

PEBC Catalyst
Gallagher &
TABOR
02/13/2019

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Colorado School Finance Project

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Colorado
School
Finance
Project
(CSFP)

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

*Who are we?
What do we do?*

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

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Gallagher & TABOR Timeline

- 1982 – Gallagher Amendment passed (Referred to the ballot by the legislature)
- 1992 – TABOR passed
 - Between 1966 - 1990: 6 attempts to pass a tax limitation initiative
- 2005 – Ref C passed (Referred to the ballot by the legislature)

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Gallagher: Intent

- Late 1969 – much of 1970's market values of properties rising at rate of 1% per month.
- Control for residential and commercial fluctuations in property tax support and create uniform valuations statewide.
- Created formula that could fluctuate mill levies up and down.
- ~45% Residential / Nonresidential
~55%

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Gallagher: Impact on K-12

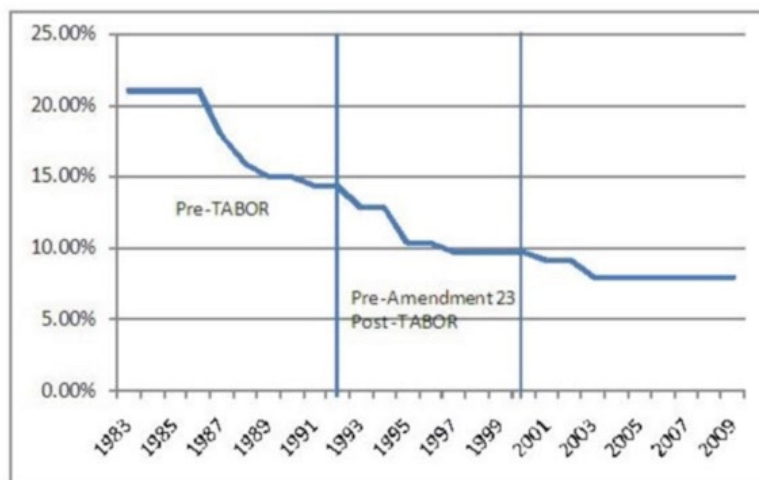
- Gallagher worked well for 10 years - Floating up and down when valuation changed
- After TABOR: Pressure on state resources for K-12 and reduced funding for other local governments
 - Reduces local share as residential values grew faster than non-residential
 - Which increases state share

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Residential Assessment Rates



Source: Colorado Legislative Council Staff, State Constitution & School Finance, July 2009

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TABOR:
1 of 2

- Operations of state and local governments
 - Removed legislative taxing authority
 - Created Revenue and Spending caps for state and local governments
- Election process
 - All revenue increases to be voted on
 - Defined when and what year elections can be held.
 - Defined specific language that must be used when asking voters to raise revenue.
 - TABOR prevents RAR from rising as required under Gallagher

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TABOR:
2 of 2

- Situations not contemplated:
 - Adjustments in revenue and spending limits to state and local budgets
 - A change in revenue tax collections or change in economy
 - Impact of Gallagher to state and local government budgets in conjunction with TABOR

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What has complicated the funding issues for Colorado?

- Gallagher – 1982
 - Stabilized local property tax revenue
 - Balance between residential and non residential
- TABOR – 1992
 - Limited revenue & spending
 - Undid balance of Gallagher

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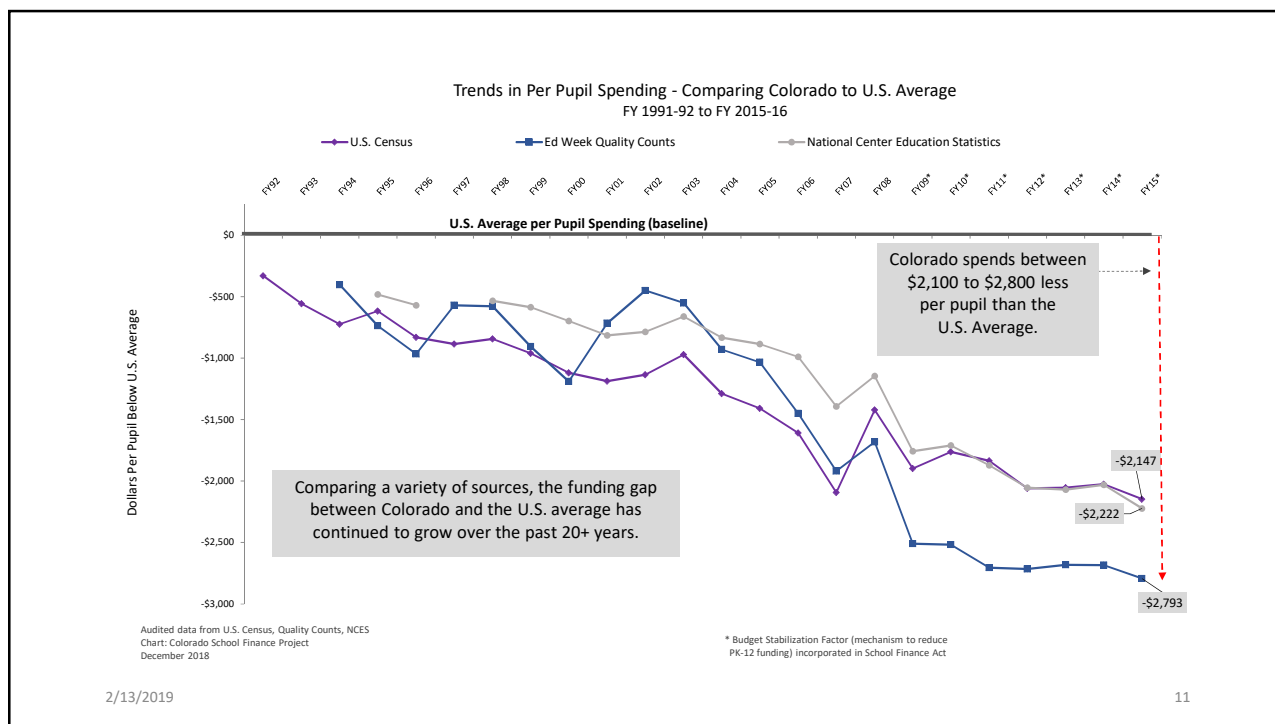
TABOR:
Effect

- Created a revenue and a spending cap – puts pressure on state resources by reducing general fund dollars
- Changed when elections could be held – out of sync with school district budget cycle – creates additional fiscal pressures

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Referendum C
made changes
– some
permanent,
some
temporary

- State TABOR Limit =
(Previous Fiscal Year Spending) ×
(Inflation + Population Growth) +
(Voter-Approved Revenue Changes)
- Referred to as the “Five-Year Timeout Period”
- After the Timeout, Ref C allowed the state to retain and spend all excess revenue up to a “Cap”
 - Cap = Highest total state revenue for a fiscal year during the timeout period, adjusted by inflation + population growth for each subsequent year

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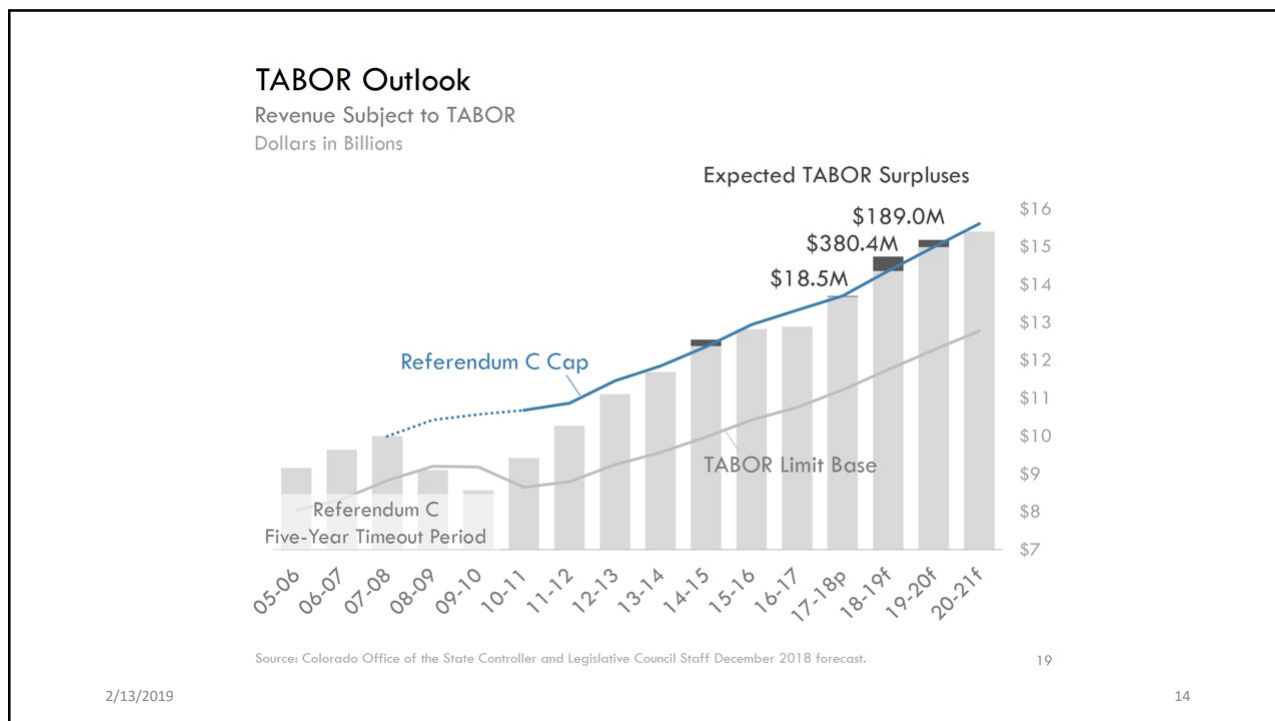
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Ref C: Effect

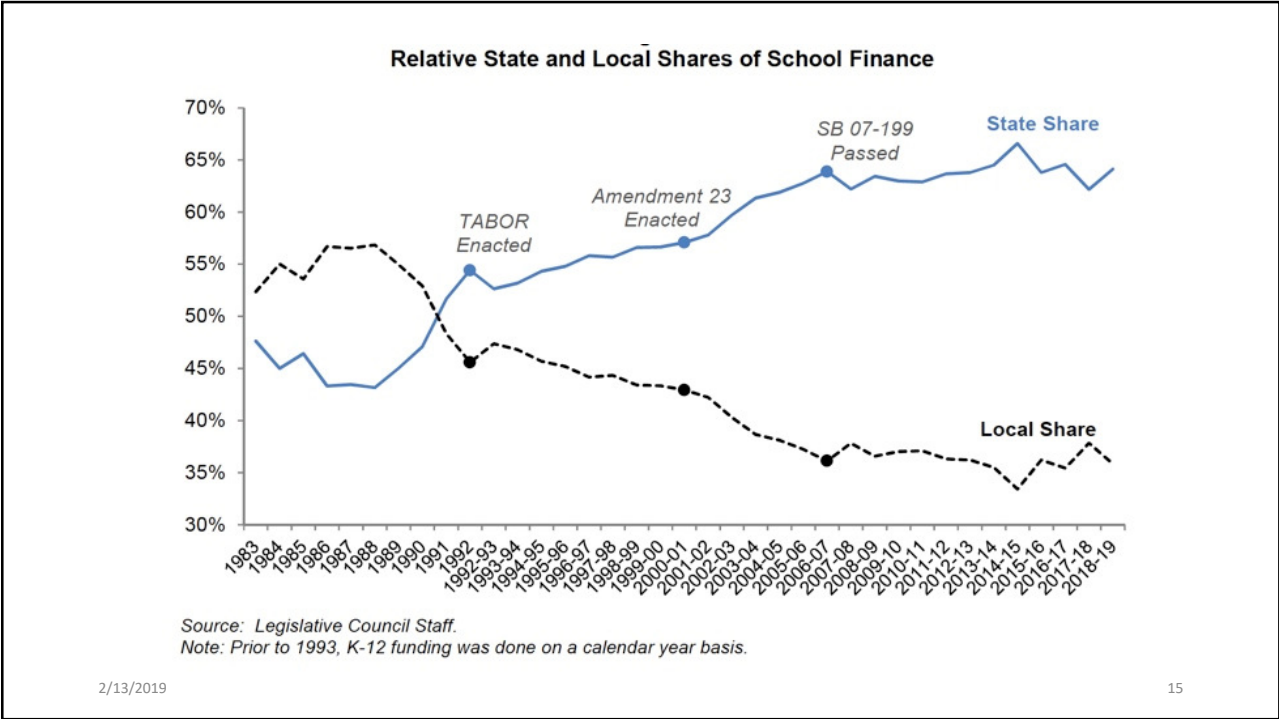
- Time-out granted between FY 2005-06 and FY 2009-10
 - Eliminated ratchet-down effect on revenue cap
- Established a new starting point for revenue
- Reduced refunds and state able to retain revenue for rainy day fund
- Recession would have been worse without passage of Ref C

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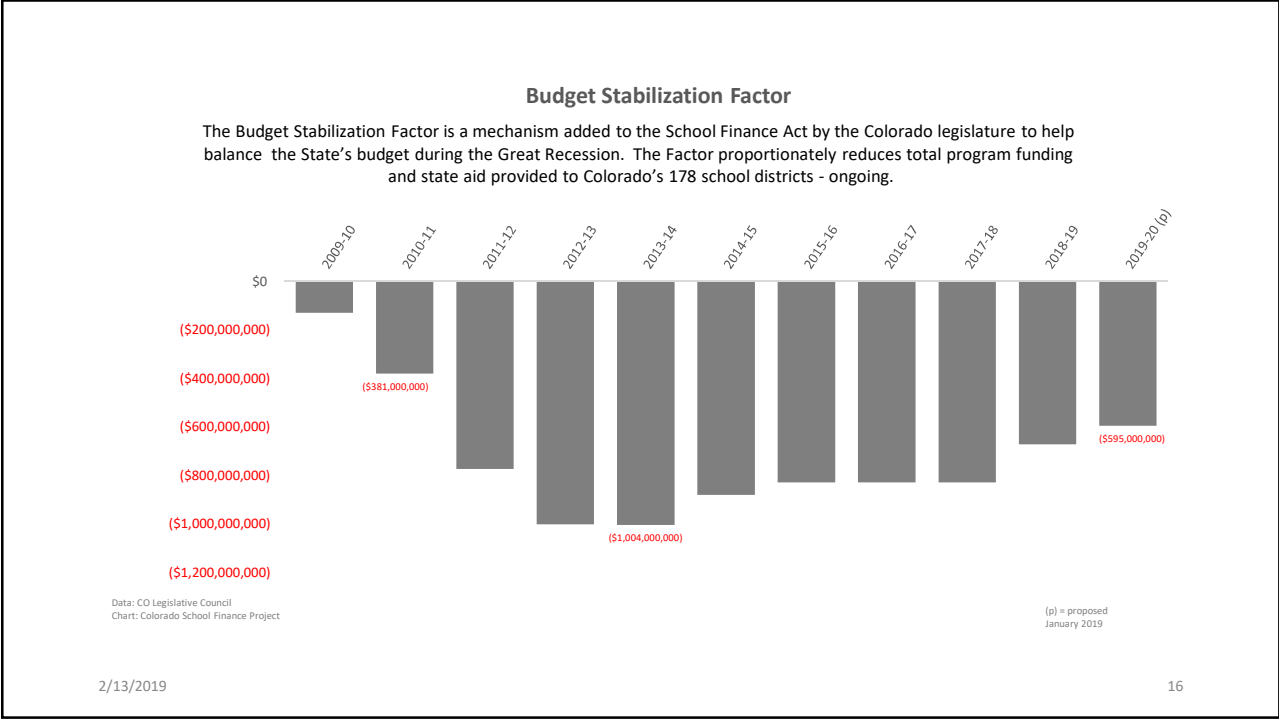
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Other impacts to K-12

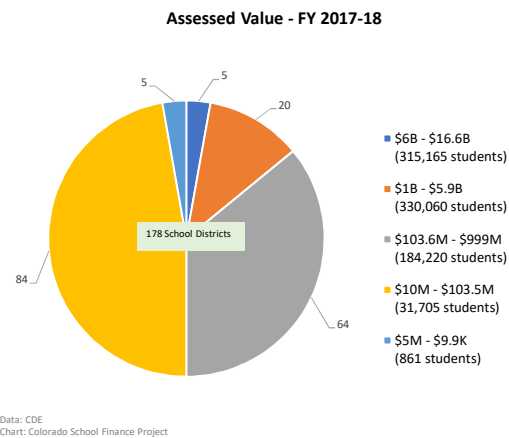
- Loss of \$3 billion to K-12 in local property tax due to interaction of Gallagher and TABOR.
- Puts more pressure on state general fund
- Enrollment grows
- Student need grows
- Academic expectations change

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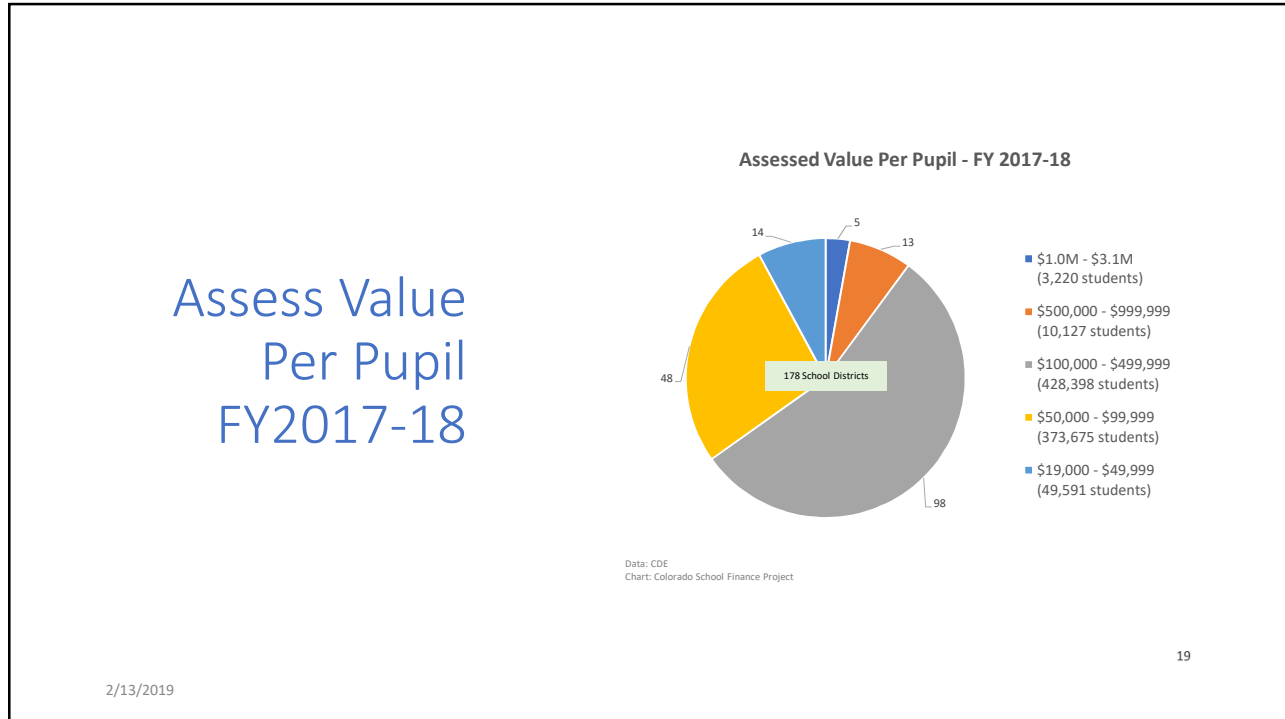
Total Assessed Value FY 2017-18



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- ### 2019: Discussions in the legislature
- TABOR refunds
 - Gallagher
 - Uniform Mill
 - Statewide de-brucing
 - Pay back debt owed to K-12
- 2/13/2019
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Questions:
Now & Later

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