Property Taxes

Do property taxes pay for schools?

A school district has taxing authority to collect a property tax levy to finance its Local Share in the school finance formula. The amount of property tax generated varies widely among districts.

Property tax differences are a reflection of the local community’s tax bases and are a split between residential and commercial. A district’s property tax revenues are not transferred to any other district.

The amount of local tax revenue generated in 1994 supported 60+% of school finance. In 2012, local tax revenue generates less than 35%. The erosion of the Local Share of property tax support has had many consequences.

In FY 2007-08, legislation was passed to stabilize school district mill levies and slow the erosion of local property tax. The legislation caps mill levies at 27 mills and freezes mill levies for districts with mill levies of 27 mills or less. This applies to the property tax portion in the Local Share of the school finance formula. The mill levy cap/freeze does not apply to districts that have not held a successful de-brucing or TABOR election.

In 2012, property taxes are projected to provide $2,157.27 per pupil, or about 33.35% of Local Share in the school finance formula. The balance is State Share which will provide $4,139.95 per pupil, or about 64%.

What are Local Override Revenues?

Local overrides were to provide additional revenue for school districts to implement local initiatives – not to support state expectations. In 1994 the discussion of “equity” among school districts was of high concern.

A school district may spend more property tax revenues than its Local Share in the school finance act. A district must seek voter approval from its community to increase its mills, often referred to as a Mill Levy Override election.

Beginning in FY 2009-10, a district’s override revenues cannot exceed 25% of its Total Program or $200,000, whichever is greater, plus an amount equal to the maximum dollar amount of property tax revenue that the district could have generated for FY 2001-02 in a Cost of Living Adjustment election.

Override revenues come from local property tax increases and do not impact the mill levies generated in the Local Share of the school finance formula.

In Fiscal Year 2010-11, 108 districts had an additional mill levy. Regardless of property type (residential or commercial), assessed valuation is based on a percentage of the property's actual value. For example, in budget year 2011-12, residential property is expected to have an assessed valuation equal to 7.96% of its actual value. One mill of tax is the same as one-tenth of one percent (.001). Therefore, on residential property with an actual value of $100,000 and, thus, an assessed valuation of $7,960, each mill of tax raises $7.96.
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Example with 2012 estimates

Local Share: Varies widely among districts, reflects the local communities tax base (residential and commercial). Not transferred to any other district.

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State Share: Backfills in the difference between the 2012 estimated per pupil base of $6,297.27 and the districts Local Share + Specific Ownership Tax.

What are Local Override Revenues?

- Local overrides were to provide additional revenue for school districts to implement local initiatives – not to support state expectations. In 1994, the discussion of “equity” among school districts was of high concern.
- A district must seek voter approval from its community to increase its mills, often referred to as a Mill Levy Override election. Mill Levy Overrides are not transferred to any other district.
- Override revenues come from local property tax increases and do not impact the mill levies generated in the Local Share of school finance formula.
- Beginning in FY2009-10, a district’s override revenues cannot exceed 25% of its Total Program or $200,000, whichever is greater, plus an amount equal to the maximum dollar amount of property tax revenue the district could have generated in FY2001-02 in a Cost of Living Adjustment.
- In 2010-11, 108 of 178 districts had an additional mill levy. Seventy districts had no additional revenue from a mill levy override.