Nuts and Bolts

CASE Winter Leadership Conference

February 5, 2020

Tracie Rainey, Executive Director
Colorado School Finance Project

Glenn McClain, Superintendent
Platte Valley School District
Colorado School Finance Project (CSFP)

Who are we?
What do we do?

• Non-profit, non-partisan
• Supported by school district contributions
• School finance analysis for local and state policy makers since 1995.

Mission: To compile, collect and distribute research-based, non-partisan information and data on topics related to school finance for state and local policymakers.
TODAY’S TOPICS

Mill Levy History

Mill Levy Currently

Proposed Changes
Uniform Mill – 1994 SFA Goal – 40 mills

Interaction of Gallagher, TABOR and SFA – has created lack of uniformity

Loss of local share is over $3 billion annually
Total Program mills range from 1.68 to 27

174 of 178 districts “de-bruced” creating two different situations

64 school districts have no overrides
MILLS IN DISTRICTS TODAY

73% of students are in 74 school districts within 3 mills of being at 27 or full funding

27% of students are in 104 school districts that have more than 4 mills to 27 or full funding
PROPOSED CHANGES ARE MULTIFACETED

Solve for tax-payer equity

Create a uniform mill so the assessment "rate" will be the same or have less variance

Recognize the impact can be helpful or harmful for school districts funding

Outcome to pay down debt owed to K-12, and create less variance for mill levy overrides
PROPOSED SOLUTION: UNIFORM MILL LEVY

By moving to a uniform mill levy, the proposal would implement an intentional system to treat identical taxpayers (in this case measured by property value) in districts receiving state share identically.

The State’s role would return to equalizing differences in tax base rather than tax rates.

JBC is considering two proposals:

- Uniform at 27.0 (or fully funded) including override equalization
- Authorization to reduce local total program mill levies
PROPOSAL 1: “UNIFORM” MILL LEVY

• 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 27.0 mills or the mill levy necessary to fully fund the district’s total program.

• Authorize school districts to raise local total program mill levies (with voter approval) to reach the “uniform” level, with a phase-in period for districts with significant increases (1.0 mill per year).

• Trigger year of 2023-24 for most districts and 2025-26 for rural districts requiring an increase of more than 10.0 mills.

• Assume that districts are levying mill levies according to the legislation and distribute state aid accordingly.

• Establish “safety net” for districts that are unable to pass increases. Current language sets maximum reduction of 17% of total program.

• 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.
PROPOSAL 1: “UNIFORM” MILL LEVY CONT’D

- Maintenance of Effort/Supplement Not Supplant: Requires the General Assembly to increase the state share of total program funding annually by inflation plus enrollment until the budget stabilization factor is gone. Still seeking input on maintenance of effort provision.

- Dedicates 25 percent of “new revenue” (of the state share made available by the increase in local revenues) to mill levy override equalization for low property wealth districts.
  - Districts that would require more than 30 mills of overrides to reach the statutory override “cap” would qualify for matching funds.
  - Goal would be to match those district’s overrides in a fashion that would reach the cap with 30 mills of local “effort.” But the match does not require districts to reach the cap.

- The proposal would also increase the override cap to 30% for districts that are at 27.0 mills or on track to get there. And use a portion of the additional revenue raised (above the cap) to help support the matching funds.
The proposal currently includes four incentive provisions for districts requiring mill levy increases under the bill:

- **Go Early**: Districts that increase their mill levies prior to their respective trigger year will be able to spend the additional funds like a mill levy override, and the funds are outside of the statutory cap on override revenues.

- **Go Fast**: The state share will assume that mill levies are increasing 1.0 mill per year. If a district goes faster than that, any additional revenues (above the amount assumed at 1.0 mill per year) will again effectively function as override revenues outside of the cap.

- **Conversion of Existing Overrides**: The bill provides flexibility for districts to convert existing override mills into total program mills if the district so desires (depending on ballot language and voter approval).
The JBC is also discussing a second proposal that would allow school districts to reduce their local total program mill levies to improve taxpayer equity.

- The proposal would address taxpayer equity concerns without requiring tax increases.
- However, it does raise questions about sustainability.
- Phase in period would be key because of the increased obligation for the State.
- Language for this bill is not yet available.
Quick Summary

- 75% of revenue to pay down budget stabilization factor – 25% for matching funds (58 districts would qualify) – Incentives for districts to go early

- Matching funds second source revenue – Districts at 27 mills who are capped out at 25% override share a portion of revenue with new cap at 30% going to matching fund

- Legislature lowers mills to create uniformity – Concern on being able to have state backfill requirement for education.
What is your input?

What are suggestions?

What are concerns?

Next Steps?
QUESTIONS: NOW OR LATER

Tracie Rainey

• T.Rainey@cosfp.org
• 303-860-9136

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