



# School Finance in Colorado: What's Next?

Fort Collins Issue Forum – January 26, 2019



**COLORADO CHILDREN'S CAMPAIGN**

*Every Chance for Every Child*



# 2018-2019 Budget

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- Temporary good news:
  - \$150 million buydown of the \$830 million/year “budget stabilization” factor
  - \$225 million to help ensure the long-term stability of the Public Employees’ Retirement Association (PERA)
  - \$35 million for school safety upgrades/training
  - \$30 million appropriation for rural schools
  - \$10 million to address educator shortages

**There’s a catch...**





# Our Constitution undermines everything

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- Gallagher Amendment – 1982
  - GOAL: Control residential property tax increases
- Taxpayer's Bill of Rights (TABOR) – 1992
  - GOAL: Require voter approval for any tax increase  
AND set a cap on amount of revenue collected
- Amendment 23 – 2000
  - GOAL: Require an annual increase in statewide base funding per pupil

# Opportunities to improve education funding this legislative session

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1. Make our property tax system more fair:
  - Equalize property tax rates for education to create a level system of taxation
  - Equalize school districts’ ability to raise funds through mill levy overrides
2. Improve long-term sustainability of the budget:
  - Repeal/replace Gallagher
  - Permanently “de-Bruce” state revenue
3. Fund students more equitably
  - Extend School Finance Interim Committee
  - Fund full-day kindergarten



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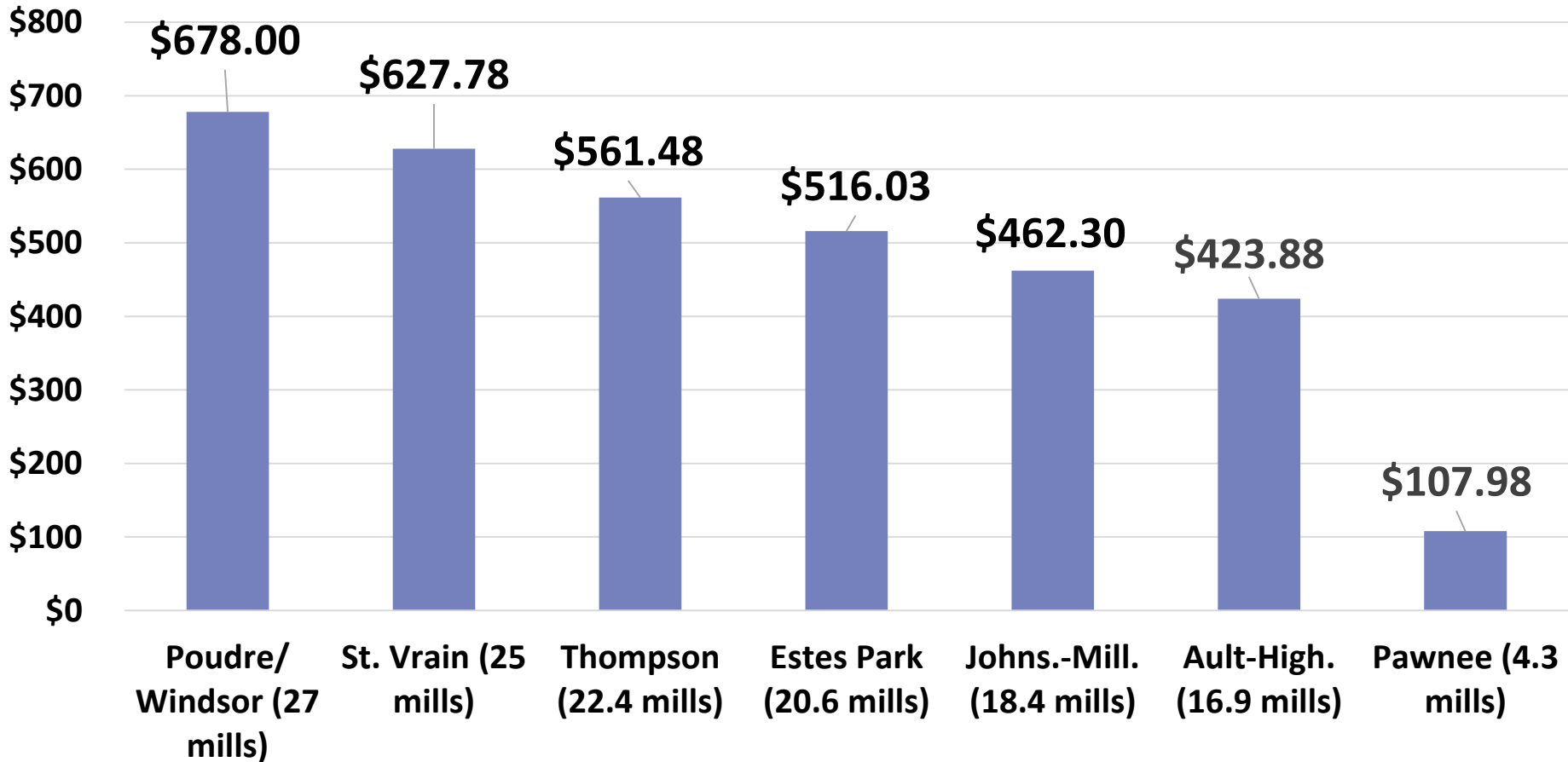


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# Taxpayer Inequality – Larimer County + Surrounding Areas

## Taxpayer Contribution to Total Program on a \$348,900 (Median Value) Home



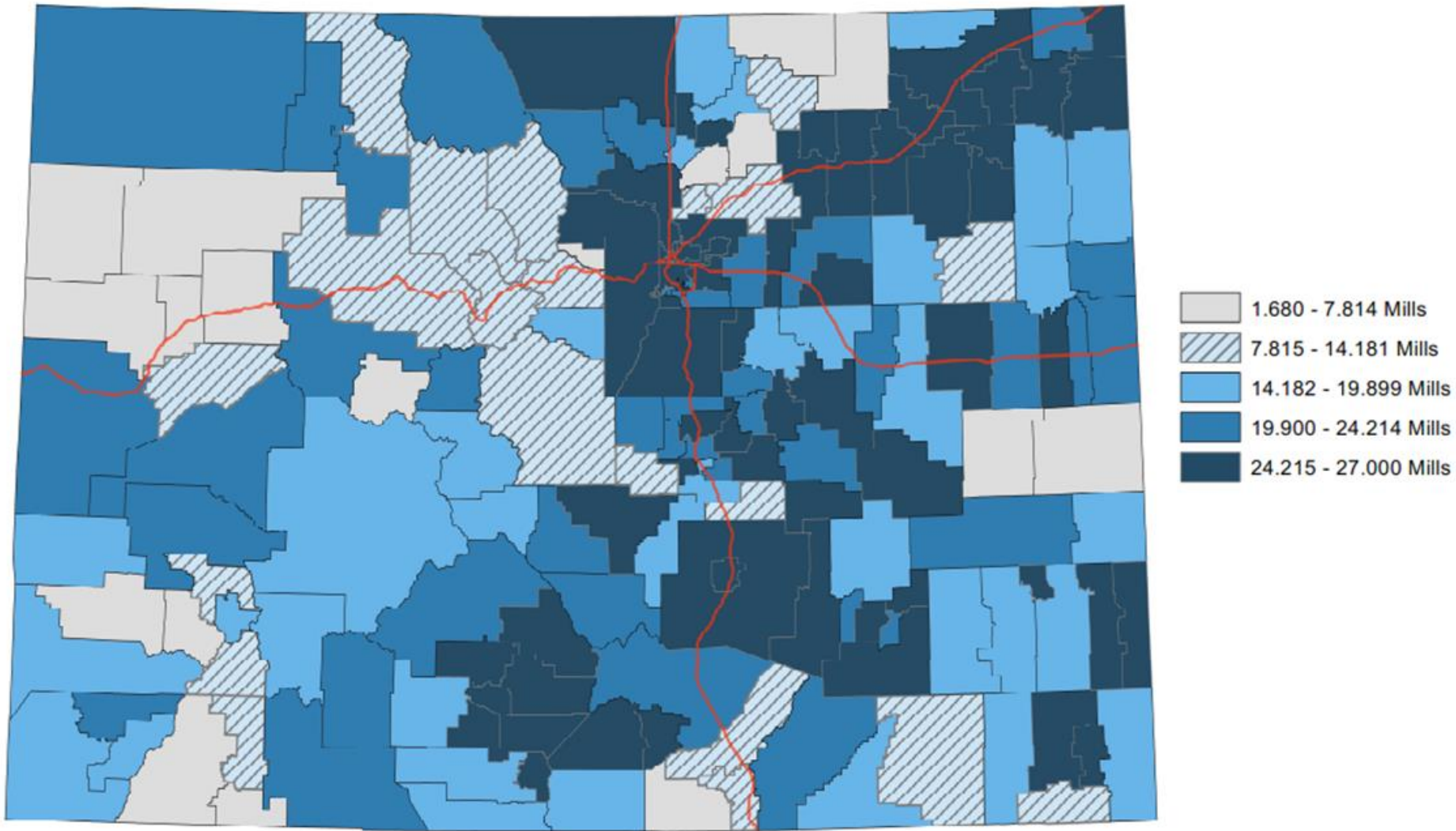


## What's a mill levy?

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- *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 currently range from 1.68 mills to a ceiling of 27

# FY2018-19 Total Program Mill Levies



Map prepared by Legislative Council Staff.







# Disparate Levies: How did we get here?

**1988:** School Finance Act of 1988 instituted a statewide uniform mill levy to equalize local effort and reduce reliance on the local share.

**1992:** Voters pass TABOR, which constrains local revenues and reduces mill levies to stay under caps. Districts with rapid AV growth see mill levies drop, and they cannot float back up.

**1991:** By 1991, districts had largely transitioned to a uniform mill levy of 40.08 mills (except for districts fully funded at a lower level).

**2007:** Mill levy freeze (S.B. 07-199) for most districts freezes in place existing inequities.



## Why does this matter?

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- Unfair to taxpayers
  - Variation in local “effort,” (investment in K-12)
  - Current mill levies are regressive
  - Subsidization through income/sales tax
- Unfair to school districts
  - If mill levies were more consistent, more state funds would be available to districts that are taxed at a higher rate but still have less capacity to raise sufficient funds because of a low property tax base.



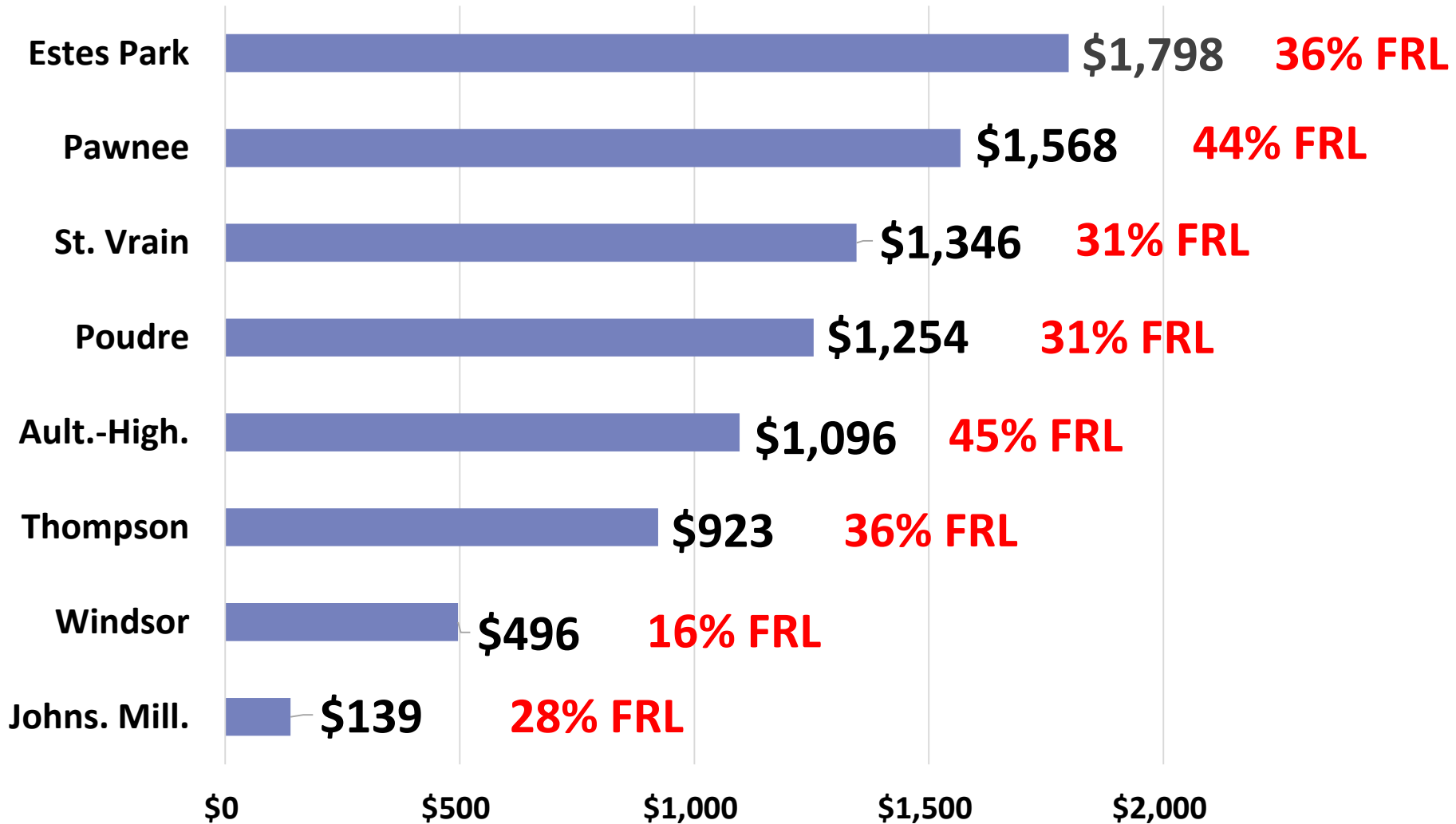
## Mill Levy Overrides: An additional layer of inequality

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- MLOs generate additional funding that stays in the district and does not impact state funding a school district receives
- Creates a system with 178 local solutions to inadequate funding vs. one statewide solution
- One mill raises \$20 per student to \$3,000+ per student, depending on local property wealth
- Some districts have been able to pass MLOs easily, others not at all – 66 districts have no MLO



# Override Dollars Per Student vs. % FRL





## Solutions to make our property tax system more fair

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- Equalize property tax rates for education; this is a way to generate more revenue
  - Set a uniform statewide mill levy; authorize districts to increase their total program mill levy with local voter approval and distribute state share of funding accordingly
- Equalize school districts' ability to raise funds through mill levy overrides
  - Send additional state dollars or matching funds to districts with high total program mill levies and low assessed value – where MLOs are difficult to obtain and do not go as far

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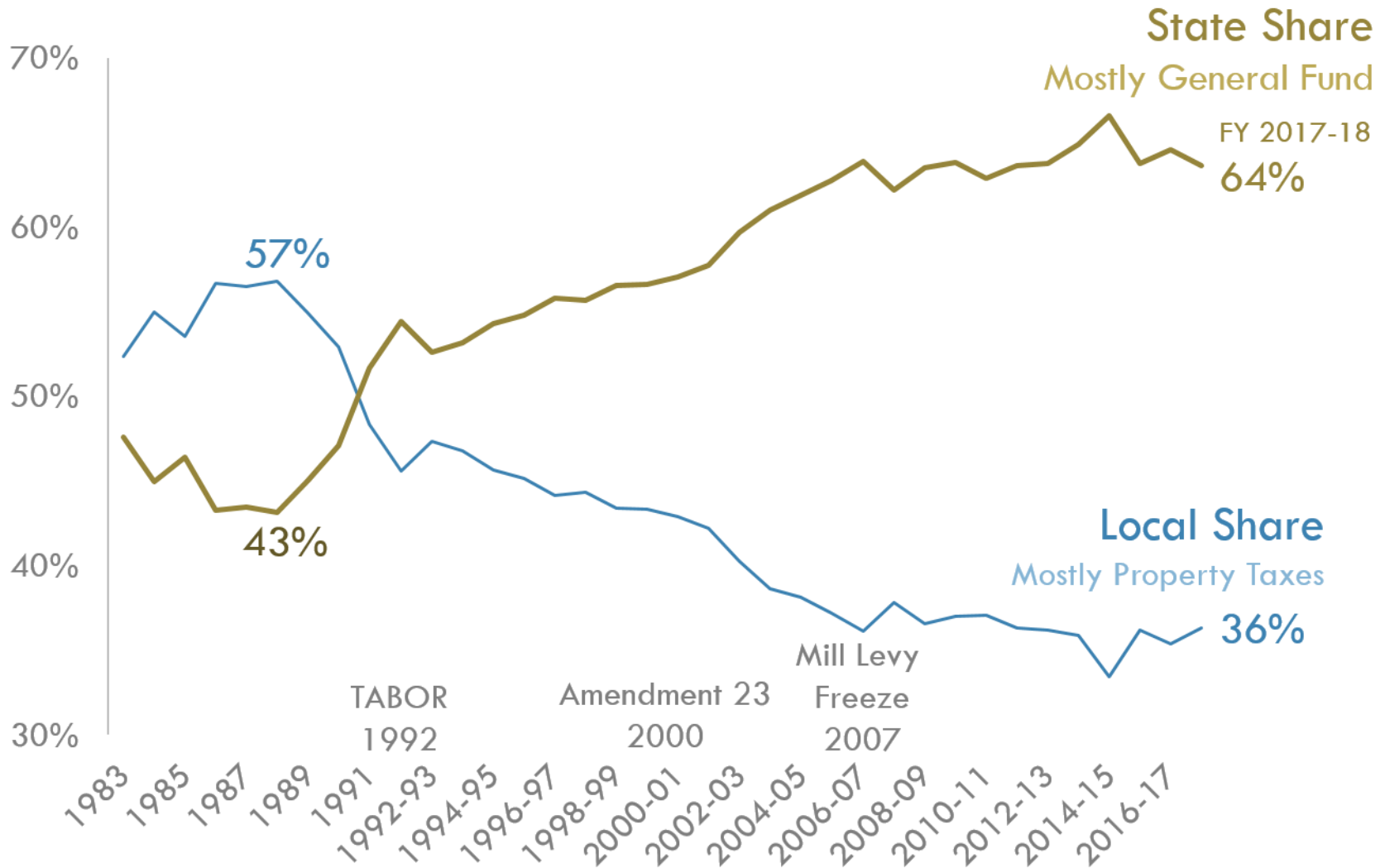


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# K-12 finance and the State budget are unsustainable over the long-term.



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



## Solutions to improve long-term sustainability

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- Repeal/replace Gallagher Amendment that forces an automatic and permanent property tax cut every two years
  - “Stop the bleeding” of local government
- Permanently “de-Bruce” state revenue
  - Allow the state to keep surplus dollars instead of sending refunds to voters



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# Solutions to fund students more equitably

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- Extend School Finance Interim Committee
  - Goal: update our 25-year-old school funding formula so it is more equitable and adequate to meet the needs of kids
- Fund full-day kindergarten
  - $0.58 \rightarrow 1.0 + .05$  in year one
  - Largest expansion of pre-K in Colorado history
  - Continued “buydown” of the budget stabilization factor



# Questions?

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