

MLO Match and Taxpayer Parity Considerations

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Additional Property Tax-Related issue:

Taxpayer parity and the overreliance of Mill Levy Overrides to fully fund our schools

How are Colorado Schools Funded?

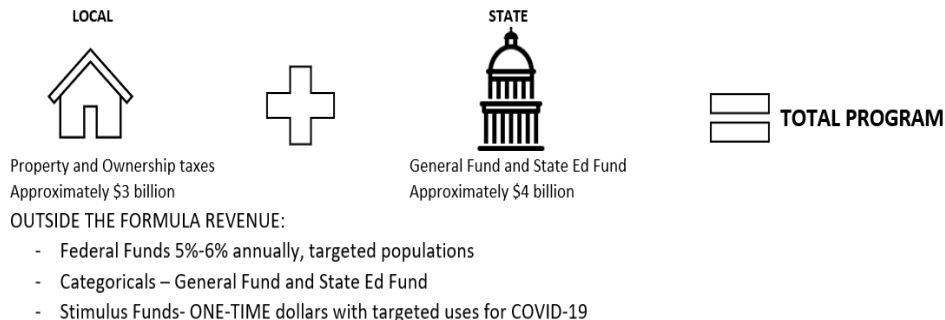
Revenue Sources for School Finance:

- *Local:* School districts are first funded by its local property taxpayers
- *State:* The state backfills or equalizes what is required above the amount produced by local property taxpayers to fund its total program funds

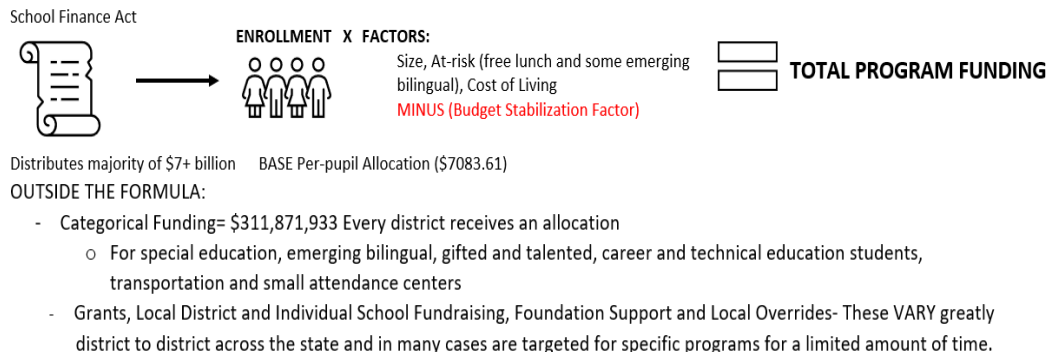
School Finance Act Formula:

- *Base Funding:* All school districts are funded at a minimum base amount.
- *Factors:* Each district's base funding is adjusted above the base amount using factors such as at risk, cost of living, size of the district, etc.
- *Categoricals:* Schools receive additional funding for special education, GT, and other categories

Revenue Sources for School Finance



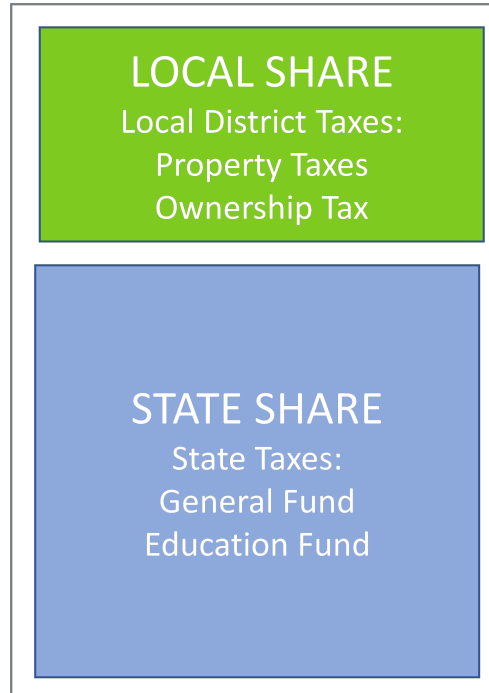
How Revenue is Distributed to Colorado Schools



State equalization: District property tax wealth does not improve per pupil (total program) funding

- State share equalizes what is needed to fulfill the School Finance Act total program formula above what the local share produces
- This means a district's per pupil funding is not enhanced or penalized by its taxpayer base
- A large increase/decrease of a district's assessed valuation does not affect a district's PPR funding
- A large increase/decrease of district AV *does* affect the state's obligation

District A

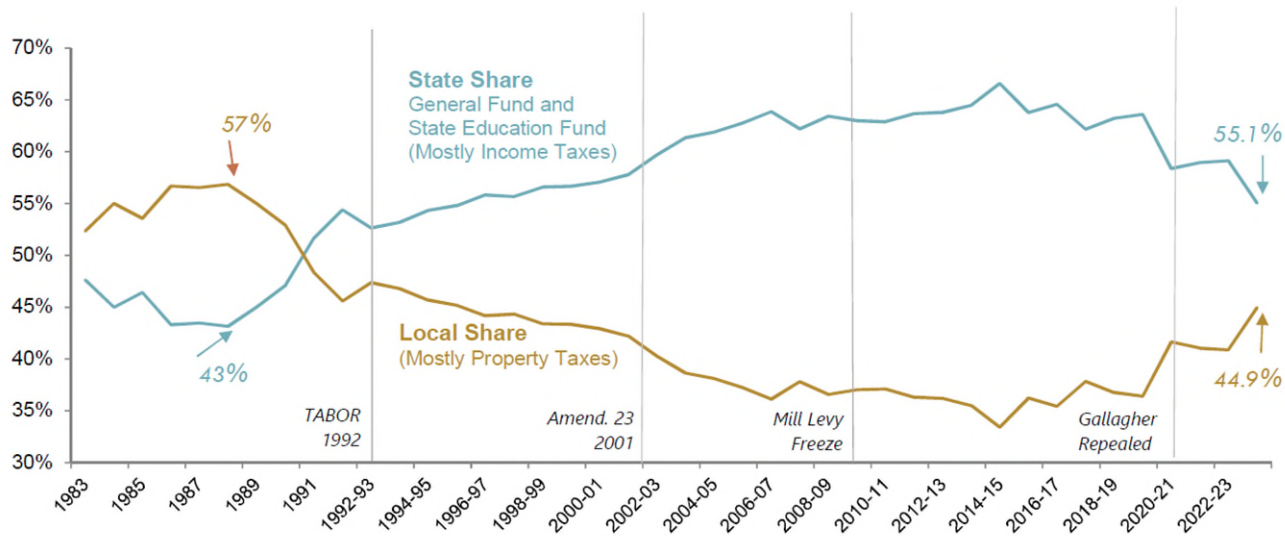


District B



The relationship of local and state share has flipped since 1992

Relative State and Local Shares of School Finance, 1983 to 2023-24



Source: Legislative Council Staff.

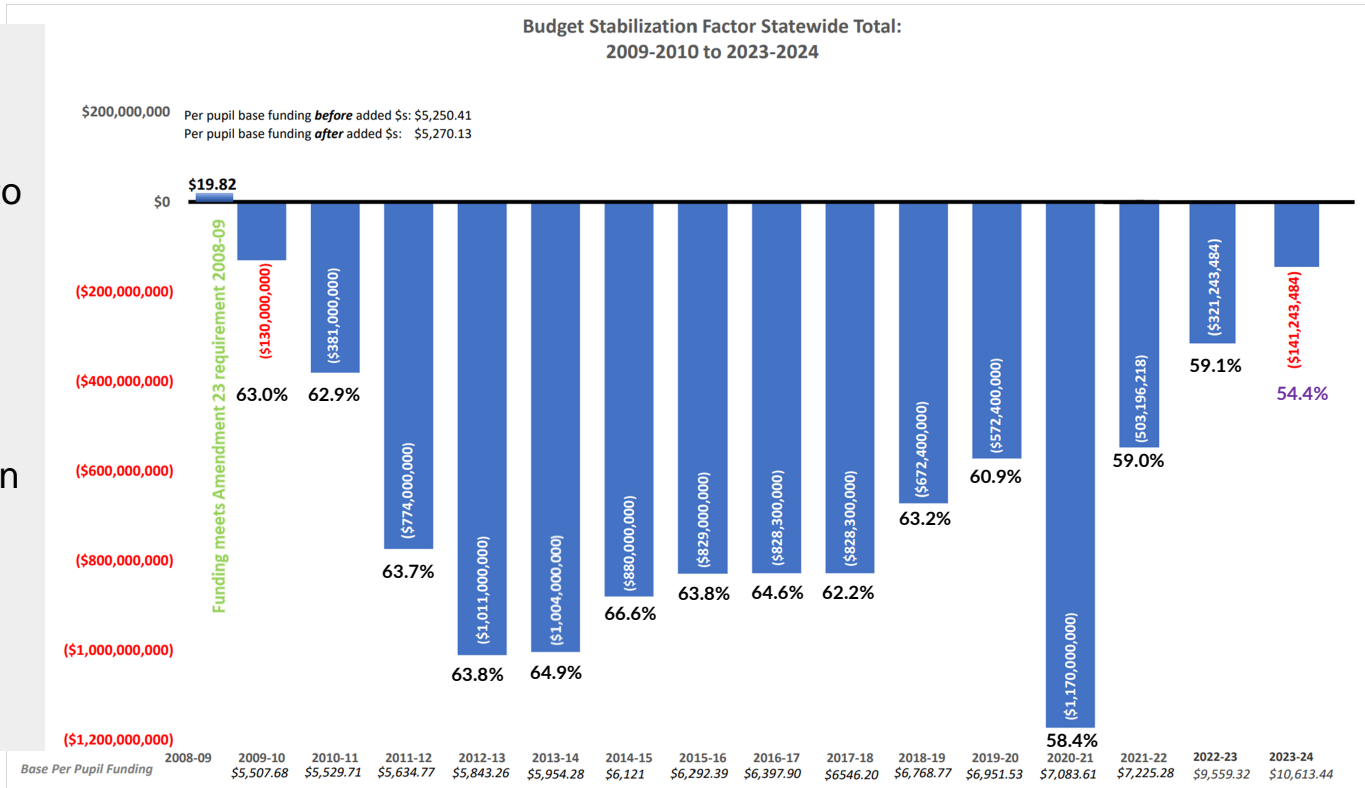
Note: Prior to 1993, K-12 funding was done on a calendar year basis.

FY 2023-24 is as appropriated in SB23-287

- The confluence of TABOR and Gallagher has resulted in a much higher obligation for state equalization.
- The roughly 60%/40% relationship of Local/State share prior to 1992 flipped closer to 40%/60% in the 2000s
- An increased state share to equalize k12 funding makes funding much more volatile

The State's K12 obligation and rise of the Budget Stabilization Factor

- An increase of the state's equalization obligations has increased volatility to K12 funding
- The BS factor has been employed since the great recession to adjust to what the state can afford
- While the BS factor is \$0 in 2024-25, it will likely return in future downturns



Mill Levy Overrides and School District Tax Parity (or lack thereof)

- School districts may ask for voter approval for several mill levy purposes:
 - Mill Levy Override (MLO): To improve a district's general operating revenues
 - Bond Mill Levy: To authorize and pay annual principal and interest for general obligation bond-funded capital projects
 - Ongoing capital maintenance funding: To pay for ongoing asset maintenance such as roof repair, boilers, and other ongoing improvements
- *However*, the ability to produce additional mill levy revenue is far from equal depending on a given district's property tax base.
- Mill levy revenue per 1 mill can vary between \$11/pupil and \$8,500/pupil depending on a district's property tax base
- This impacts a district's capacity to fund capital projects or improve its operating revenues.

Mill Levy Overrides and School District Taxparity (or lack thereof)

As mentioned on previous page, there is a wide variance of a district's ability to produce mill levy revenue. The following tables show the highest and lowest MLO production and its 2023-24 voter-approved MLO production:

Highest Districts' MLO Production

District	\$/Pupil	
	Per One Mill	2023-24 MLO
Pawnee	\$8,519	0.699
Platte Valley RE7	\$3,542	0.695
Aspen	\$3,445	1.249
Garfield 16	\$1,064	1.739
Gilcrest RE1	\$958	2.305
Summit	\$947	1.814
Keenesburg RE3(J)	\$902	1.838
Eagle	\$705	3.512
Steamboat	\$667	3.359

Lowest Districts' MLO Production

District	\$/Pupil	
	Per One Mill	2023-24 MLO
Byers 32J	\$11	3.495
Fountain 8	\$31	5.000
Branson Reorg 82	\$49	6.640
Falcon 49	\$65	18.500
Harrison 2	\$80	5.832
Widefield 3	\$91	11.135

Mill Levy Overrides and School District Taxparity (or lack thereof)

Denver Metro Area: The ability to produce MLO revenue on a per pupil basis ranges from \$121/pupil to \$351/pupil in the Denver area, resulting in a much higher tax burden for districts who try to compete with districts with stronger property tax bases.

Metro Denver Area MLO Production

District	\$/Pupil Per One Mill	2023-24 MLO	\$/Pupil 2023-24 MLO
Adams 12	\$121	15.931	\$1,928
Aurora	\$136	22.113	\$3,007
Westminster 50	\$146	24.437	\$3,568
Douglas RE-1	\$167	13.485	\$2,252
Cherry Creek	\$169	15.178	\$2,565
Jeffco	\$177	11.306	\$2,001
Littleton 6	\$186	10.724	\$1,995
Denver	\$285	10.270	\$2,927
Boulder Valley	\$336	8.402	\$2,823
Englewood	\$351	7.416	\$2,603

Mill Levy Overrides and School District Taxparity (or lack thereof)

El Paso school districts have a similar difference in variance, ranging from as low as \$31/pupil in Fountain versus \$181/pupil in Colo Springs 11.

El Paso Districts MLO Production			
District	\$/Pupil	2023-24 MLO	\$/Pupil
	Per One Mill		2023-24 MLO
Colorado Springs 11	\$181	19.121	\$3,461
Cheyenne Mountain 12	\$143	17.355	\$2,482
Manitou Springs 14	\$148	23.176	\$3,430
Lewis Palmer 38	\$140	4.366	\$611
Peyton 23JT	\$123	0.000	\$0
Academy 20	\$104	9.676	\$1,006
Widefield 3	\$91	11.135	\$1,013
Harrison 2	\$80	5.832	\$467
Falcon 49	\$65	18.500	\$1,203
Elicott 22	\$61	0.000	\$0
Fountain 8	\$31	5.000	\$155

Mill Levy Overrides and School District Taxparity (or lack thereof)

There is a correlation to the percent of districts that have a voter-approved MLO and that district's ability to produce revenue on a per pupil basis:

- Out of 178 districts statewide, 114 districts or 64% have voter-approved MLOs
- 88% of districts (35 out of 40) that produce > \$400/pupil have voter-approved MLOs
- 80% of districts (40 out of 50) that produce > \$300/pupil have voter-approved MLOs
- 77% of districts (58 out of 75) that produce > \$200/pupil have voter-approved MLOs
- 40% of districts (16 out of 38) that produce < \$100/pupil have voter-approved MLOs
- 25% of districts (4 out of 15) that produce < \$64/pupil have voter approved MLOs.

Mill Levy Overrides and School District Taxparity: Tot Pgrm + MLO

Highest Districts' MLO Production							
District	\$/Pupil Per One Mill	2022-23 MLO	\$/Pupil 2023-24 MLO	Total Program Mills	2023-23 Per Pupil Funding	Total Prgm + MLO Mills	Total Prgm + MLO Pupil Funding
Pawnee	\$8,519	0.699	\$5,955	4.293	\$21,253	4.992	\$27,208
Platte Valley RE7	\$3,542	0.695	\$2,462	5.624	\$10,371	6.319	\$12,833
Aspen	\$3,445	1.249	\$4,303	4.412	\$13,739	5.661	\$18,042
Garfield 16	\$1,064	1.739	\$1,850	4.395	\$10,641	6.134	\$12,492
East Grand 2	\$990	1.813	\$1,795	12.777	\$10,401	14.590	\$12,195
Gilcrest RE1	\$958	2.305	\$2,208	9.639	\$10,056	11.944	\$12,264
Telluride	\$1,514	2.936	\$4,445	7.281	\$13,972	10.217	\$18,417
Summit	\$947	1.814	\$1,718	10.666	\$10,699	12.480	\$12,417
Keenesburg RE3(J)	\$902	1.838	\$1,658	10.845	\$9,846	12.683	\$11,504
Eagle	\$705	3.512	\$2,476	12.138	\$10,661	15.650	\$13,137
Steamboat	\$667	3.359	\$2,240	6.263	\$10,439	9.622	\$12,680
Average:				8.030	\$12,007	10.027	\$14,835

Lowest Districts' MLO Production							
District	\$/Pupil Per One Mill	2022-23 MLO	\$/Pupil 2023-24 MLO	Total Program Mills	2023-23 Per Pupil Funding	Total Prgm + MLO Mills	Total Prgm + MLO Pupil Funding
Byers 32J	\$11	3.495	\$38	27.000	\$9,900	30.495	\$9,938
Fountain 8	\$31	5.000	\$155	27.000	\$9,715	32.000	\$9,870
Branson Reorg 82	\$49	6.640	\$325	27.000	\$10,862	33.640	\$11,188
Falcon 49	\$65	18.500	\$1,203	27.000	\$9,897	45.500	\$11,099
Harrison 2	\$80	5.832	\$467	15.720	\$9,862	21.552	\$10,329
Widefield 3	\$91	11.135	\$1,013	27.000	\$9,643	38.135	\$10,656
Average:				25.120	\$9,980	33.554	\$10,513

District taxpayers pay anywhere between 2.926 and 51.437 mills for their total program and MLO obligations.

Mill Levy Overrides and School District Taxparity: Tot Pgrm + MLO

Metro Denver Area MLO Production							
District	\$/Pupil	2023-24 MLO	\$/Pupil	Total Program Mills	2023-23 Per	TotPrgm + MLO Mills	TotPrgm + MLO
	Per One Mill		2023-24 MLO		Pupil Funding		Pupil Funding
Adams 12	\$121	15.93	\$1,928	27.000	\$10,017	42.931	\$11,945
Aurora	\$136	22.11	\$3,007	27.000	\$10,153	49.113	\$13,160
Westminster 50	\$146	24.44	\$3,568	27.000	\$9,907	51.437	\$13,475
Douglas RE-1	\$167	13.49	\$2,252	27.000	\$10,168	40.485	\$12,420
Cherry Creek	\$169	15.18	\$2,565	18.756	\$10,311	33.934	\$12,876
Jeffco	\$177	11.31	\$2,001	27.000	\$10,077	38.306	\$12,079
Littleton 6	\$186	10.72	\$1,995	27.000	\$10,056	37.724	\$12,051
Denver	\$285	10.27	\$2,927	27.000	\$10,160	37.270	\$13,087
Boulder Valley	\$336	8.40	\$2,823	27.000	\$10,307	35.402	\$13,130
Englewood	\$351	7.42	\$2,603	27.000	\$10,315	34.416	\$12,918
Average:				26.176	\$10,147	40.102	\$12,714

El Paso Districts MLO Production							
District	\$/Pupil	2022-23 MLO	\$/Pupil	Total Program Mills	2023-24 Per	Total Prgm + MLO Mills	Total Prgm + MLO
	Per One Mill		2023-24 MLO		Pupil Funding		Pupil Funding
Colorado Springs 11	\$181	19.121	\$3,461	20.715	\$9,876	39.836	\$13,337
Cheyenne Mountain 12	\$143	17.355	\$2,482	27.000	\$9,905	44.355	\$12,386
Manitou Springs 14	\$148	23.176	\$3,430	27.000	\$10,530	50.176	\$13,960
Lewis Palmer 38	\$140	4.366	\$611	27.000	\$10,006	31.366	\$10,617
Peyton 23JT	\$123	0.000	\$0	27.000	\$11,458	27.000	\$11,458
Academy 20	\$104	9.676	\$1,006	27.000	\$9,950	36.676	\$10,956
Widefield 3	\$91	11.135	\$1,013	27.000	\$9,643	38.135	\$10,656
Harrison 2	\$80	5.832	\$467	15.720	\$9,862	21.552	\$10,329
Falcon 49	\$65	18.500	\$1,203	27.000	\$9,897	45.500	\$11,099
Elicott 22	\$61	0.000	\$0	27.000	\$10,737	27.000	\$10,737
Fountain 8	\$31	5.000	\$155	27.000	\$9,715	32.000	\$9,870
Average:				25.403	\$10,143	35.781	\$11,400

Potential Solutions – Taxpayer Parity, Sustainable K12 Funding

Potential solutions that could achieve the following:

- Limiting or stabilizing the state equalization burden that makes K12 funding more volatile
- Achieving statewide taxpayer equity for K12 funding at local level
- Increasing stability and increasing overall K12 base funding

Flat tax approach: Establishing a statewide “Total Program” K12 per pupil funding mill levy at or above the current 27.000 mill level

- The state can produce \$213/pupil per 1.000 mill, which is greater than 96 school districts.
- A flat tax at 27.000 mills would produce about \$1 billion in additional total program revenues, or roughly \$1200/pupil. 35.000 flat tax would produce an additional \$2800/pupil above the current level
- In exchange for a statewide total program increase, local MLO levies could be reduced to offset that increase

Create a MLO equalization program (“BEST” for operating revenue)

- Allow districts to collect MLO revenues above the current 25% statutory cap, and withhold a portion of that additional revenue to be distributed to districts that have lower MLO per pupil production
- The revenue withheld from districts above the 25% cap would be used to equalize districts with MLOs that are below the median per pupil production
- Similar to BEST, participating districts must have “skin in the game” and pass some amount of MLO to receive equalization

Questions?



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