shows the trend of Aspen State Share and Mill Levy from 1993-94 to 2015-16.
Jeffco State Share of Total Program and Mill Levy
Example 4: Adams 12 5 Star

Adams 12 State Share of Total Program and Mill Levy

State Share

Mill Levy

- State share
- Mill Levy
Example 5: Fort Morgan

Fort Morgan State Share of Total Program and Mill Levy

State Share

Mill Levy


-5.00 -0.00 5.00 10.00 15.00 20.00 25.00 30.00 35.00 40.00 45.00

60.0% 62.0% 64.0% 66.0% 68.0% 70.0% 72.0% 74.0% 76.0%

State share

Mill Levy

Red: State share

Black: Mill Levy
Current Mill Levy, FY 2015-16

Source: Colorado Legislative Council and Joint Budget Committee
Primero (1.68 mills)  Aspen (4.41 mills)  Jeffco (26.52 mills)  Adams 12 (27.0 mills)  Fort Morgan (27.0 mills)

$33.14  $87.03  $523.10  $532.57  $532.57
Impact on Taxpayer Equity

Taxpayer Equity: Contribution per $100,000 Market Value

- Primero (1.68 mills) $13.37
- Aspen (4.41 mills) $48.72
- Jeffco (26.52 mills) $211.10
- Adams 12 (27.0 mills) $214.92
- Fort Morgan (27.0 mills) $214.92

- Residential
- Non-residential
Impact on Taxpayer Equity

Total Program Mill Levy and Assessed Value Per Pupil FY 2015-16
Estimated Change in FY 2017-18 Local Revenue

Estimated Change in Local Revenue ($ in millions)

<table>
<thead>
<tr>
<th>Uniform Mill Levy</th>
<th>Change in Local Revenue</th>
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<td>22.4</td>
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Questions?

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