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.
**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)

**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%
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
  o Reduces local share as residential values grew faster than non-residential
  o Which increases state share

Residential Assessment Rates
TABOR: 1 of 2

• Operations of state and local governments
  o Removed legislative taxing authority
  o Created Revenue and Spending caps for state and local governments

• Election process
  o All revenue increases to be voted on
  o Defined when and what year elections can be held.
  o Defined specific language that must be used when asking voters to raise revenue.
  o TABOR prevents RAR from rising as required under Gallagher

TABOR: 2 of 2

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

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
Comparing a variety of sources, the funding gap between Colorado and the U.S. average has continued to grow over the past 20+ years.

Colorado spends between $2,100 to $2,800 less per pupil than the U.S. Average.

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
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

---

TABOR Outlook
Revenue Subject to TABOR
Dollars in Billions

- Referendum C Cap
- Five-Year Timeout Period
- Referendum C

Expected TABOR Surpluses
- $189.0M
- $380.4M
- $18.5M

Source: Colorado Office of the State Controller and Legislative Council Staff December 2018 forecast.
The Budget Stabilization Factor is a mechanism added to the School Finance Act by the Colorado legislature to help balance the State's budget during the Great Recession. The Factor proportionately reduces total program funding and state aid provided to Colorado's 178 school districts - ongoing.

Data: CO Legislative Council
Chart: Colorado School Finance Project
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

Total Assessed Value FY 2017-18

Assessed Value - FY 2017-18

- $6B - $16.6B ($15,165 students)
- $1B - $5.9B ($30,060 students)
- $103.6M - $999M ($184,220 students)
- $10M - $103.5M ($31,705 students)
- $5M - $9.9K ($861 students)

Data: CDE
Chart: Colorado School Finance Project
Assess Value Per Pupil - FY 2017-18

- $1.0M - $3.1M (3,220 students)
- $500,000 - $999,999 (10,127 students)
- $100,000 - $499,999 (428,398 students)
- $50,000 - $99,999 (373,675 students)
- $19,000 - $49,999 (49,591 students)

Data: CDE
Chart: Colorado School Finance Project

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

• Tracie Rainey
  T.Rainey@cosfp.org
  303-860-9136

• Stay connected:
  www.cosfp.org
  @COSFP
  Colorado School Finance Project - Facebook