K-12 Education

2017 K-12 Budget Landscape

What is the current status of the K-12 budget proposal for 2017-2018?

How did we get here?

Why is a uniform mill levy a viable solution?

January Budget Submission

- Governor's revised request targets $876 million for the negative factor, an increase of $45 million above FY 2016-17.
- Because of changes in the amount of local revenue brought in by the residential assessment rate, maintaining $876 million NF will require an additional $100 million:
  - Recreational marijuana sales tax increase
  - Cut senior homestead property tax exemption in 1/2

K-12 School Finance Overview

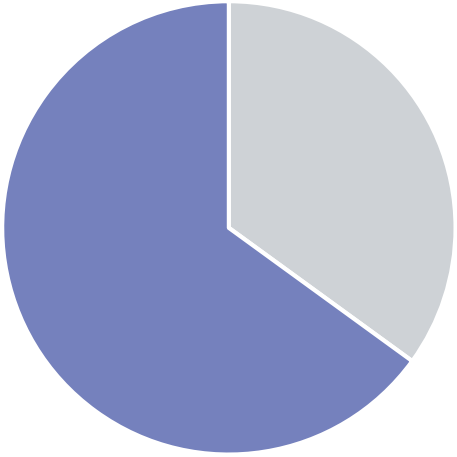
Sources of Funding for K-12 Total Program

($6.4 billion in FY 2016-17)

State Sources

$4.1 billion (65%)

General Fund: $3.6b (87%)
State Education Fund: $467m (11%)
State Public School Fund: $56m (1%)



Local Sources

$2.3 billion (35%)

Property Taxes: $2.1b (93%)
Spec. Ownership Taxes: $168m (7%)

1985

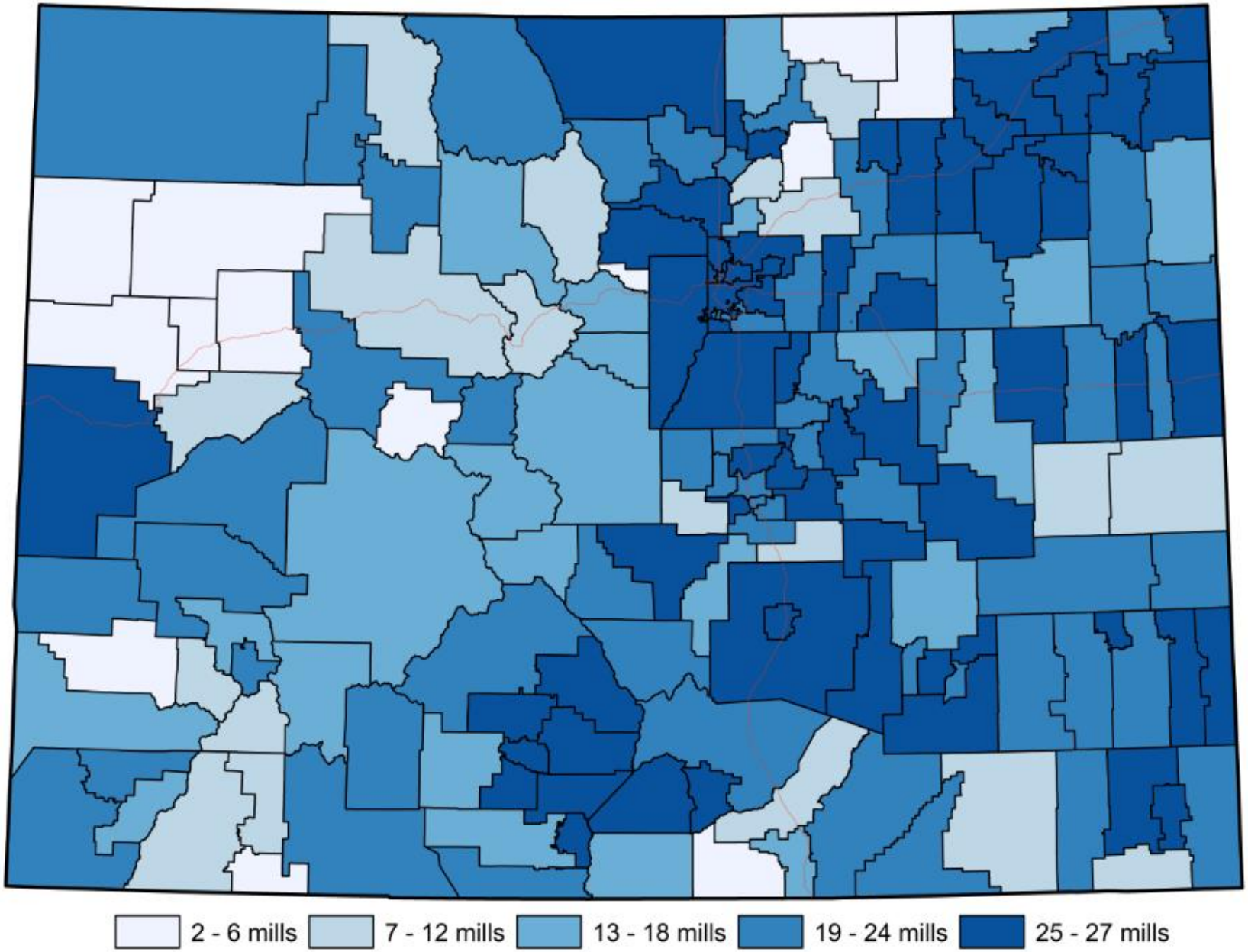
State – 46%

Local – 54%

What's a mill levy?

- Total Program Mill Levy = Property Tax Rate
- Assessed Value x Mill Levy = Property Tax Amount
  - One mill = 1 / 1000, so 27 mills = .027
  - Each district has its mill levy set each year in statute
  - TOTAL PROGRAM MILL LEVY =/= MILL LEVY OVERRIDE
  - Currently range from 1.68 mills to a ceiling of 27

Current Mill Levy, FY 2015-16



Source: Colorado Legislative Council and Joint Budget Committee

Disparate Levies: How did we get here?

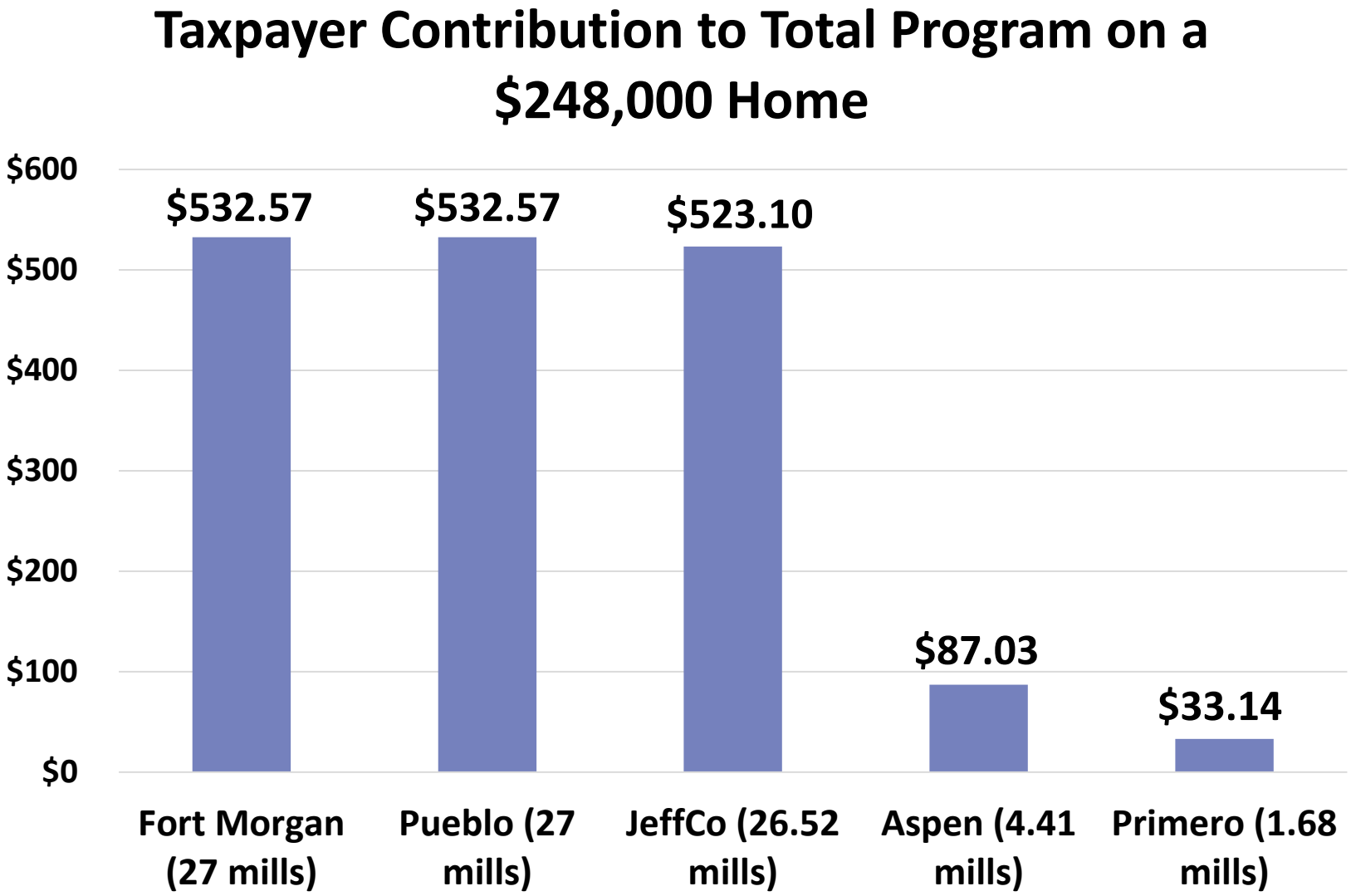
1988: School Finance Act of 1988 instituted a statewide uniform mill levy to equalize local effort and reduce reliance on the local share.

1992: Voters pass TABOR, which constrains local revenues and reduces mill levies to stay under caps. Districts with rapid AV growth see mill levies drop, and they cannot float back up.

1991: By 1991, districts had largely transitioned to a uniform mill levy of 40.08 mills (except for districts fully funded at a lower level).

2007: Mill levy freeze (S.B. 07-199) for most districts doesn't correct existing inequities.

Taxpayer Inequity



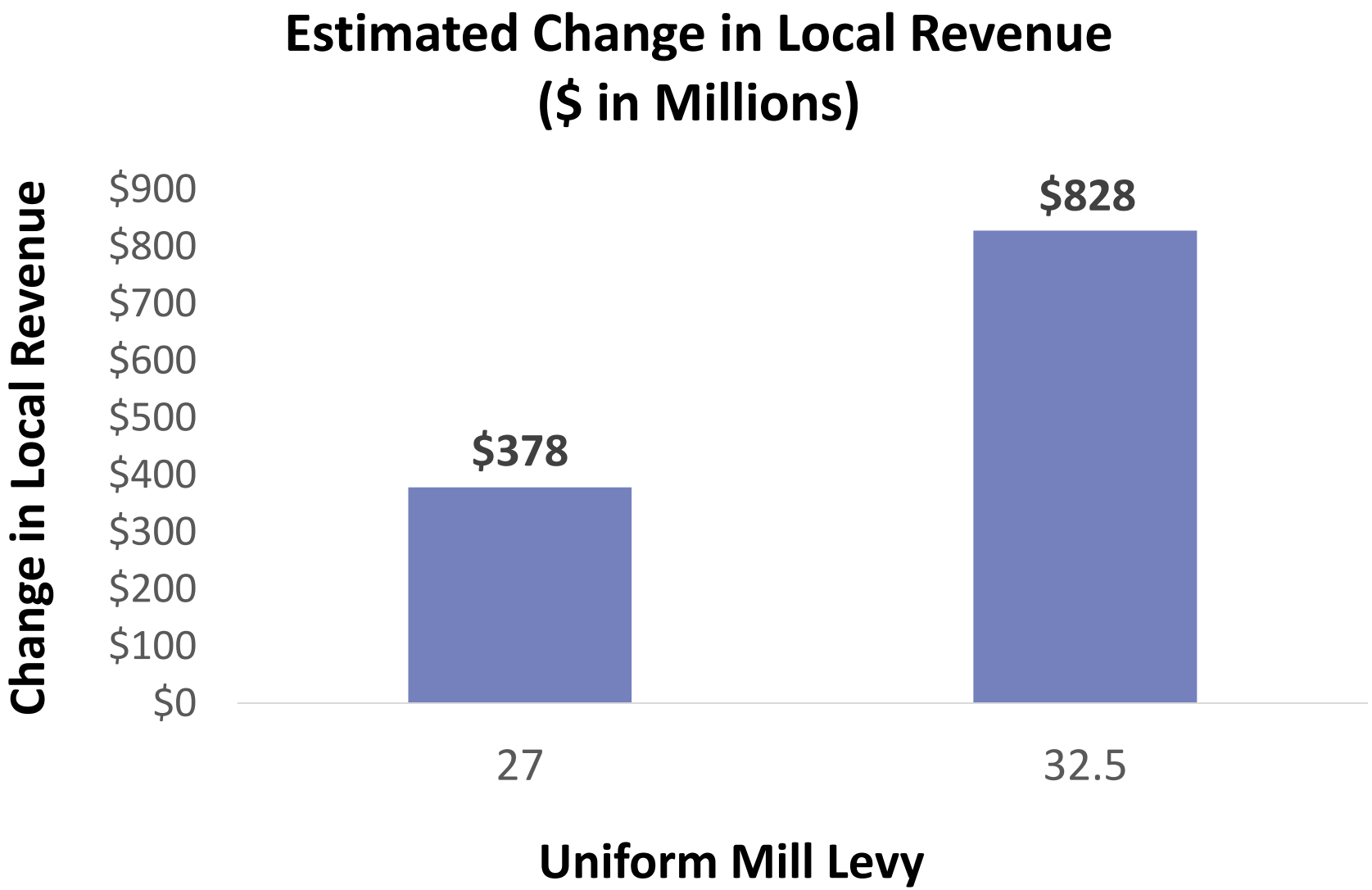
Why does this matter?

- Unfair to taxpayers
  - Variation in local “effort,” (investment in K-12)
  - Current mill levies are regressive
  - Subsidization through income/sales tax
- Unfair to school districts
  - If mill levies were more equitable (meaning a consistent level of local effort), more state funds would be available to districts that are already paying higher mill levies and have a lesser capacity to fund total program.

JBC Staff Uniform Mill Levy Proposal

- Address inequities in the school finance property tax system by referring a statewide measure to the voters that would:
  - Return the state to a uniform (statewide) total program mill levy such that each school district's contribution would be the lesser of the statewide mill levy or the mill levy necessary to fully fund the district with local revenues.
  - Allow mill levies in districts that are fully funded (at less than the statewide mill levy) to "float" on an annual basis so the district could continue to be fully funded without state funds.

How much would a uniform mill raise?



Thank you!

Questions?

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