Today’s Topics

Gallagher
- History
- Impact
- Interaction with TABOR

K-12 Funding in Colorado
- How it works
- Why funding K12 education is complicated in Colorado
- Budget Stabilization Factor

Amendment B
- What it is
- What is the impact for K12
Gallagher: Intent

• From 1969 through much of 1970’s residential values were increasing at 1% per month.
• Consistency for residential and commercial property tax support and create uniform valuations statewide.
• Created formula that could fluctuate mill levies up and down to generate a consistent local revenue.
• ~45% Residential / Nonresidential ~55%
Reality of Current Law

Assessment Rate Adjustments Under Current Law

Actual Property Values\(^*\) \(\times\) Assessment Rates = Taxable Values

- **Residential** 80%  
- **Nonresidential** 20%

### 7.15% Residential Rate\(^*\)

The legislature adjusts the residential assessment rate to achieve the required ratio for taxable values.

### Fixed 29% Nonresidential Rate\(^**\)

\(<\text{Actual property values are for 2019. The residential assessment rate is for 2019 and 2020. This assessment rate has fallen over time to maintain the fixed ratio for taxable values of about 45 percent residential and 55 percent nonresidential.}\>

\(<\text{Assessment rate for most nonresidential property.}\>
<table>
<thead>
<tr>
<th>Tax Year(s)</th>
<th>Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>Prior to 1983</td>
<td>30%</td>
</tr>
<tr>
<td>1983-1986</td>
<td>21%</td>
</tr>
<tr>
<td>1987</td>
<td>18%</td>
</tr>
<tr>
<td>1988</td>
<td>16%</td>
</tr>
<tr>
<td>1989 - 1990</td>
<td>15%</td>
</tr>
<tr>
<td>1991 - 1992</td>
<td>14.34%</td>
</tr>
<tr>
<td>1993 - 1994</td>
<td>12.86%</td>
</tr>
<tr>
<td>1995 - 1996</td>
<td>10.36%</td>
</tr>
<tr>
<td>1997 - 2000</td>
<td>9.74%</td>
</tr>
<tr>
<td>2001 - 2002</td>
<td>9.15%</td>
</tr>
<tr>
<td>2003 - 2016</td>
<td>7.96%</td>
</tr>
<tr>
<td>2017 - 2018</td>
<td>7.20%</td>
</tr>
<tr>
<td>2019 - 2020</td>
<td>7.15%</td>
</tr>
</tbody>
</table>

Source: Department of Local Affairs Division of Property Taxation, 2019 Forty-Ninth Annual Report to the Governor and General Assembly, p. 31
Source: Long-term Fiscal Stability Commission Memorandum, Colorado Legislative Council Staff, July 2009
Enacted and Estimated Residential Assessment Rates, 1983 to 2020

Actual Rate

TABOR
Enacted in 1992

Current Rate: 7.15%

RAR increases if not for TABOR

Source: Section 39-1-104.2 (3)(a) through (3)(p), C.R.S. and Department of Local Affairs.
Sources: Colorado Department of Local Affairs, Division of Property Taxation, Colorado Department of Local Affairs, State Demography Office, and the U.S. Bureau of Labor Statistics.
Total Assessed Value
FY 2019-20

$20.7B-$7B (323,637 students)
$4.1B-$1B (364,532 students)
$979M-$100M (157,982 students)
$97M-$10M (30,421 students)
Less than $9M (922 students)
Assessed Value Per Pupil FY 2019-20

- $6.9M-$1M (3,651 students)
- $999,999-$500,000 (16,995 students)
- $499,999-$100,000 (535,536 students)
- $99,999-$50,000 (266,654 students)
- Less than $49,999 (54,742 students)
Total Program Mills
FY 2019-20
Gallagher worked for 10 years - Floating up and down when valuation changed to generate consistent revenue

- **After TABOR**: Pressure on state resources for K-12 as balancing could only reduce residential assessment rate and reduced funding for other local governments
  - Reduces local share as residential values grew faster than non-residential
  - Which increases state share for K-12
Local Revenue inside the School Finance Act

**LOCAL SHARE**
Local District Taxes:
- Property Taxes
- Ownership Tax

- Local Share
  - **Starting point** for determining state share of District Total Program
  - Remains in the district

**STATE SHARE**
State Taxes:
- General Fund
- Education Fund

State Share
- State “backfills” to reach District Total Program
State & Local Share Varies (by design)

District A

LOCAL SHARE
Local District Taxes:
  Property Taxes
  Ownership Tax

STATE SHARE
State Taxes:
  General Fund
  Education Fund

District B

LOCAL SHARE
Local District Taxes:
  Property Taxes
  Ownership Tax

STATE SHARE
State Taxes:
  General Fund
  Education Fund
What issues have complicated funding in Colorado?

Gallagher – 1982
  - Stabilized local property tax revenue
  - Balance between residential and non-residential

TABOR – 1992
  - Limited revenue & spending
  - Undid balance of Gallagher
Relative State and Local Shares of School Finance

Source: Legislative Council Staff.
Note: Prior to 1993, K-12 funding was done on a calendar year basis.
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
2008-2021 Budget Stabilization Factor: Reflects passage of HB20-14

Per pupil base funding before added $s: $5,250.41
Per pupil base funding after added $s: $5,270.13

$1,000,000,000

Funding meets Amendment 23 requirement 2008-09

$611,000,000 Increase


2014-15 $6,121 2015-16 $6,292.39 2016-17 $5,507.68
Referral to the ballot by the legislature

Repeals the 29 percent assessment rate in the constitution for most nonresidential property, the calculation of the target percentage, and the requirement that the General Assembly adjust the residential assessment rate to maintain the target percentage.
Repealing these provisions from the constitution *does not* change the current statute implementing the Gallagher Amendment, or the corresponding assessment rates.
AMENDMENT B: DOES

Passage of the measure *does*, however, eliminate the constitutional requirement that the residential assessment rate be changed in order to maintain the target percentage.
Over time property tax revenue for school districts will **INCREASE** revenue available for the local share of school finance.
Without increasing property tax rates, to help preserve funding for local districts that provide fire protection, police, ambulance, hospital, kindergarten through twelfth grade education, and other services, and to avoid automatic mill levy increases, shall there be an amendment to the Colorado constitution to repeal the requirement that the general assembly periodically change the residential assessment rate in order to maintain the statewide proportion of residential property as compared to all other taxable property valued for property tax purposes and repeal the nonresidential property tax assessment rate of twenty-nine percent?

Source: 2020 State Ballot Information Booklet
QUESTIONS

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

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