



# School Finance & Property Tax

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# Today's Presentation

- School Finance Formula
- State and Local Shares
- Total Program Mill Levy Reset & Interaction with Total Program Reserve Mills
- Mill Levy Overrides and Other District Property Taxes
- Impact of Property Tax Changes



# School Finance Formula

- The School Finance Act of 1994 determines school district funding levels, (aka. "total program" or "formula funding")
- District funding is based on district and student characteristics, and the number of funded pupils in each district.
- In FY 2023-24, total program is \$9.2 billion.
- Funding provided by property taxes, specific ownership taxes, and state funding (income taxes).



# Local Share

- Property tax + a portion of specific ownership tax
- In FY 2023-24, total local share is \$4.2 billion (46% of total program)
  - \$3.9 billion in property tax (94% of local share)
  - \$234.7 million in specific ownership tax (6% of local share)
- In FY 2023-24, 12 districts are projected to be fully locally funded.
- District's total program mill levy set by statutory formula.

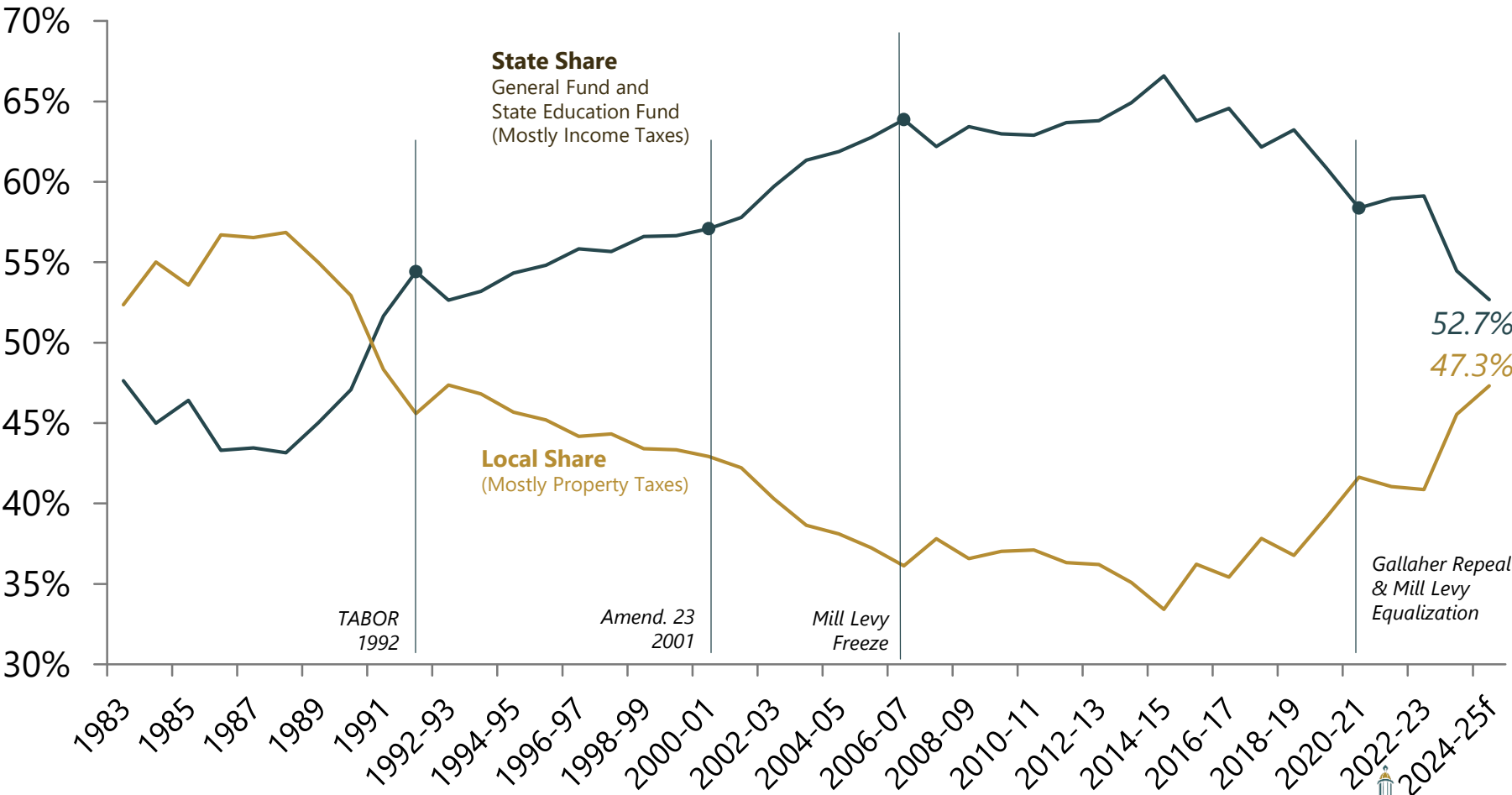


## State Share

- State pays the difference between total program and the local share.
- Budget stabilization factor reduces total program by a fixed percentage
  - Applies only to the state share, thus reducing to fit within state budget constraints
  - 1.5% reduction in FY 2023-24, eliminated in FY 2024-25
- In FY 2023-24, total state share is \$5.0 billion (54% of total program)
  - District state share percentages range from 0% to 97%



# State and Local Shares



Source: Legislative Council Staff



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# Total Program Mill Levy Reset

- **1994** Act required reduction of mill levy based on TABOR revenue limit
- **After 1994**, most districts received approval from voters to waive TABOR revenue limit, but still reduced mill levy
- **2007**: School Finance Act “froze” mill levies for districts that had waived TABOR limit; capped levies at 27 mills
- **2020**: HB 20-1418 established “reset mill levies”, extended mill levy credits to districts
- **2021**: HB 21-1164 established correction schedule and began phase out of mill levy credits



# Total Program Mill Levy Reset

HB 20-1418 reset district total program mill levies in 2020 to:

- If **not** subject to TABOR limit (174 districts), lesser of:
  - mill levy when the district received voter approval
  - fully funded mill levy
  - 27 mills
- If subject to TABOR limit (4 districts), lesser of:
  - prior year mill levy
  - fully funded mill levy
  - TABOR mill levy
  - 27 mills





# Total Program Mill Levy Credits

- In 2020, districts granted mill levy tax credits equal to the difference between their reset mill levy and their total formula mills (*total program + categorical buyout + total program reserve*).
- Categorical buyout and total program reserve mills are levied by fully locally funded districts to fund categorical programs and offset the BSF, respectively.
- Beginning in 2021, districts must decrease mill levy tax credits by at most 1 mill per year until they reach their reset mills.
- Revenue flows to total program, categorical buyout, and total program reserve in that order.



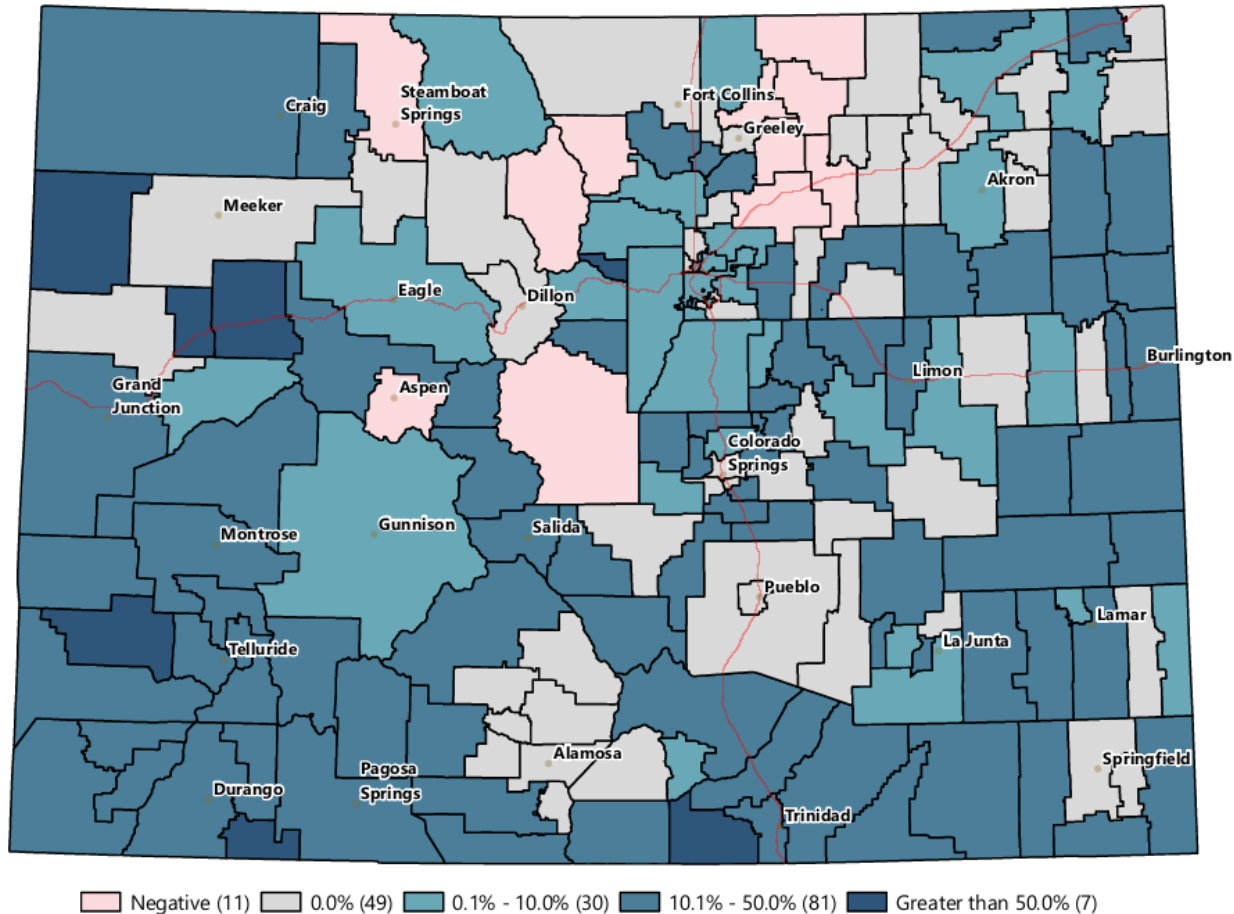
# Local Share Increase Due to Mill Levy Credit Phase Out

FY 2023-24 vs. FY 2020-21 mills, with FY 2023-24 AVs

School District	Change in Local Share	Percent of Total Statewide Increase
Denver	\$36,736,705	21.6%
Boulder	\$18,855,641	11.1%
Douglas County	\$16,163,140	9.5%
St. Vrain	\$12,227,750	7.2%
Jefferson County	\$10,100,269	5.9%
Thompson	\$9,862,898	5.8%
Mesa Valley	\$6,922,205	4.1%
Roaring Fork	\$5,584,919	3.2%
Aurora	\$5,256,246	3.1%
Gilcrest	\$5,078,987	3.0%
<b>Subtotal</b>	<b>\$126,688,762</b>	<b>74.3%</b>



# Total Program Mill Percent Increases FY 2020-21 to FY 2023-24

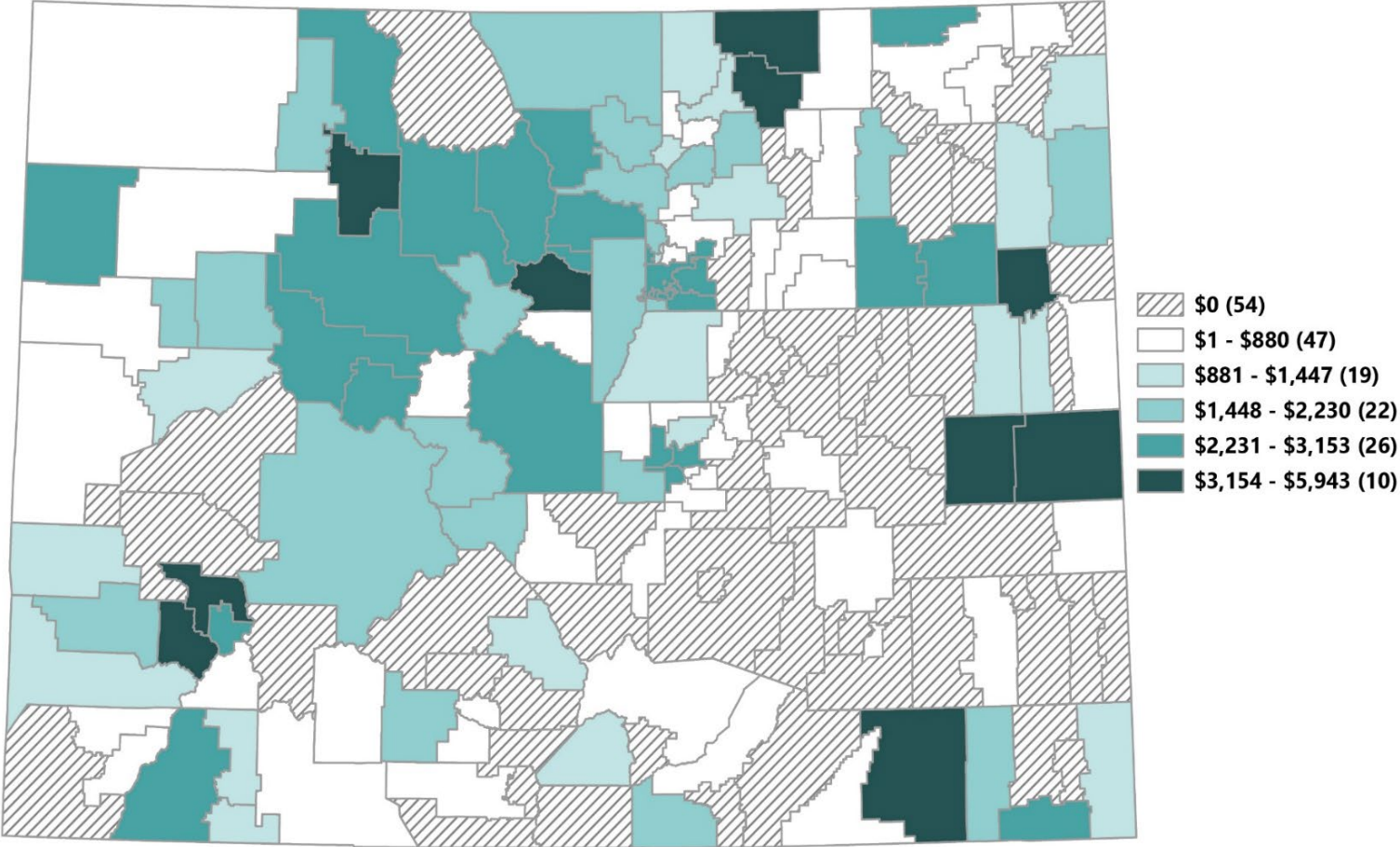


# Mill Levy Overrides

- Voter approved property taxes for specific purposes
- Capped at greater of 25% of total program (30% for small, rural districts), or \$200,000
- Two structures:
  1. Fixed mill levy approved by voters
  2. Floating mill levy in order to generate an amount specified in the ballot question
    - 14 districts have approved MLOs that float up to the statutory cap
- In FY 2023-24, 124 districts have an MLO, totaling \$1.65 billion in revenue



# FY 2022-23 MLO Revenue Per Pupil



# Mill Levy Overrides



Source: Colorado Department of Education, Legislative Council Staff



# Other school district property taxes

## School districts may ask voters to approve mill levies for:

- Bonded indebtedness
- Ongoing cash funding for capital construction, technology, maintenance
- Charter school operating revenue
- Capital improvements in growth districts
- Special building or technology mills
- Capital construction for charter schools
- Excess transportation costs
- Abatement costs
- Full-day kindergarten



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# Impact of Changes to Property Tax

- Changes to the local share impact the state share
- Changes to property taxes impact MLO and other property tax revenue to school districts

## Potential timing impacts:

- **Spring** – General Assembly makes an initial appropriation for the state share, based on forecasts
- **December** - assessed values, mill levies, and student counts are finalized
- **Winter** - General Assembly passes a midyear adjustment bill to align the initial state share appropriation with actual data





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# Questions?

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<https://leg.colorado.gov/agencies/legislative-council-staff/school-finance>



# Total Program Mill Levy Credit Phase Out

Beginning in 2021, district mill levy is:

- If **not** subject to TABOR limit (176 districts), lesser of:
  - prior year mill levy
  - fully funded mill levy
  - 27 mills
- If subject to TABOR limit (2 districts), lesser of:
  - prior year mill levy
  - fully funded mill levy
  - TABOR mill levy
  - 27 mills



# Top 10 Districts for Estimated Total Pgm. Reserve Revenue, FY 2023-24

School District	Total Program Reserve Revenue	Total Program Reserve Mills
Platte Valley	\$11,342,239	2.716
Briggsdale	\$6,101,971	8.244
Eaton	\$5,318,518	4.515
Wiggins	\$3,467,418	6.707
East Grand	\$2,785,499	2.187
Estes Park	\$1,420,681	2.278
Aspen	\$1,247,349	0.233
Pawnee	\$1,134,220	1.958
Park	\$821,755	1.333
Ault-Highland	\$296,367	0.516
<b>Subtotal</b>	<b>\$33,936,018</b>	

