

Public Education and Business Coalition- PEBC  
Catalyst Presentation

# School Finance

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# 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.*



# Colorado Children's Campaign

*Who are we?  
What do we do?*

- Non-profit, non-partisan
- A voice for Colorado's kids at the State Capitol and in communities across the state
- Champion policies and programs in child health, early childhood and K-12 education

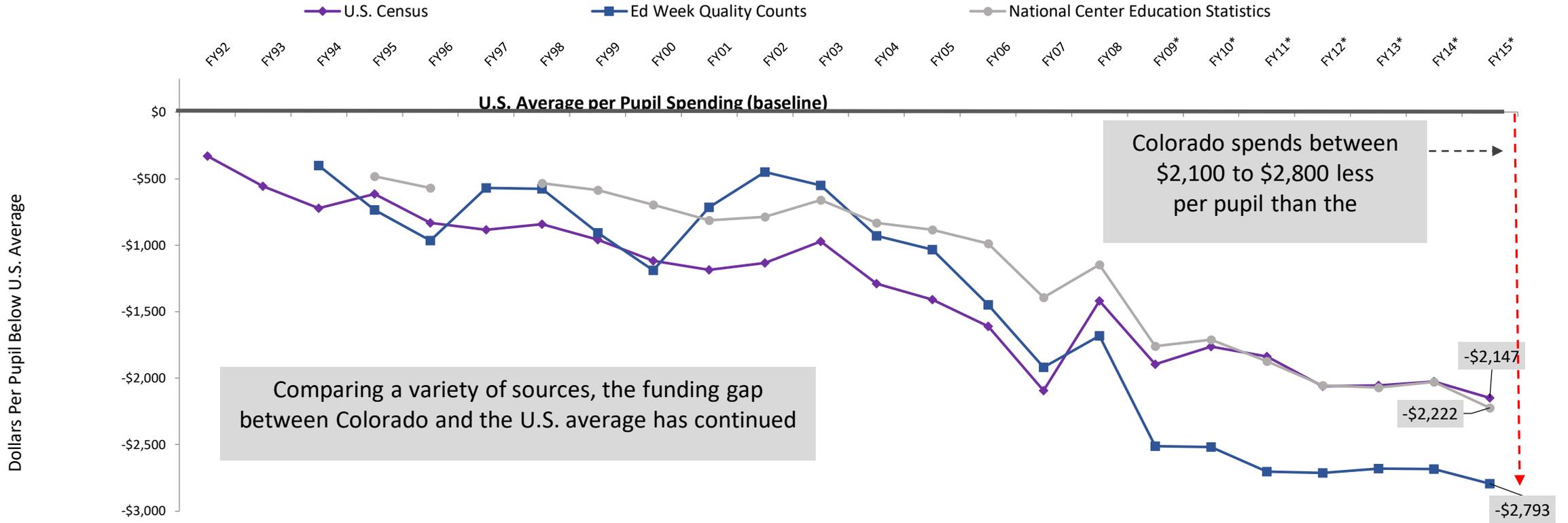
*Mission: The Colorado Children's Campaign is a nonprofit, nonpartisan advocacy organization committed since 1985 to realizing every chance for every child in Colorado.*

# Topics of discussion for the 2020 legislative session

- School Finance Formula re-write: without new money
- Teacher Salaries
- Behavioral Health
- Colorado still has \$572 million owed since recession – cumulative debt \$8.1 billion
- Local share and mill levy ideas

# Trends in Per Pupil Spending - Comparing Colorado to U.S. Average

FY 1991-92 to FY 2015-16

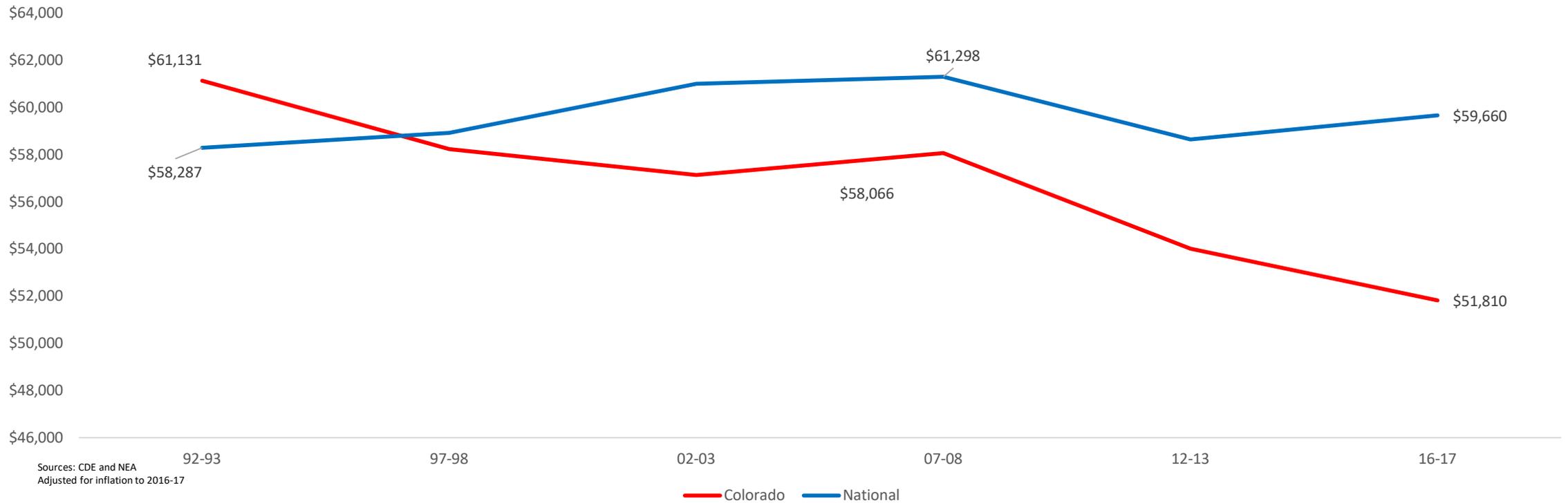


Audited data from U.S. Census, Quality Counts, NCES  
 Chart: Colorado School Finance Project

\* Budget Stabilization Factor (mechanism to reduce PK-12 funding) incorporated in School Finance Act

# Trends in Per Pupil Spending

## Colorado's Average Teacher Salary



# Colorado's Teacher Salaries

# Thinking about 2020 ballot

- Great Schools Thriving Communities Coalition – ballot ideas
- Vision 2020 – ballot ideas
- Gallagher – maybe a referred measure
- Governor’s office – priorities will they impact the ballot?

## How does state tax policy of a uniform mill impact K-12?

- The goal of the 1988 and 1994 school finance act was for districts to levy 40 mills – unless total program could be generated with a lesser amount
- This worked in conjunction with Gallagher – as mills could adjust up or down as property values fluctuated
- This balance addressed equity and equality (acknowledged different amounts at same rate)

# Uniform Mill Levy

- Bills were drafted in prior session but not introduced
- The concepts from last year are the starting point for input
- The state is contemplating going back to a uniform mill for K-12
- School districts were at 40 mills or what was needed to fully fund total program
- Currently school districts range from less than 2 mills up to 27 for total program

## Mill Levy facts

- In 2018-19, statewide average Total Program Mills (without CSI students) is **19.6**
- Average amount raised per student for 1 Mill- **\$300.29**
  - *Range* is \$21 to \$5,424
  - *Median* \$147.99

# Residential Tax Payer Impact

**Actual Value of Home=  
\$200,000**

**Residential Assessment Rate=  
7.15%**

**or**

**Non-Residential Assessment  
Rate = 29%**

**Total Assessed Value= \$14,300**

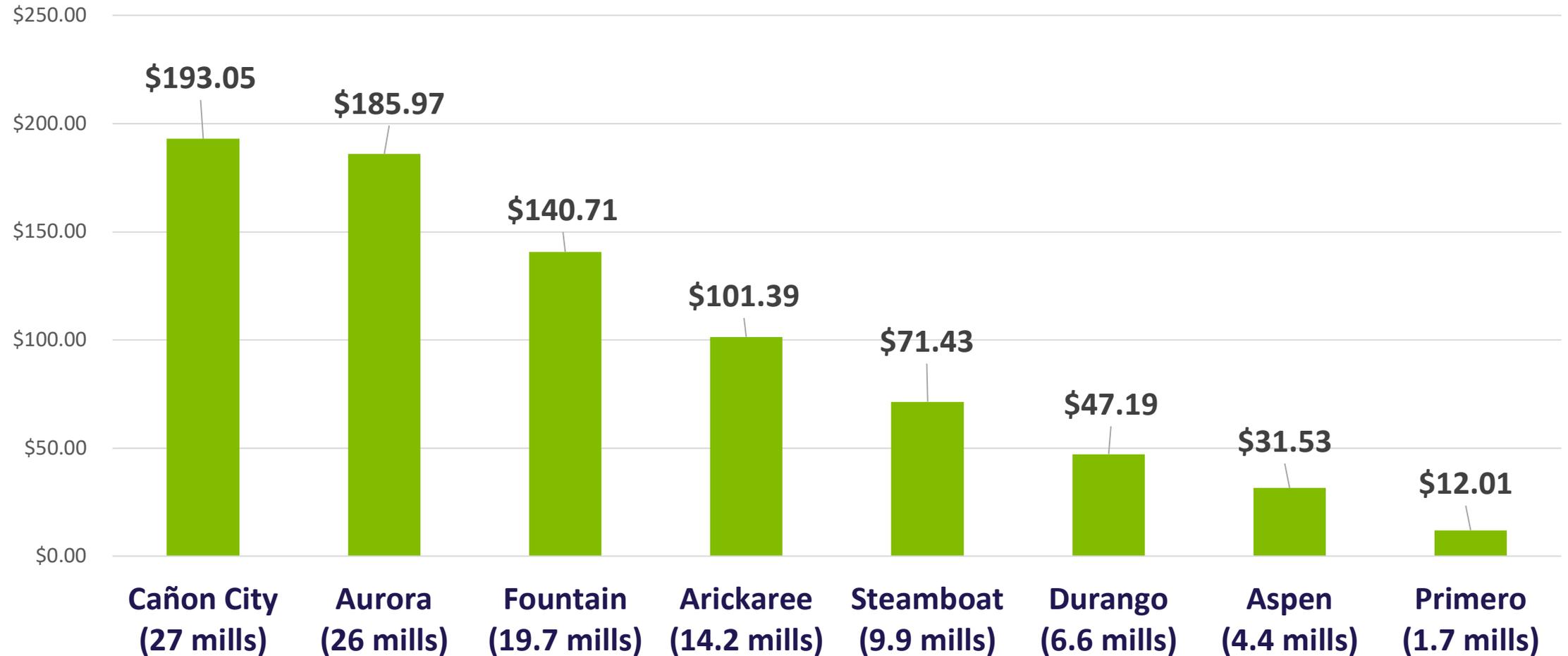
**Assessed value x mill**





# Taxpayer inequality in Colorado

## Taxpayer Contribution per \$100k of Home Value in 2019\*



\*Takes into account 2019 Residential Assessment Rate of 7.15%

# What's a mill levy?



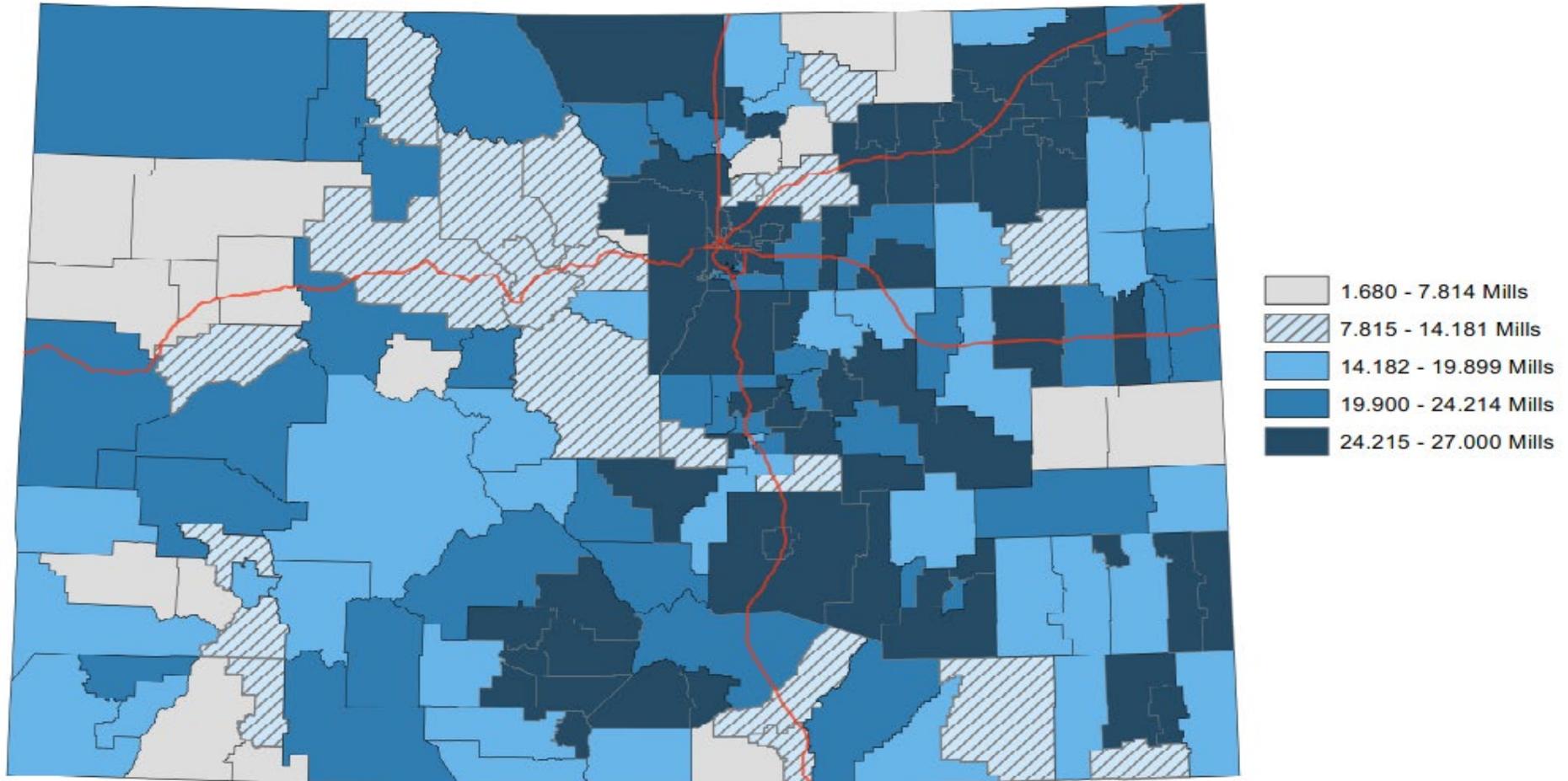
- *Total Program Mill Levy* = Property Tax Rate
- Assessed/Taxable Value (determined by Gallagher) x Mill Levy = Property Tax Amount
  - One mill = 1 / 1000, so 27 mills = .027
  - Each district has its mill levy set each year in statute
  - **TOTAL PROGRAM MILL LEVY  $\neq$  MILL LEVY OVERRIDE**
  - TPMLs range from 1.68 mills to a ceiling of 27 in CO

## *Denver Homeowner Example:*

\$348,900 (Market Value) x .0715 (7.15% Residential Assessment Rate) x .0255 (25.5 Mills) =  
**\$636.13 annual payment for K-12 total program**

# Mills Range from less than 2 to 27

FY 2018-19 Total Program Mill Levies



# Why does this matter?

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- Impact on taxpayers
  - 16x variation in local investment in K-12 (via the tax rate)
  - Current mill levies are regressive
  - Subsidization of low mill levies through income/sales tax
- Impact on school districts
  - Districts taxed at a higher rate struggle to raise overrides
- Impact on the state budget
  - Local revenue declining over decades has put unsustainable pressure on the budget because of required backfill

# Why is the JBC taking this on?

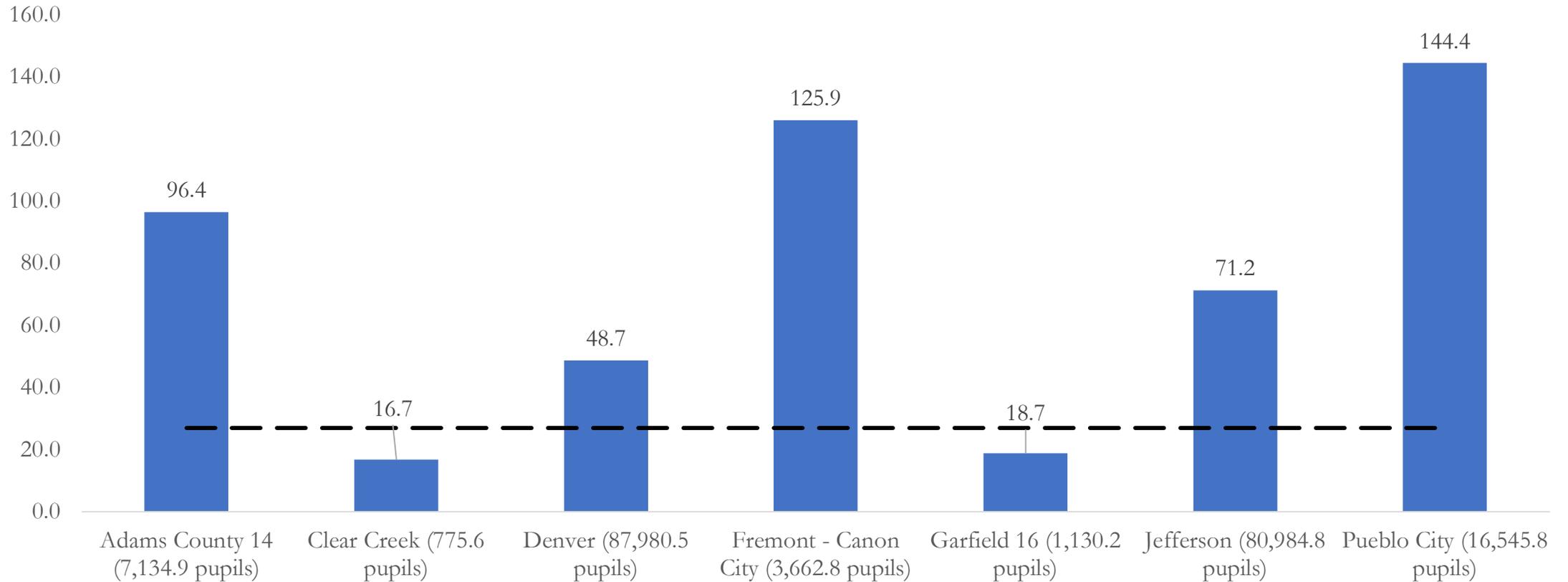
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- A tax system with no intentional design or coherent policy rationale to support it is not a good tax system
- Interest in adequacy as well – this is a legislative way to generate new revenue for our education system
- Tax equity should be evaluated at the level of the taxpayer (via the tax rate), and the state's role should be to equalize for inherent differences in tax *base* across the state, not tax *rate*

**THE STATE SHARE IS MEANT TO MAKE UP FOR DISPARITIES IN CAPACITY TO RAISE REVENUE AT THE LOCAL LEVEL. CHART SHOWS MILLS NEEDED TO FULLY FUND TOTAL PROGRAM IN EACH OF THESE SCHOOL SCHOOLS.**

FY 2018-19 MILL LEVIES REQUIRED TO FULLY FUND TOTAL PROGRAM



## Additional Mill Levy facts

- 74 school districts are currently at 24-27 mills OR are within 3 mills of total program funding
  - 642,393.5 Funded Pupil Count (FPC)
  - Account for 73% of FPC in the state
- 104 school districts are below 24 mills and are NOT within 3 mills of total program funding
  - 234,875 Funded Pupil Count (FPC)
  - Account for remaining 27% of FPC

## What legislation is being contemplated for 2020

- Goal is 27 mills or the mill at which a district is fully funded locally
- Budget Stabilization Factor will be reduced with additional revenue available at the state level
- 2022-23 would be the trigger year for districts to start asking voters for increases of one mill per year or face reduced state share funding
- Rural districts that are more than 10 mills away have until 2024-25 year to get to first requirement of 1 mill a year

## What legislation is being contemplated for 2020

- Incentive to go to voters earlier- districts get to keep additional funding as a one-time mill levy override
- Districts may repurpose existing mill levy overrides as total program mills and go to their voters one time for phase-in of mill increase, if so desired

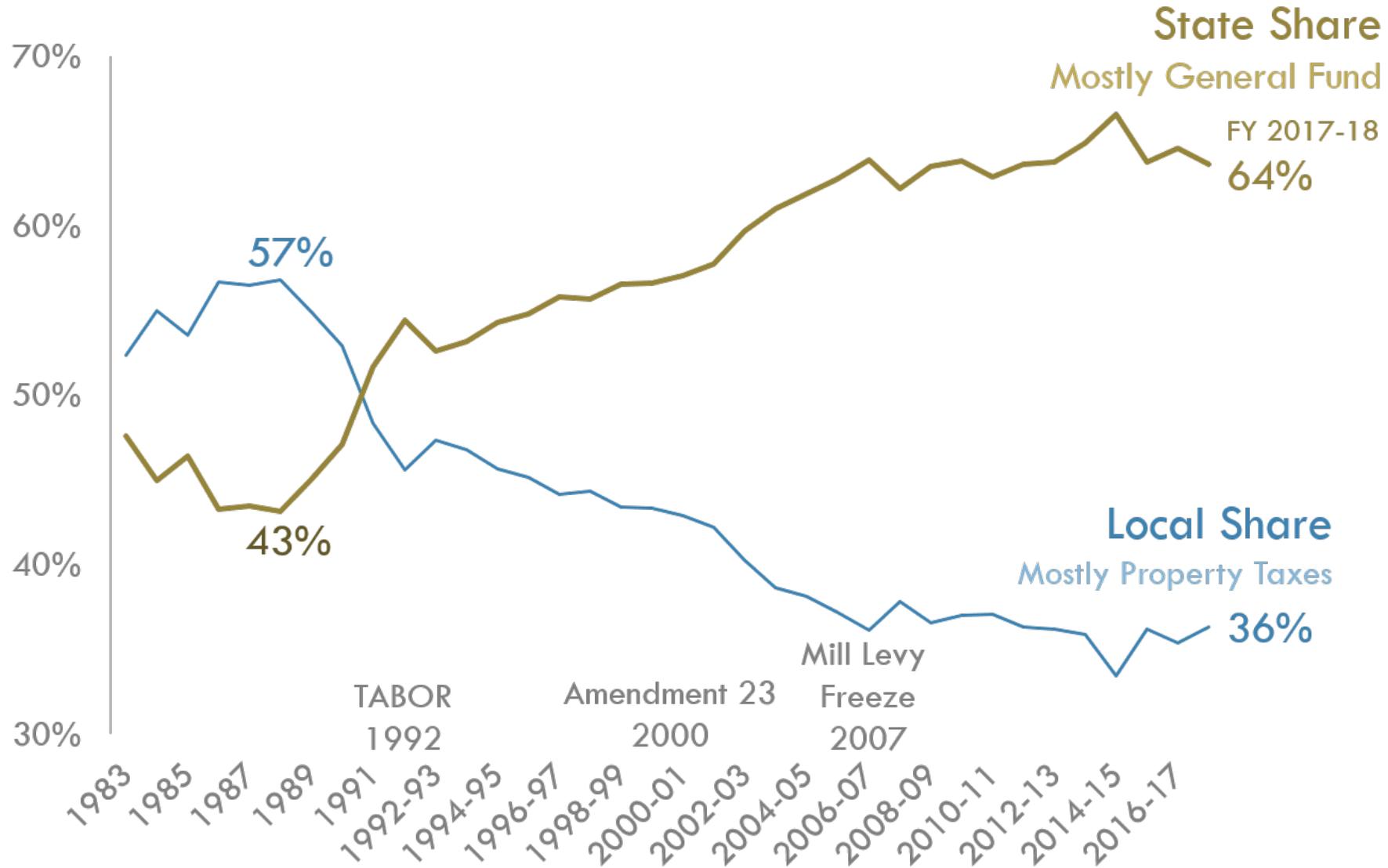
# Goals of total program mill equalization proposal

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- Improve *equity between taxpayers* in Colorado
- Improve *equity between districts* by leveling the playing field of investment in education
- Improve school funding *adequacy* by increasing property tax revenue and investing those dollars into education
  - Statewide estimate for new, sustainable local revenue = \$437M
- Improve long-term *sustainability* of K-12 funding by rebalancing local and state share contributions and relieving pressure on the state budget

# Unsustainability of K-12 finance over the long-term



Note: Prior to 1993, K-12 funding was allocated on a calendar year basis.

Questions- Now

Questions Later  
– contact us

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