

## Uniform Total Program Mill Levy: LLS NO. 20-0291.02

Contact: Leslie Colwell, [leslie@coloradokids.org](mailto:leslie@coloradokids.org) or 303-620-4534

2.3.20 Draft<sup>1</sup>

**Bill Topic:** “School District Uniform Total Program Mill Levy”

**Bill Title:** Concerning property tax mill levies to fund public education.

### **Section 1: Legislative Declaration to establish rationale for a new structural framework for K-12 tax policy (page 4, line 1 through page 6, line 20).**

- Colorado’s last comprehensive modification to school finance was in 1994. Since that time, unintended consequences of the interaction of certain Constitutional provisions has led to uneven local investment in public education by taxpayers across school districts, with little consistency when comparing districts of similar attributes.
- To ensure the long-term sustainability of education funding, a better balance of state and local share contributions is necessary.
- It is the intent of the legislature that any new local property tax revenue realized as a result of this policy will maintain and even annually increase the amount appropriated by the state to reduce the budget stabilization factor and improve the adequacy of resources available to students. *Any available savings to the state share shall remain within the K-12 funding system.*
- *Voter-approved mill levy overrides are increasingly used as a tool for generating additional revenue, exacerbating funding inequities because of vast differences in property valuation between districts. It is appropriate for the state to use a portion of the state share realized as a result of a uniform mill levy to partially equalize the amount that property-poor school districts are able to raise as additional revenue.*
- Colorado’s current property tax system that funds K-12 education has no intentional policy design. A new tax system should be designed on purpose with specific policy goals in mind.
- Colorado’s current property tax system that funds K-12 education equalizes for differences in both the tax *rate* and the tax *base*. The state’s role in K-12 education finance should shift to equalize for differences in tax base.
- Tax equity/fairness should be evaluated at the layer of the taxpayer (via a uniform tax rate), meaning property owners with the same value property should pay the same property tax amount no matter the school district in which they reside. Similar to State income tax and sales tax rates, tax rates to support education should be the same for all taxpayers.
- Local property tax revenues to support public education stay local.
- Decades of unintended policy consequences have created the current K-12 property tax system, and it may require a commensurate amount of time to equalize the system. The legislature has the authority to set an expectation around uniform tax policy and establish a framework for local communities to meet that expectation.

### **Section 2: Sets a target, uniform total program mill levy; defines a phase-in period for districts to be on the path to meeting the uniform mill; defines a minimum level of funding which districts may never fall below; and requires that any additional funding capacity generated at the state level be invested in education (page 6, line 21 through page 16, line 14).**

---

<sup>1</sup> Text in *italics* indicates a change/addition from the December 13, 2019 draft.

Updated February 3, 2020

Contact: Leslie Colwell, Vice President of Education Initiatives, [leslie@coloradokids.org](mailto:leslie@coloradokids.org) or 303-620-4534

- Defines a safety net/minimum level of state support for school funding (page 7, line 14 through page 8, line 5). If a district levies a lesser number of mills than the number required, state share shall be the greater of:
  - An amount equal to what the state’s share of the district’s total program would be if the district were levying the required number of mills for that budget year, or
  - The amount necessary to ensure that state and local shares combined do not add up to less than 83 percent<sup>2</sup> of the district’s total program after application of the budget stabilization factor.
- *In the 2024-25 budget year and every two years thereafter, the Joint Budget Committee shall review the number of mills levied by districts and the circumstances for districts who have struggled to increase their mill levy and may recommend legislative changes to the Legislature (page 8, lines 6 through 13).*
- Starting with the 2023 property tax year, districts are directed to levy 27 total program mills or the number of mills at which the district is fully funded locally (page 8, lines 18 through 27).
- Beginning in the 2023 property tax year, a district may seek voter approval to:
  - Increase the mill levy by more than one mill per property tax year. If this happens, a district is not required to increase the mill levy again for a number of property tax years equal to the number of mills by which the mill levy was increased, and the district’s share of total program will be calculated each year based on the number of mills that the district is required to levy (page 9, lines 18 through 26);
  - Phase-in the required increase in the mill levy over multiple property tax years, so long as the mill levy increases by at least one mill per property tax year (page 9, line 27 through page 10, line 7).
- In a budget year in which a district levies more than the number of mills required, the district may expend the portion that is not included in calculating the district’s share as if it were mill levy override revenue that is not subject to any MLO limitation (page 10, lines 8 through 16).
- As an option (not a requirement), a district may count all or any portion of existing voter-approved mill levy overrides as total program mill levies (page 10, lines 17 through 21).<sup>3</sup>
- A school district that asks voters for a mill increase to a number of mills that will fully fund the district’s total program may also request voter approval to allow the mill levy to adjust to fluctuations in the district’s assessed property value (page 10, line 22 through page 11, line 1).
- Rural districts that must increase by 10 or more mills are not required to seek voter approval to begin increase the mill levy until 2025 (page 11, lines 2 through 9).
- Districts may seek voter approval to increase their total program mills before the required year (2023 or 2025, whichever applies). If voter approval is obtained before the required year, districts keep additional voter-approved mills as one-time overrides that are not subject to any MLO limitation, with no impact on state share (page 11, line 17 through page 12, line 8).
- Conforming language for district reorganization (page 12, line 11 through page 13, line 12).
- Supplement, not supplant provision: Beginning in the 2020-21 budget year and until the budget stabilization factor no longer exists, the General Assembly:
  - *Shall ensure that any amount of savings to the state share of total program that could occur as a result of increasing local share continues to be appropriated as the state share*

---

<sup>2</sup> The height of budget stabilization factor cuts to K-12 funding was FY2012-13. According to [Legislative Council](#), that FY’s funding reduction amounted to an across-the-board cut for most districts of 16.11 percent.

<sup>3</sup> Depending on wording of existing measures, repurposing may or may not require a vote of the community.

- of total program (page 13, lines 19-24), and
  - Regardless of the increase in local share, shall annually pay the increase in total program due to inflation and pupil enrollment and to prevent an increase in the BSF (page 13, line 25 through page 14, line 6).
- Beginning in the 2025-26 budget year, 25 percent of the total amount generated by increased local share shall be appropriated to the Mill Levy Override Equalization Fund created in this bill (page 14, lines 7 through 20).
- The bill ensures that, with the increase in local share of a school district in which a Charter School Institute school is located and the corresponding decrease in the district's amount of state share, CSI schools remain fully funded (page 14, line 21 through page 15, line 25).
- District stakeholders are encouraged to form working groups to make recommendations to the General Assembly by January, 2021 regarding appropriate technical, legal and financial assistance for school districts that must hold elections (page 16, lines 5 through 14).

**Section 3: Distribution from State Public School Fund (page 16, line 15 through page 17, line 20).**

- Conforming language to reflect change for calculating CSI school funding referenced above.

**Section 4: Inclusion of charter schools in school district mill levy elections (page 17, line 21 through page 18, line 6).**

- A school district that is required to submit a ballot question to voters to authorize an increase in total program mill levy shall invite each charter school authorized by the district to participate in discussions relevant to the ballot question.

**Section 5: Definitions (page 18, lines 7 through 27).**

- Conforming language

**Section 6: District total program definitions (page 19, line 1 through page 22, line 16).**

- Conforming language

**Section 7: Total program reserve fund (page 22, line 17 through page 24, line 8).**

- A school district may maintain and use revenue in a total program mill levy reserve fund to reduce the degree of increases and decreases in the mill levy caused by fluctuations in the district's assessed property value.
- In a budget year in which the balance of the total program reserve fund exceeds the amount of the district's total program by 30 percent or more, a school district may expend the amount of the excess balance.

**Section 8: Buy-out of categorical programs (page 24, line 9 through page 26, line 20).**

- Districts that are fully funded locally shall make an additional levy to generate property tax revenue in an amount equal to the amount of categorical support funds.
- If the combined levy required to fully fund total program and buy out categorical support funds is less than the combined levy in the previous year, a district may choose to maintain the combined levy at the same level and credit the excess revenue to the district's total program mill levy reserve fund. But, in a year in which the total program reserve fund exceeds the district's total program by 30% or more, the district must reduce its combined levy so that it does not

exceed total program plus the amount required to buy out categorical support funds (page 25, line 25 through page 26, line 11).

- If the balance of a district's total program reserve fund is 30 percent more than the amount of total program calculated for that year, the district shall not levy additional mills for that budget year.

**Section 9: Establish the Mill Levy Override Equalization Fund in the State Treasury; define districts eligible for matching funds; specify the formula for calculating the amount of the distributions and the two sources of match funds (page 26, line 21 through page 29, line 23).**

- Defines a district that is eligible for state matching funds as a district that would require more than 30 mills to reach its existing cap on mill levy override revenue (page 27, lines 6 through 9).
- Beginning in the 2025-26 budget year, CDE shall appropriate override match funds to eligible districts according to a formula (page 27, line 22 through page 28, line 15):
  - 1% of the district's available override mill equalization amount for every 1% of the district's percentage of effort up to 20% override mill percentage of effort;
  - 1.5% of the district's available override mill equalization amount for every 1% of the district's percentage of effort between 20% and 60% override mill percentage of effort;
  - .5% of the district's available override mill equalization amount for every 1% of the district's override mill percentage of effort greater than 60% override mill percentage of effort.
- Until 2025-26, the only source of funds appropriated to the Mill Levy Override Equalization Fund will come from districts at 27 mills that choose to go above the existing mill levy override revenue cap and contribute 25% of whatever is raised above the cap to the Fund. Beginning in 2025-26, the Generally Assembly shall also annually appropriate to the Fund 25% of the increase in the amount of property tax revenue resulting from the uniform total program mill levy (page 29, lines 10 through 23).

**Section 10: Authorization of additional local revenues (page 29, line 24 through page 31, line 26).**

- On and after July 1, 2021, the bill allows a school district to collect mill levy override revenue in an amount that is greater than 25%, but not more than 30%, or for a small rural school district greater than 30%, but not more than 35%, of the school district's total program (page 30 lines 12 through 25).
- To be eligible to go above the existing cap, a school district must levy 27 total program mills or the number of mills required to fully fund total program and must agree to a 25% reduction in the district's state share, an amount which is deposited in the Mill Levy Override Equalization Fund (page 31, lines 3 through 18).
- Districts that do not levy the number of total program mills required pursuant to the bill are not allowed to seek voter approval for additional mill levy overrides (page 31, lines 19-26).

**Section 11: Authorization of additional local revenues subject to cap (page 31, line 27 through page 32, line 17).**

- The amount that a school district may receive as mill levy override revenue for funding capital construction, new technology, existing technology upgrades, and maintenance, combined with the other mill levy override revenue that the school district receives, cannot exceed up to 30%, or for a small rural school district up to 35%, of the school district's total program.

Updated February 3, 2020

Contact: Leslie Colwell, Vice President of Education Initiatives, [leslie@coloradokids.org](mailto:leslie@coloradokids.org) or 303-620-4534