MLO Match Program

Marc Carey
Thomas Rosa
Legislative Council Staff

MLO Match Working Group
9/24/2024

Objectives for Today's Presentation

Overview of existing MLO match program

- Key theoretical concepts in existing model
- MLO match program results to date

Working Group Considerations

- Existing model parameters
- Other considerations
- Model sensitivity to key variables
- Program incentives and funding reliability
- Model alternatives

Available resources

Introduction

Program creation: SB22-202

- Based on recommendations from CASE subcommittee
- Subcommittee selected preferred model structure, and specific model parameters later specified in statute

Intentions

- Supplement MLO revenue for districts with MLOs and low property wealth
- Incentivize other districts to seek voter approval for MLOs

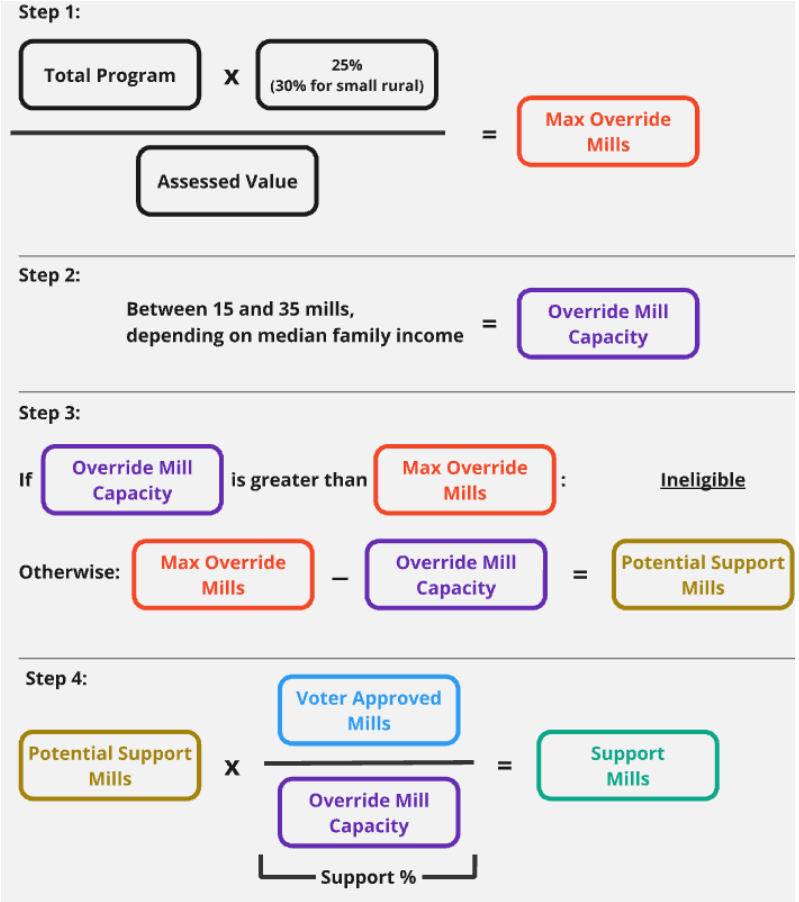
Funding levels

- Determined each legislative session
- $10 million in 2022-23 (27 districts)
- $21 million in 2023-24 (22 districts)

  + $11 million from HB24-1448 (20 additional districts)

Model Concepts
Calculated for all districts

- Maximum Override Mills: **The Goal**
- Override Mill Capacity: **The Expectation**
- Potential Support
- Actual Support



Maximum Override Mills: The Goal

- The **"goal"** is the amount of money (including local MLOs and state match) the model would like the school district to get

- This is measured in mills and is sometimes called "Maximum Override Mills"

- Current calculation:

$$\frac{Total\ program\ \times\ 25\%\ (or\ 30\%\ for\ small\ rurals)}{Assessed\ Value}$$

➢ *Consider if you agree or disagree with this as the model target*

Override Mill Capacity: The Expectation

- The **"expectation"** is the number of voter approved MLOs the model thinks a district should levy, based on community income
  - Measured in mills and sometimes called "Override Mill Capacity"

- The model includes the following:
  - 25 mills as the midpoint of the range across districts
  - a 10 mill deviation from this midpoint

- Thus, each district's capacity is set between 15 and 35 mills, based on median family income:
  - 15 mills for the lowest income district
  - 35 mills for the highest income district
  - For all others, between 15 and 35 mills based on income

➢ *Consider if you agree or disagree with this expectation for districts, or would revise the range*

Potential Support

- If a district's **"expectation" is higher than the "goal",** it is ineligible for support and expected to raise funds locally.

- If a district's **"goal" is higher than the "expectation",** its potential support is the gap between them.

- Like the other values, potential support is measured in mills, but can also be translated to dollar amounts.

Actual Support

- Actual support depends on both potential support and a measure of local effort:

$$actual\ support = potential\ support \times \frac{voter\ approved\ MLOs}{model\ expectation}$$

- The proportion of the "expectation" that a district actually levies is the proportion of potential support the state actually provides

- The state match per voter approved mill ranges from 0.1 to 6.7

- If the program isn't funded sufficiently for all districts to receive this amount, funding is scaled back proportionately

Step 1:

(Total Program / Assessed Value) x (25% (30% for small rural)) = Max Override Mills

This is the amount of funding the model wants each district to have, in mills. This is also the maximum number of mills that state law allows a district to levy.

More mills are required in lower property wealth districts.

Step 2:

Between 15 and 35 mills, depending on median family income = Override Mill Capacity

This is the number of mills the model thinks a district should be able to levy, based on income. This is lower for lower income districts.

Step 3:

If Override Mill Capacity is greater than Max Override Mills: Ineligible

Otherwise: Max Override Mills – Override Mill Capacity = Potential Support Mills

These districts are expected to fund locally.

This is the gap between what the model wants a district to have (step 1), and what it thinks they are able to levy (step 2). The match program aims to fill that gap.

Step 4:

Potential Support Mills x (Voter Approved Mills / Override Mill Capacity) = Support Mills

Support % = Voter Approved Mills / Override Mill Capacity

The state will only fully fill that gap if the district is actually levying what the model thinks it can levy.

If it levies less (or none) the support will be less (or none).

Example of high wealth district
Boulder Valley RE-2

Ineligible: Model expectation exceeds the goal

- Goal: 7.9 mills (25% of total program, $75 million)
- Expectation: 32.7 mills ($311 million)
- Ineligible for match funds
- Since the "Expectation" is higher than the "Goal" this district is expected to raise funds locally
- 111 districts are in this category as they have relatively high property wealth, high median family income, or both.

Example of a district with no MLOs
Pueblo City 60

Eligible: No voter approved MLOs

- Goal: 31.7 mills (25% of total program, $40 million)
- Expectation: 19.8 mills ($25 million)
- Potential Support: 11.9 mills ($15 million)
- Voter approved MLOs: 0.0 mills
- Otherwise eligible but has no voter approved mills
- 45 districts are in this category as they have low property wealth, low income, or both, but no MLOs

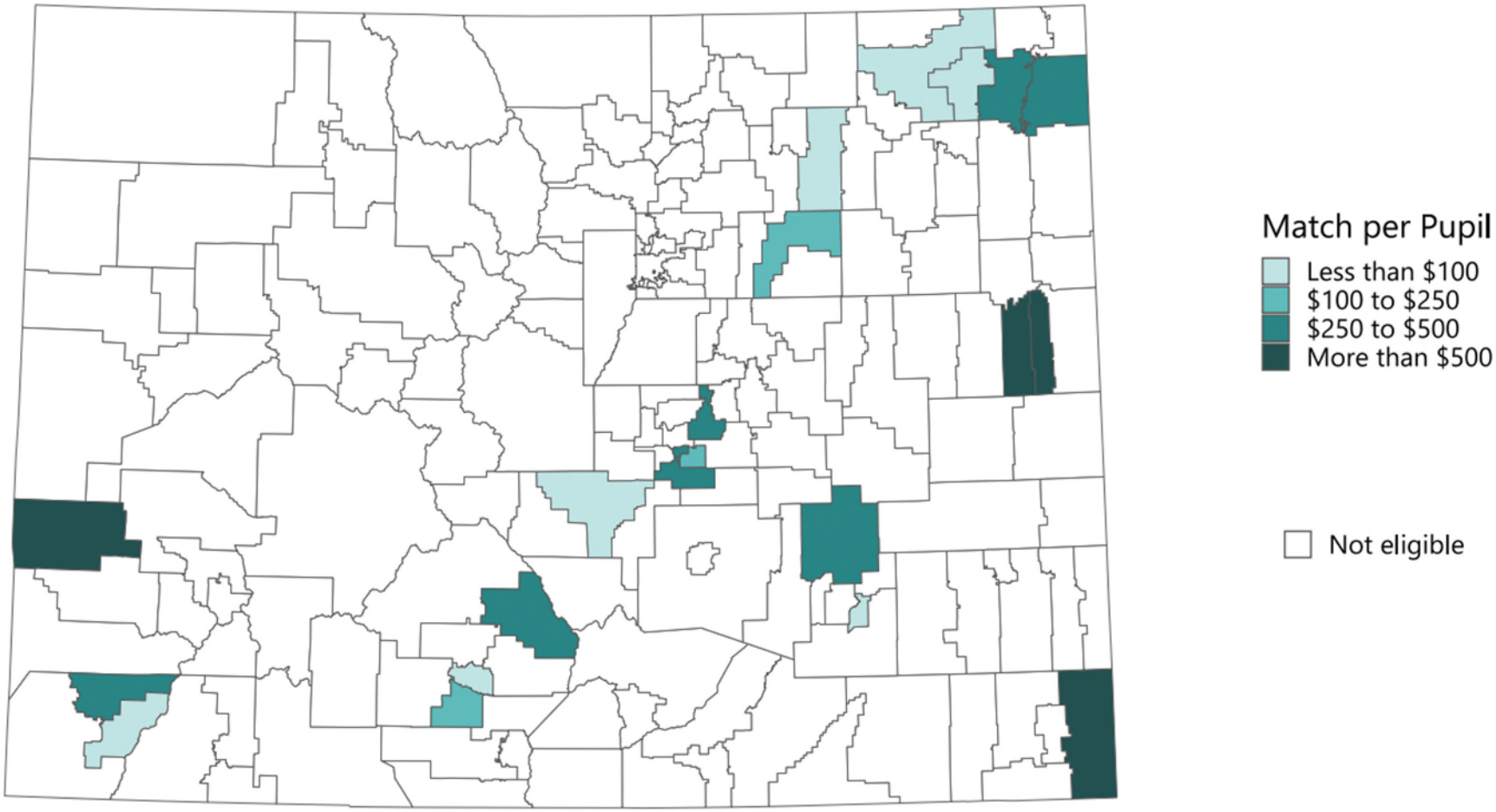
Example of a district receiving support
Falcon School District 49

Eligible: Has voter approved MLOs

- Goal: 34.8 mills (25% of total program, $58 million)
- Expectation: 26.8 mills ($45 million)
- Potential Support: 8.0 mills ($13 million)
- Voter approved MLOs: 18.5 mills (69% of expectation)
- Support: $9 million (69% of potential support)
- 22 districts are in this category and receive support as they have low property wealth, low income, and voter approved MLOs

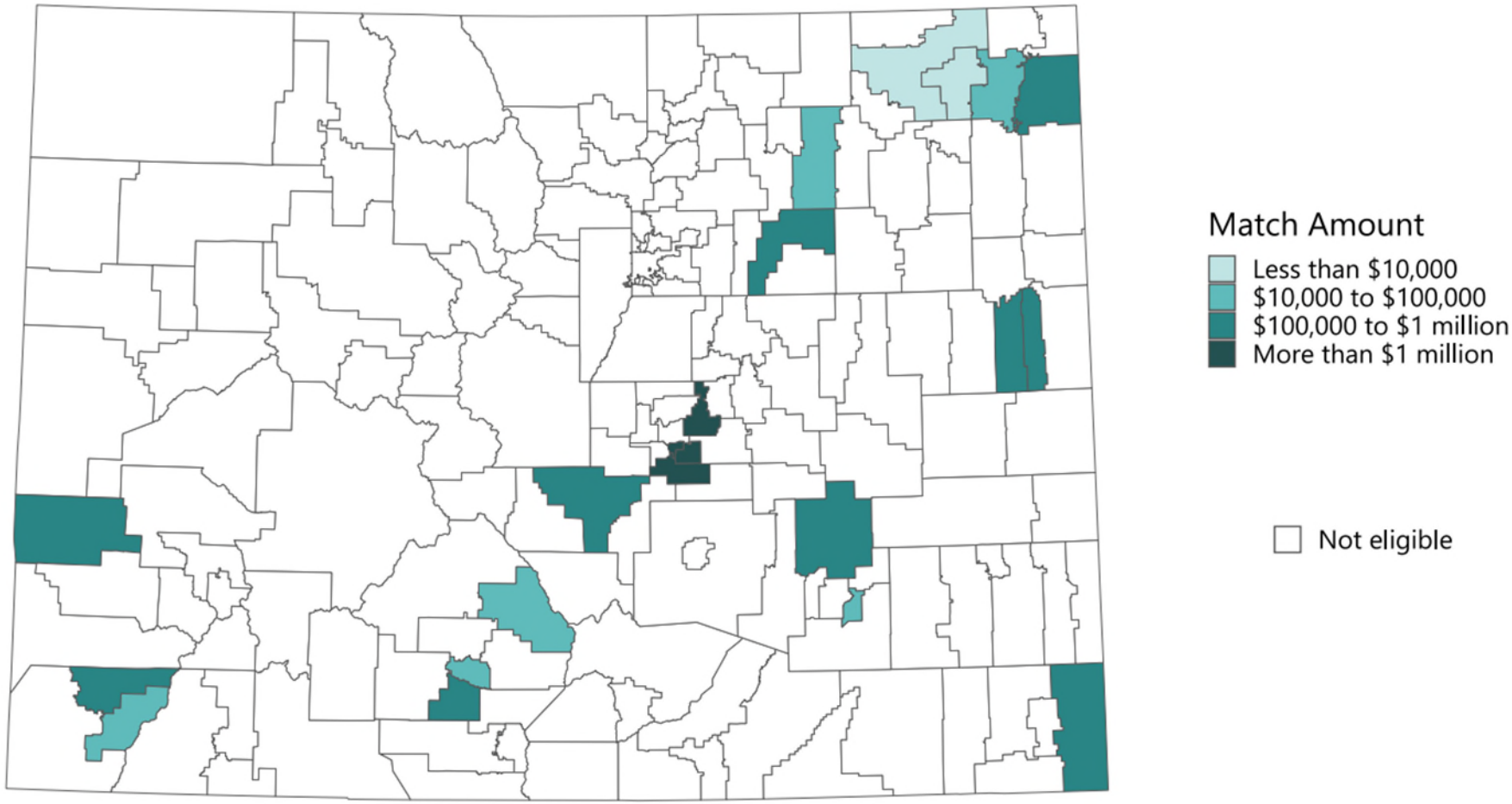
FY 2023-24 Current Model Results

Support per pupil ($)



FY 2023-24 Current Model Results

Allocation of program funds



Working Group Considerations
Parameters for District Capacity (Expectation)

Midpoint Selection

- Current model uses 25 mills as midpoint of range for district capacity
- *Consider if midpoint parameter should be adjusted up or down*

Range Boundaries

- Current model establishes a 10 mill range on either side of midpoint for district capacity
- *Consider if range parameter should be adjusted up or down*

Working Group Considerations
Other considerations

Online students

- Current model excludes any online students beyond 10% of student population
- ➢ *Consider how/if online students should be included in the model*

Federal impact aid

- Federal impact aid is paid by the federal government to local governments to offset lost property tax revenue because of federal property
- Current model does not account for this
- *Consider how/if federal impact aid should be included in the model*

Voter approved MLOs above model expectations

- Current model considers districts with MLOs above model expectations ineligible for match funds
- Original intent may have been to scale down district match in proportion to excess
- ➢ *Consider how such districts should be handled in the model*

Working Group Considerations
Model sensitivity

Property values

- Increase leads to higher assessed value and fewer mills needed to reach "goal"
- Recent increases have pushed some districts out of program eligibility
- This will continue so long as assessed values grow faster than total program
- The reverse is also possible

Median family income

- Model "expectation" sensitive to median family income (ACS measure)
- Model is especially sensitive to changes in highest and lowest income districts, which define endpoints of 15 to 35 mill range

➢ *Consider if you think these sensitivities are desirable or not*

Working Group Considerations
Program Incentives and Funding Reliability

Potential Program Objective: Incentivize districts to seek VA MLOs

- If program funding is unreliable, incentive is significantly weakened
- If districts are unaware of program potential, incentive is significantly weakened
- ➢ *Consider if this incentive is desirable, and if so, how to make funding more reliable and program potential more widely understood*

Example – Sanford 6J

- No voter approved mills
- For each voter approved mill, however, this program would match with 6.7 mills of support

Working Group Considerations
Model Alternatives

HB 24-1448 Alternative MLO Match Model (FY 2023-24 only)

- Eligible districts:
  - had voter approved MLOs
  - levied less than 90% of their max override mills
  - had AV per member less than the median across all districts

- Eligible districts received funding equal to a half mill times the difference between the median AV per member and district AV per member:

$$\frac{1}{2} * \frac{(median\ AV\ per\ pupil - district\ AV\ per\ pupil)}{1000} * district\ membership$$

- **If a district was eligible under both models, they received the greater amount**

- HB24-1448 also increased several district's MLO limits (Appendix B of memo)

- *Consider if this alternative model is desirable to maintain*
- *Are there other, new approaches to consider?*

Working Group Resources

- LCS memo providing overview of MLO match program
  - https://leg.colorado.gov/publications/overview-mill-levy-override-match-program-0
- LCS MLO match program modeling/visualization tool
  - Currently available with staff assistance
- LCS Working Group Staff
  - Marc Carey, Thomas Rosa, Anna Gerstle, Rachel Kurtz-Phelan
- OLLS Staff
  - Jacob Baus, Alana Rosen

Questions?

Marc Carey
Chief School Finance Officer
marc.carey@coleg.gov
(303) 866-4102

Thomas Rosa
Data Scientist
thomas.rosa@coleg.gov
(303) 866-3140

Modeling Tool

MLO Match Model MLO Match

Configure Model

Model step:

Step 2: Override Mill Capacity

Next, we define how many mills each district is expected to be able to contribute before any support.

A range of local mills sets the bounds for this value, and then each district gets a value within that range based the median family income in that district. Lower income districts will have lower override mill capacity.

Override mill capacity for lowest income district:

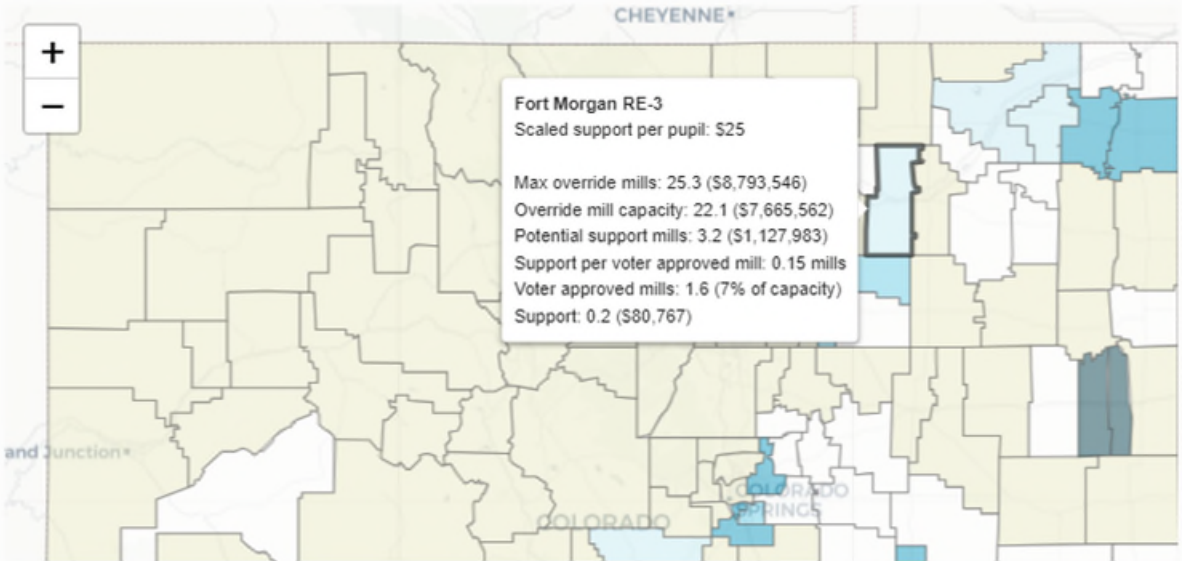
15 mills 100 mills

Override mill capacity for highest income district:

0 mills 35 mills 100 mills

Potential Support	Support	Scaled Support
$106,745,795 | 67 districts	$20,681,445 | 22 districts	$20,681,445 (100.0%) | 22 districts

Current Model Overview Simulation Map Simulation Data

Color map by:

Support per pupil