

# K12 Considerations Related to Property Taxation

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# Presentation Objectives

- Revisiting the relationship of K12 funding between the State and local property taxpayers
- Considerations of taxpayer parity of K12 funding related to local voter -approved mill levies

# How are Colorado Schools Funded?

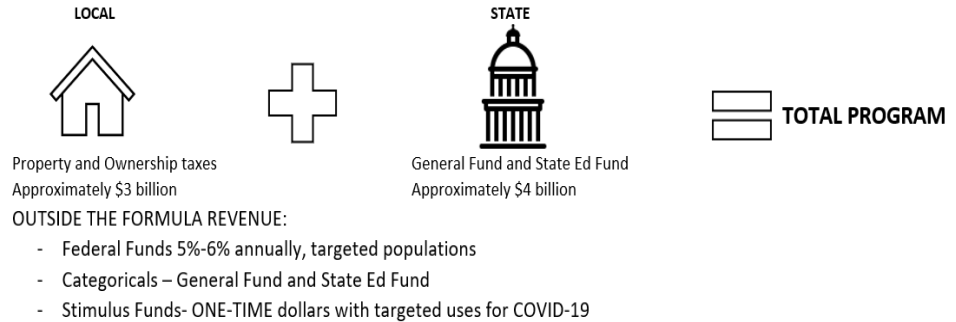
## Revenue Sources for School Finance:

- *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

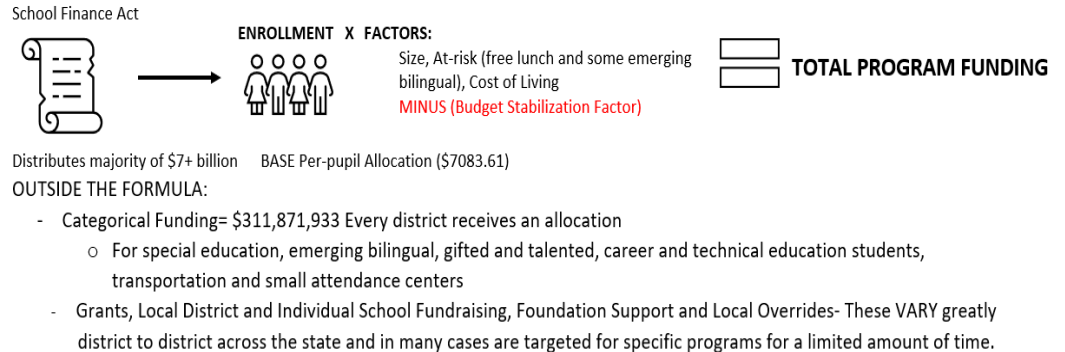
## School Finance Act Formula:

- *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



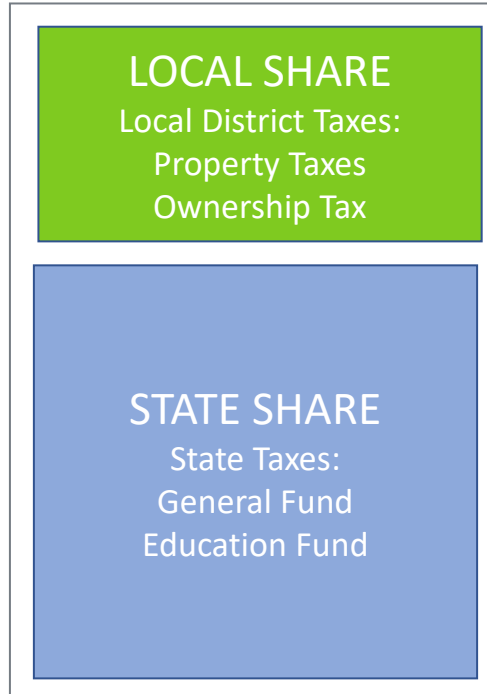
### How Revenue is Distributed to Colorado Schools



# 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

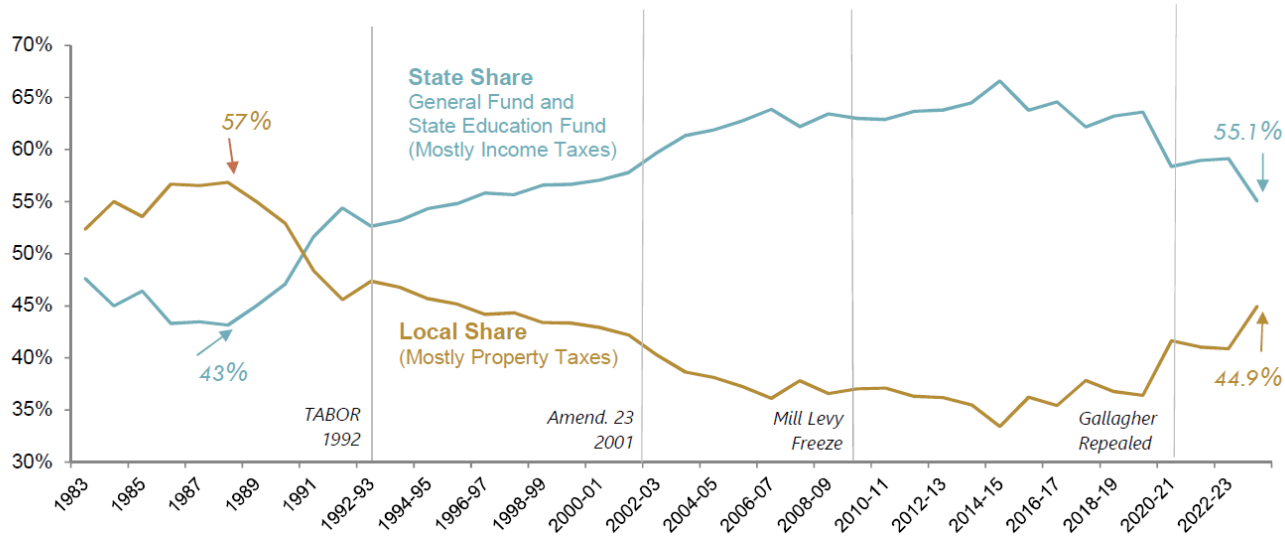


## District B



# 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.

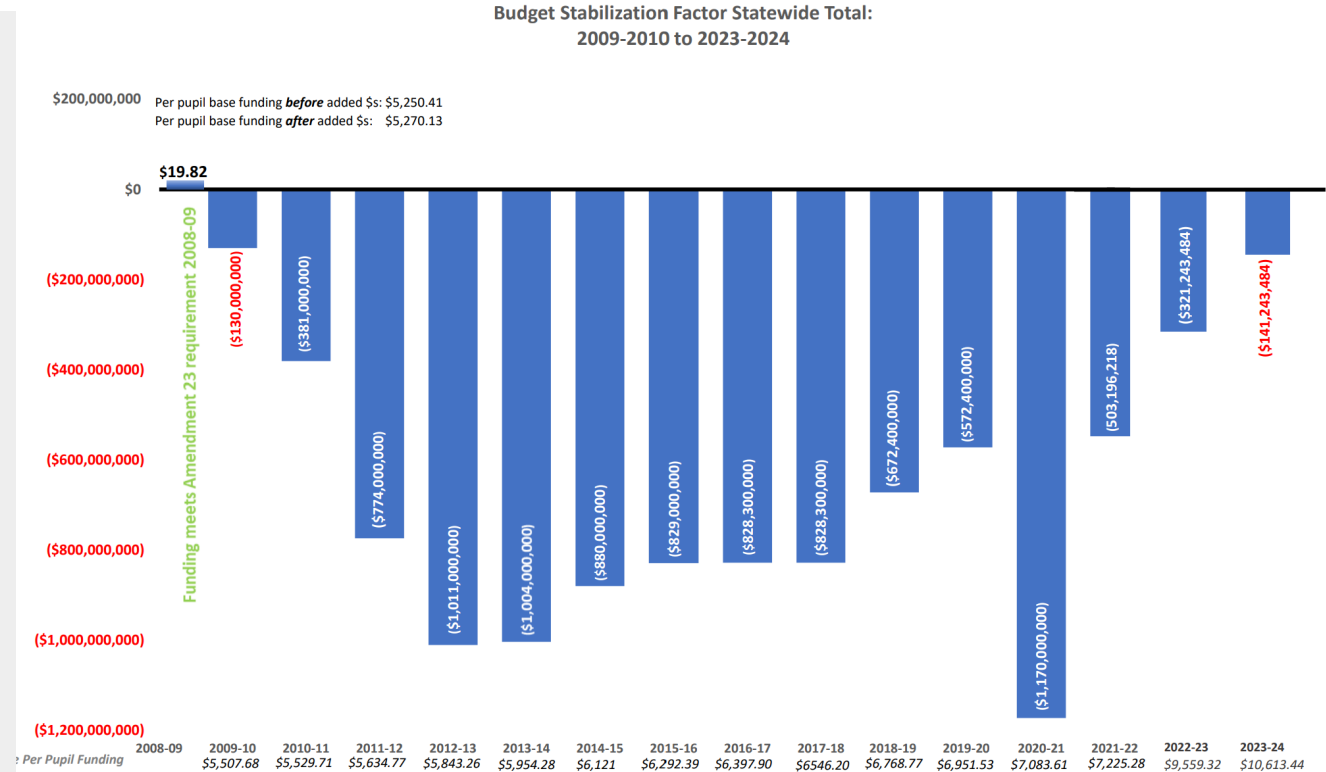
Note: Prior to 1993, K-12 funding was done on a calendar year basis.

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 may go away in 2024-25, it will likely return in future downturns



## Mill Levy Overrides and School District Taxpayer 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 \$8,000/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 Taxpayer parity (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 2022-23 voter-approved MLO production:

Highest Districts' MLO Production			
District	\$/Pupil Per One Mill	2022-23 MLO	\$/Pupil 2022-23 MLO
Pawnee	\$8,060	0.75	\$6,045
Platte Valley RE7	\$2,255	1.18	\$2,654
Aspen	\$2,204	1.85	\$4,071
Telluride	\$1,022	3.68	\$3,761
Eagle	\$488	4.74	\$2,315
Steamboat	\$406	2.83	\$1,150

Lowest Districts' MLO Production			
District	\$/Pupil Per One Mill	2022-23 MLO	\$/Pupil 2022-23 MLO
Byers 32J	\$11	3.73	\$42
Fountain	\$25	5.00	\$122
Falcon 49	\$51	18.50	\$949
Harrison 2	\$66	6.96	\$456
Widefield 3	\$73	12.47	\$912



# Mill Levy Overrides and School District Taxpayer parity (or lack thereof)

Denver Metro Area: The ability to produce MLO revenue on a per pupil basis ranges from \$95/pupil to \$291/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	2022-23 MLO	\$/Pupil
	Per One Mill		2022-23 MLO
Adams 12	\$95	19.16	\$1,824
Aurora	\$100	27.16	\$2,728
Westminster 50	\$115	27.86	\$3,208
Douglas RE-1	\$130	9.05	\$1,172
Cherry Creek	\$141	16.81	\$2,371
Jeffco	\$149	13.01	\$1,943
Littleton 6	\$152	12.94	\$1,970
Denver	\$248	11.21	\$2,776
Boulder Valley	\$274	9.81	\$2,682
Englewood	\$291	8.67	\$2,522

# Mill Levy Overrides and School District Taxpayer parity (or lack thereof)

## El Paso Districts MLO Production

District	\$/Pupil Per One Mill	2022-23 MLO	\$/Pupil 2022-23 MLO
Colorado Springs 11	\$153	21.56	\$3,307
Cheyenne Mountain 12	\$125	19.96	\$2,495
Manitou Springs 14	\$118	26.65	\$3,134
Lewis Palmer 38	\$105	5.70	\$601
Peyton 23JT	\$96	7.00	\$675
Academy 20	\$84	12.02	\$1,005
Widefield 3	\$73	12.47	\$912
Harrison 2	\$66	6.96	\$456
Falcon 49	\$51	18.50	\$949
Elicott 22	\$47	0.00	\$0
Fountain 8	\$25	5.00	\$122

El Paso school districts have a similar difference in variance, ranging from as low as \$25/pupil in Fountain versus \$153/pupil in Colo Springs 11.

## 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.

# 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

## **Raising “Total Program” K12 per pupil funding mill levies statewide above the current 27.000 mill 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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