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

State Share
General Fund and State Education Fund
(Mostly Income Taxes)

Local Share
(Mostly Property Taxes)

TABOR 1992
Amend. 23 2001
Mill Levy Freeze

Gallaher Repeal & Mill Levy Equalization

52.7%
47.3%

Source: Legislative Council Staff
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 \((\text{total program} + \text{categorical buyout} + \text{total program reserve})\).

- 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

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

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Legislative Council Staff
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

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