
What You Need to Know About the Mill Levy Correction

August 23, 2021



COLORADO SCHOOL FINANCE PROJECT

Support Children - Support The Future

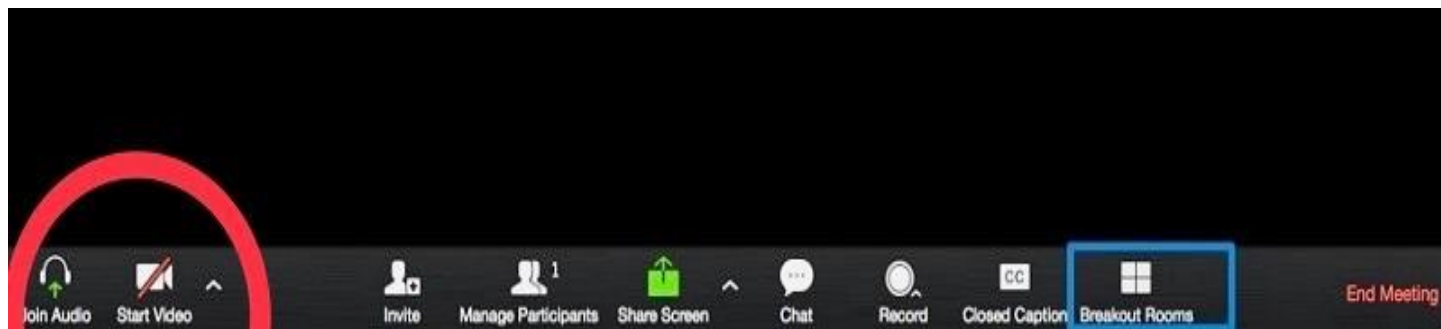


COLORADO
Department of Education

CASB CONVERSATIONS WEBINAR

Using Zoom today:

- ❖ If you are having technical issues, text Leslie at 720.670.6038.
- ❖ Please use the CHAT button on the screen, as this is where you can post questions during the webinar.
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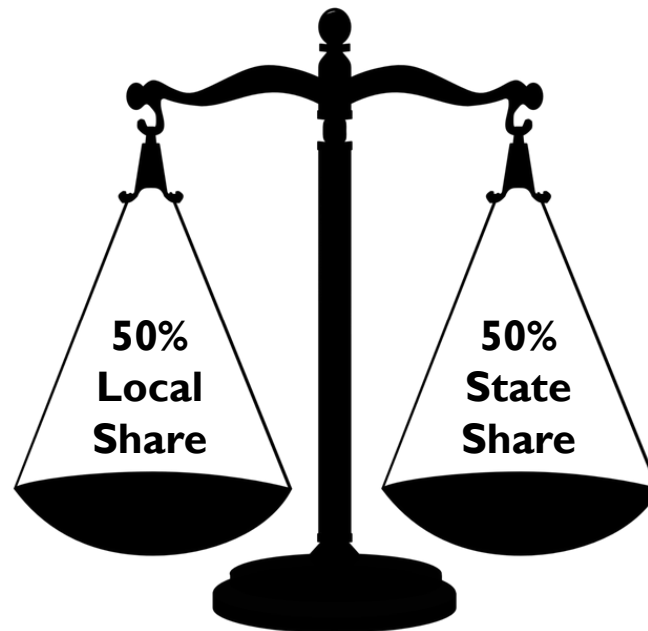
INTRODUCTIONS

- ❖ **Kate Bartlett**
Executive Director, School District Operations, CDE
- ❖ **Tracie Rainey**
Executive Director, Colorado School Finance Project
- ❖ **Susan Meek**
*Director of Strategic Engagement & Communications,
CASB*

AGENDA

- ❖ The history and mechanics of local mills dedicated to funding your school district
- ❖ Recent legislation focused on mill levy correction and the implementation of the legislation
- ❖ What the mill levy correction means to your district
- ❖ Answers to frequently asked questions and key messages to communicate with your local stakeholder

**THE 1988 & 1994 SCHOOL FINANCE ACTS SOUGHT A
BALANCED APPROACH BETWEEN STATE/LOCAL
FUNDING OF COLORADO SCHOOLS.**



**THE FINANCE ACTS ALSO SOUGHT TO EQUALIZE
THE MILL LEVY RATE IN
ALL SCHOOL DISTRICTS.**

40 mills

THESE TAX POLICY GOALS ARE NO LONGER IN PLACE.

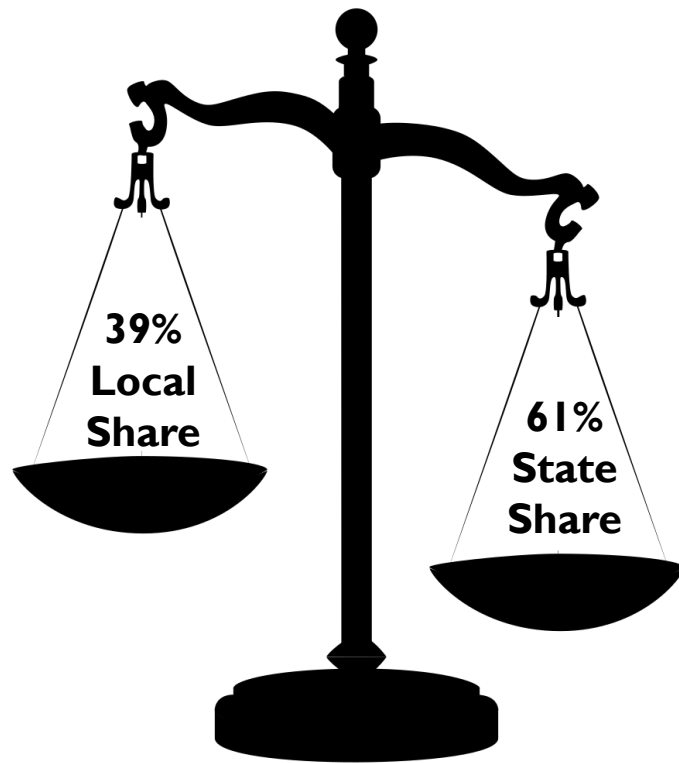
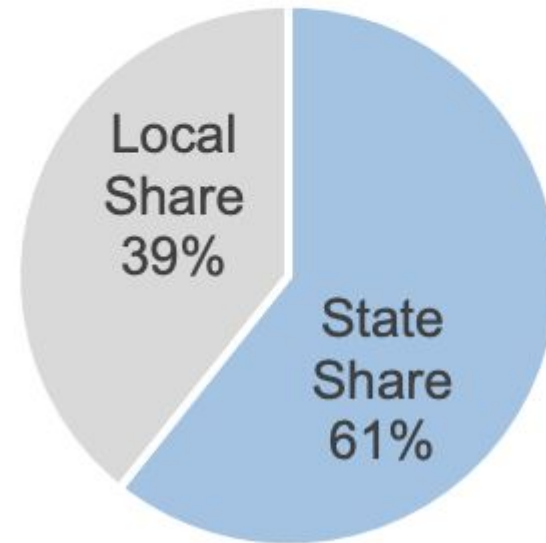


Figure 1
State and Local Shares,
FY 2021-22



Source: Financing Public Schools FY 2021-22 (LCS)

SCHOOL FUNDING MECHANICS

SUMMARY OF SCHOOL FINANCE FUNDING

1) Calculate Per Pupil Funding for Each District

Multiply statewide base per pupil funding by district-level factors to determine per pupil funding for each district.

$$\begin{array}{c} \text{District} \\ \text{Per Pupil} \\ \text{Funding} \end{array} = \begin{array}{c} \text{Statewide} \\ \text{Base Per Pupil} \\ \text{Funding} \end{array} + \begin{array}{c} \text{Cost-of-Living and} \\ \text{Personnel Cost} \\ \text{Adjustments} \end{array} + \begin{array}{c} \text{Size} \\ \text{Adjustment} \end{array}$$

SOURCE:
[LCS School Finance Booklet](#)

2) Calculate Total Funding Required for Each District

To determine total funding for each district, multiply district per pupil funding by the number of students in the district, then add funding for at-risk, online, and ASCENT students.

$$\begin{array}{c} \$ \\ \text{Total Funding} \\ \text{Per District} \end{array} = \begin{array}{c} \text{District} \\ \text{Per Pupil} \\ \text{Funding} \end{array} \times \begin{array}{c} \text{District} \\ \text{Pupil Count} \end{array} + \begin{array}{c} \text{At-Risk, Online,} \\ \text{and/or ASCENT} \\ \text{Funding} \end{array}$$

3) Determine the Local Share of Funding

The local government share of funding comes from property tax and specific owner tax collections from property owners in the district.

$$\begin{array}{c} \$ \\ \text{Local Share} \\ \text{Per District} \end{array} = \begin{array}{c} \text{Residential and} \\ \text{Nonresidential} \\ \text{Property Tax} \end{array} + \begin{array}{c} \text{Specific} \\ \text{Ownership Tax} \end{array}$$

4) Determine the Required Amount of State Aid

Subtract the local share of funding across all districts from the total funding required across all districts to determine the total amount of state aid required by the school finance act.

$$\begin{array}{c} \$ \\ \text{State Aid} \\ \text{Across Districts} \end{array} = \begin{array}{c} \$ \\ \text{Total Funding} \\ \text{Across Districts} \end{array} - \begin{array}{c} \$ \\ \text{Local Share} \\ \text{Across Districts} \end{array}$$

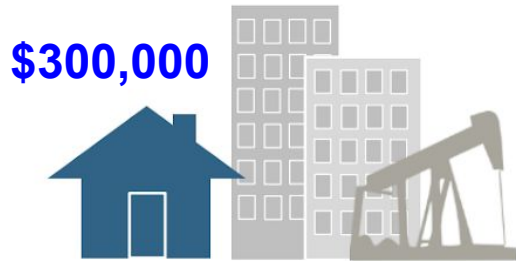
5) Apply the Budget Stabilization Factor

The budget stabilization factor is a state budget element that proportionately reduces the amount of total funding for each district, such that state aid is reduced.

$$\begin{array}{c} \$ \\ \text{Actual Total} \\ \text{District Funding} \end{array} = \begin{array}{c} \$ \\ \text{Total Funding} \\ \text{Per District} \end{array} \times \begin{array}{c} \text{-\%} \\ \text{Budget Stabilization} \\ \text{Factor} \end{array}$$

**LOCAL PROPERTY TAXES MAKE UP THE MAJORITY OF LOCAL SHARE.
ALL LOCAL PROPERTY TAXES STAY LOCAL.**

Actual Values



Assessment Rate

× 7.15% Residential*
29% Nonresidential**

Assessed Values



Assessed Value
(Taxable Value)

× **Mill Levy**

=

Property Tax Revenue

\$21,450

27 mills

\$579.15

\$21,450

25 mills

\$536.25

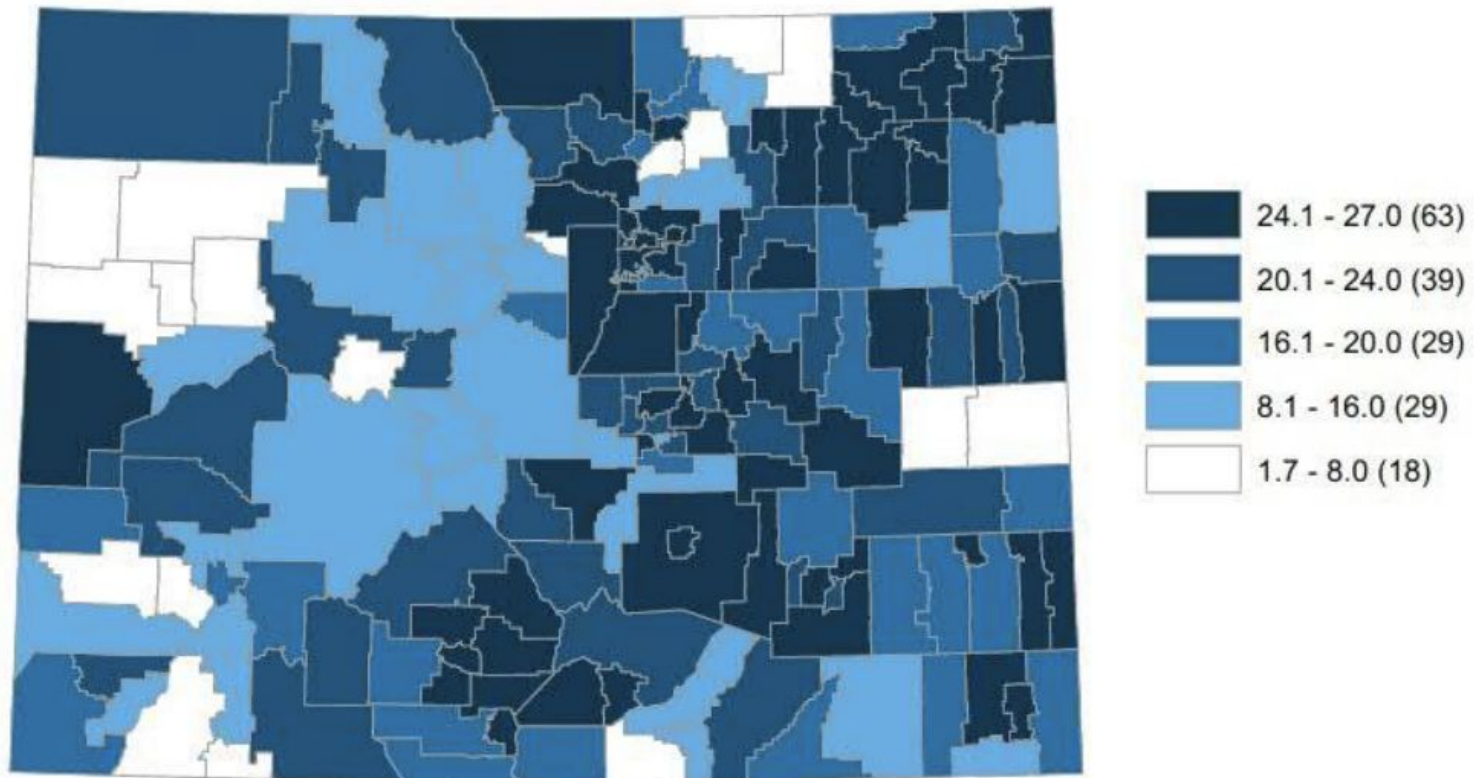
\$21,450

2 mills

\$42.90

TOTAL PROGRAM MILL LEVIES VARY DRAMATICALLY ACROSS THE STATE. TOTAL PROGRAM MILLS FUND THE SCHOOL FINANCE ACT.

Figure 9
District Mill Levies for the School Finance Act, FY 2020-21

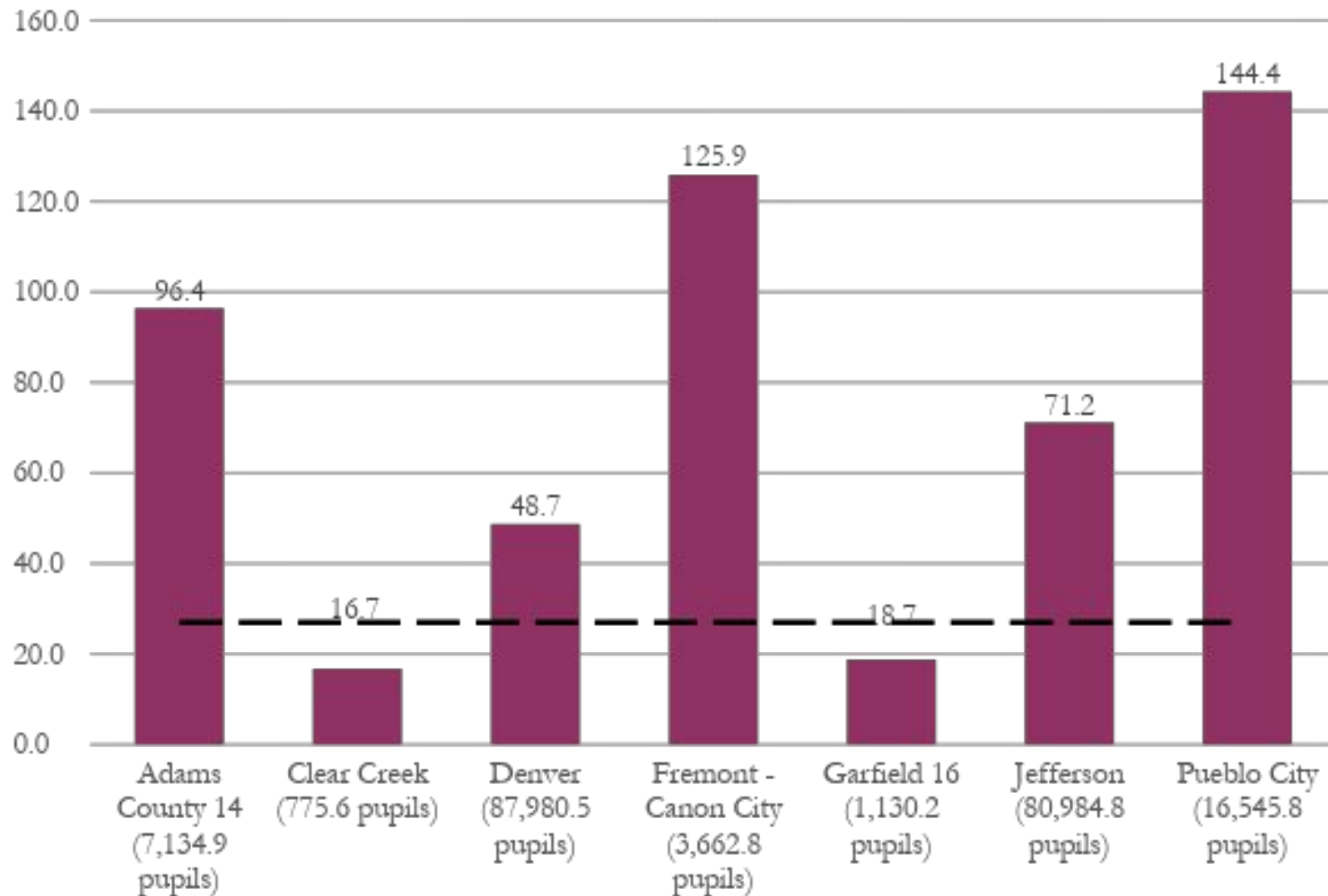


Source: Legislative Council Staff.

Note: Numbers in parentheses indicate the number of school districts in each tier.

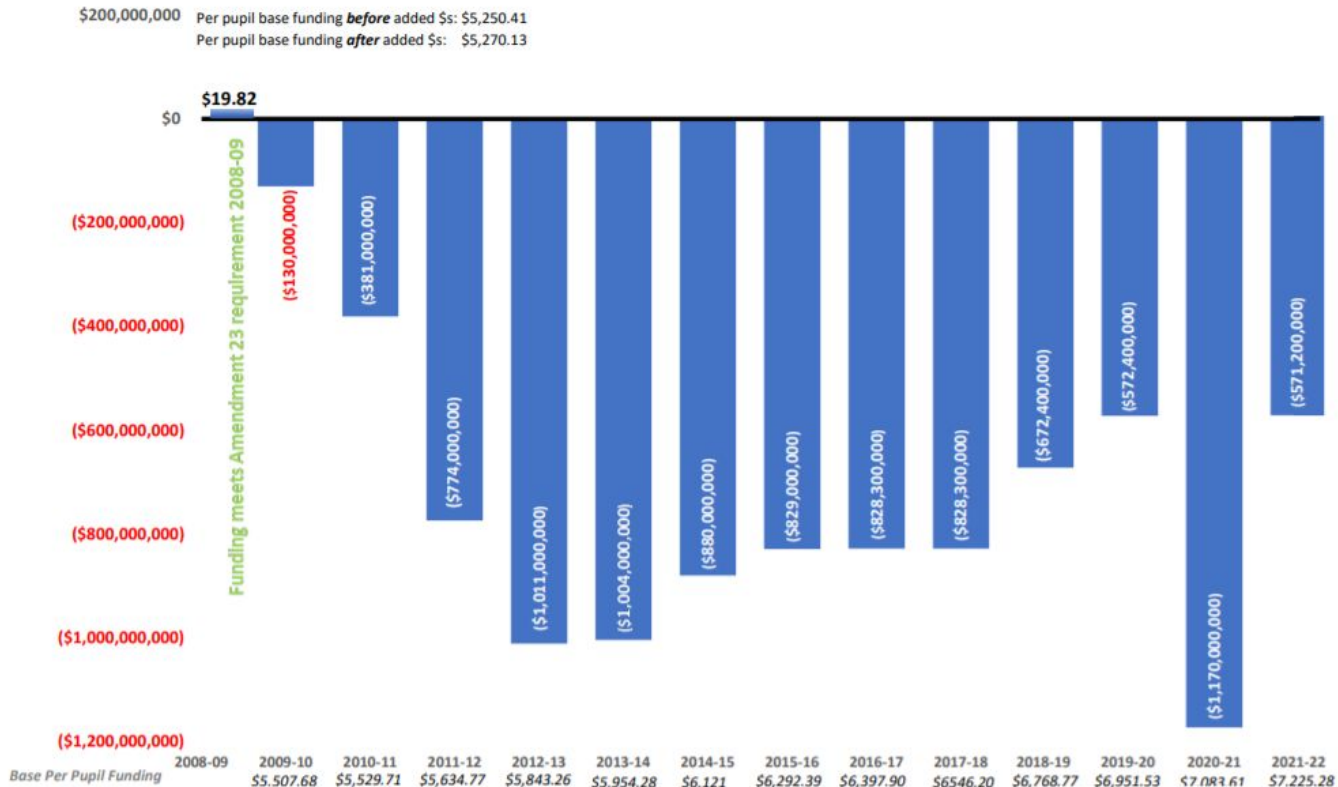
THE STATE SHARE IS MEANT TO MAKE UP FOR DISPARITIES IN CAPACITY TO RAISE REVENUE AT THE LOCAL LEVEL. CHART SHOWS MILLS NEEDED TO FULLY FUND TOTAL PROGRAM IN EACH OF THESE SCHOOL SCHOOLS.

FY 2018-19 Mill Levies Required to Fully Fund Total Program

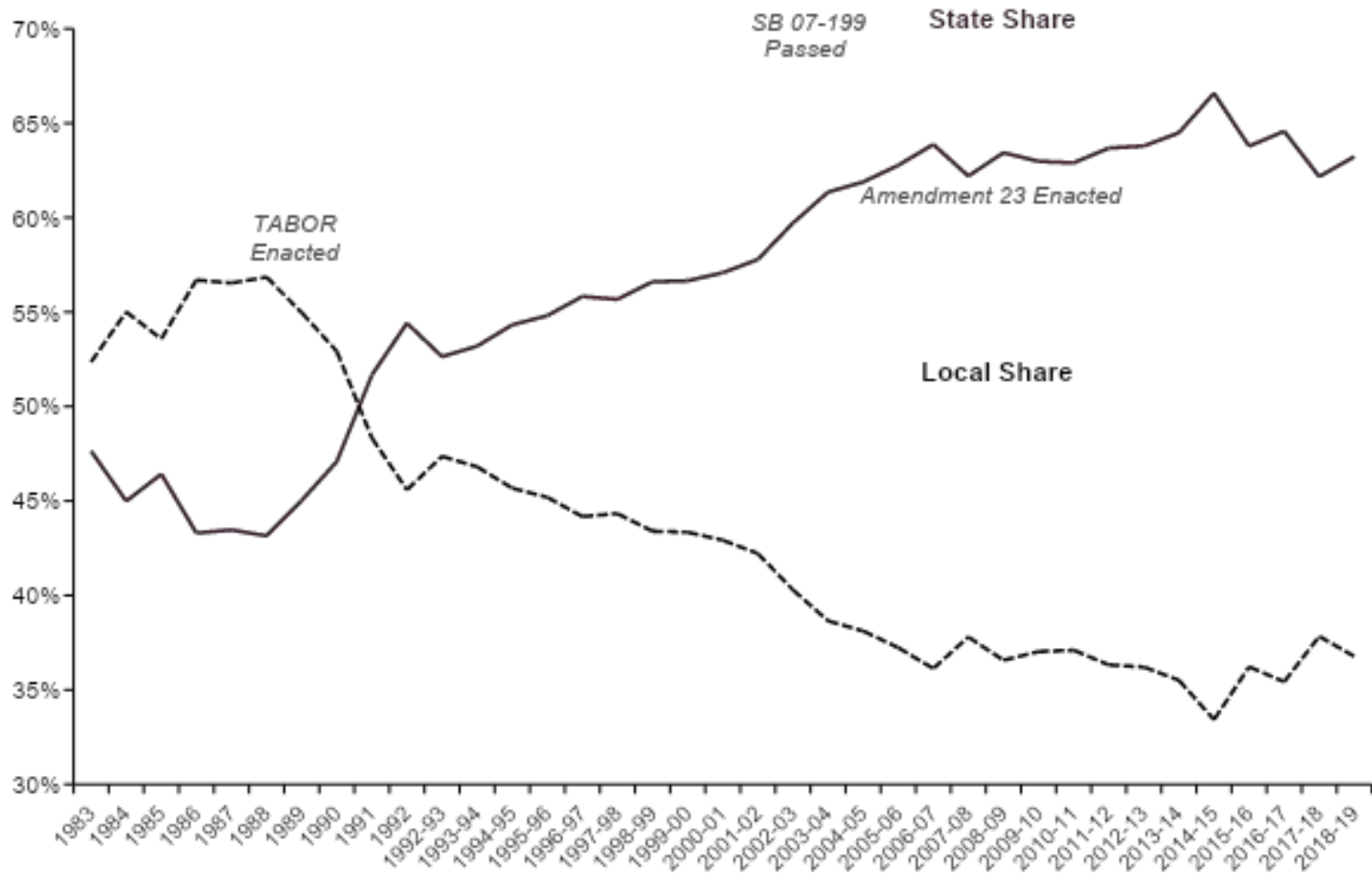


THE BUDGET STABILIZATION FACTOR TRACKS THE SHORTFALL IN STATE SHARE.

Budget Stabilization Factor Statewide Total
2009-10 to 2021-22



HOW DID WE GET HERE? THE DROP IN LOCAL SHARE TRIGGERED A RISE IN STATE SHARE.



Important dates for Colorado School Finance Mill Levy reform

1982

Gallagher passed-
Addresses property tax assessment rates

1992



TABOR passed-
Voter approval required for all
tax increases

1994

New School Finance Act



1995-2000

Most school districts asked voters to 'de-bruced' or de-TABOR- allowing them to be EXEMPT from the TABOR revenue and spending limits. Mill levies *should have* remained at the level they were when voter approval was received.

2007

Legislation passed to *freeze* mills at 2007 for school districts that had 'de-bruced' or de-TABORed. This was litigated and approved by Supreme Court. It is known as the Mesa County ruling.



2020

Legislation passed to *restore* mills to where they were when school district 'de-bruced' or de-TABORed, or to state statute of 27 mills, or to fully locally funded. Tax credits certified by school districts.



2021

First year that tax credits will be reduced- this will take up to 19 years to remedy



Mill Levy Correction Overview Fall 2021



... school districts in Colorado, based on an interpretation of statute by CDE, began collecting less local property tax for education than their voters had authorized, in some cases for years. How this came to pass is a complicated story that we will try to tell succinctly. **Mill Levy Correction is a legislative and legal directive to fix this undercollection of local property taxes for education.**

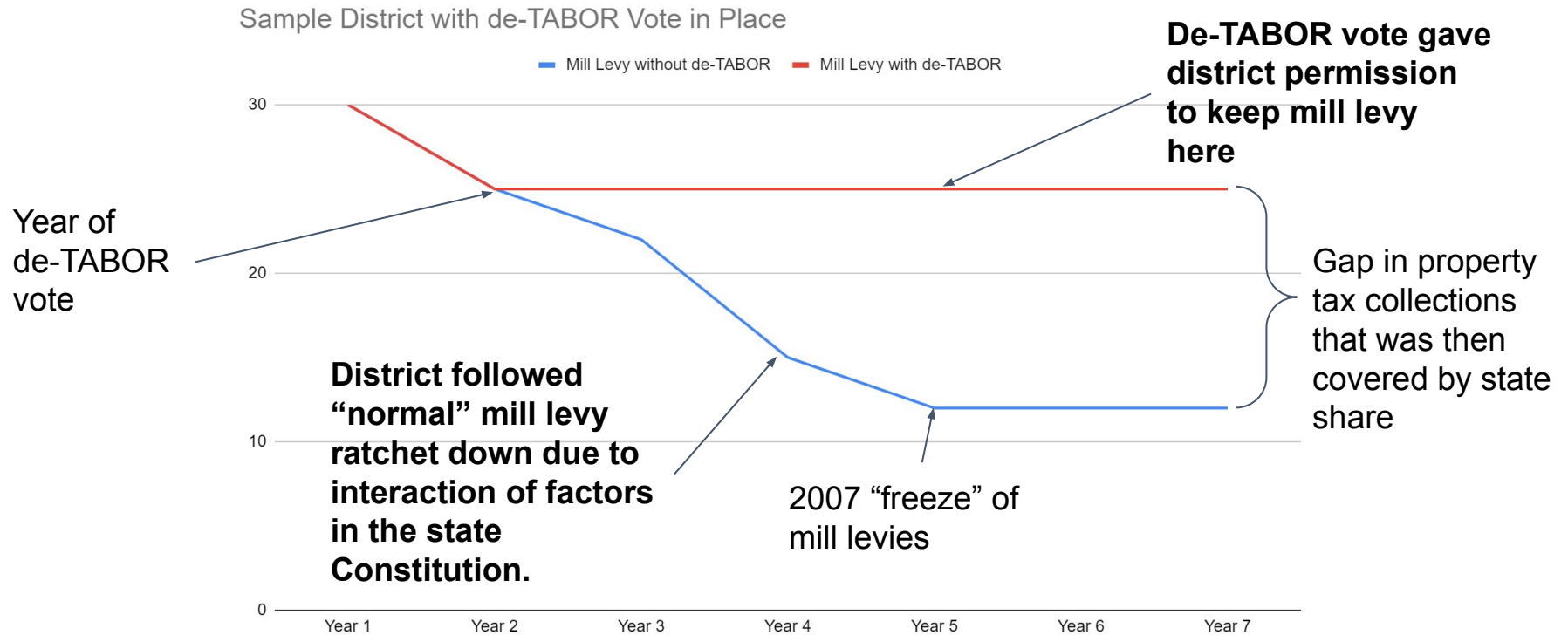
Background: How did we get here?

- **In the 1990s and 2000s, many school districts** obtained voter approval to retain and spend revenue in excess of the property tax revenue limitation imposed on the district by TABOR.
 - You may hear this referred to as “de-Brucing” or “de-TABORing”
- Districts that de-TABORed had permission from the voters to keep their local property tax mill levies (their local share) at the level in place at the time of the de-TABOR vote.
- Without de-TABORing, districts would not have been able to retain revenues above their TABOR limitation due to interactions of various factors unique to Colorado.
 - Rapid and significant growth in residential property value;
 - TABOR, which prevents taxes from increasing without voter approval;
 - And Gallagher, which has driven the residential assessment rate down in order to preserve the required ratio of residential/commercial property tax rates.

Background: How did we get here?

- CDE interpreted the statute such that **some de-TABORed districts should reduce their local share** through 2007.
 - However, because de-TABORed districts had permission from the voters to keep their mill levies at a higher level, it is now clear that local share should not have been reduced.
- In 2007, school district mills were frozen through legislation, then litigated in a debate about how local school districts should have treated their local mills per statute.
- **Because of the reduction to mill levies made between the early 1990s and 2007, the local share collected by those districts went down, and state share went up.**

Background: How did we get here?



- **The legislature has now taken steps to restore, going forward, the local share that was erroneously reduced.**
 - This created a reduction in local share and resulted in the non-collection of local property taxes that were already authorized by voters.
 - The legislature is only seeking to fix this issue going forward--it is **NOT** seeking to recover local tax property revenue that should have been collected in the past.
- **Mill Levy Correction is a state law.** While the responsibility for setting the mill levy lies with the local school board, the local school board must set the Total Program levy in accordance with state law.



Step 1: Passage of HB20-1418

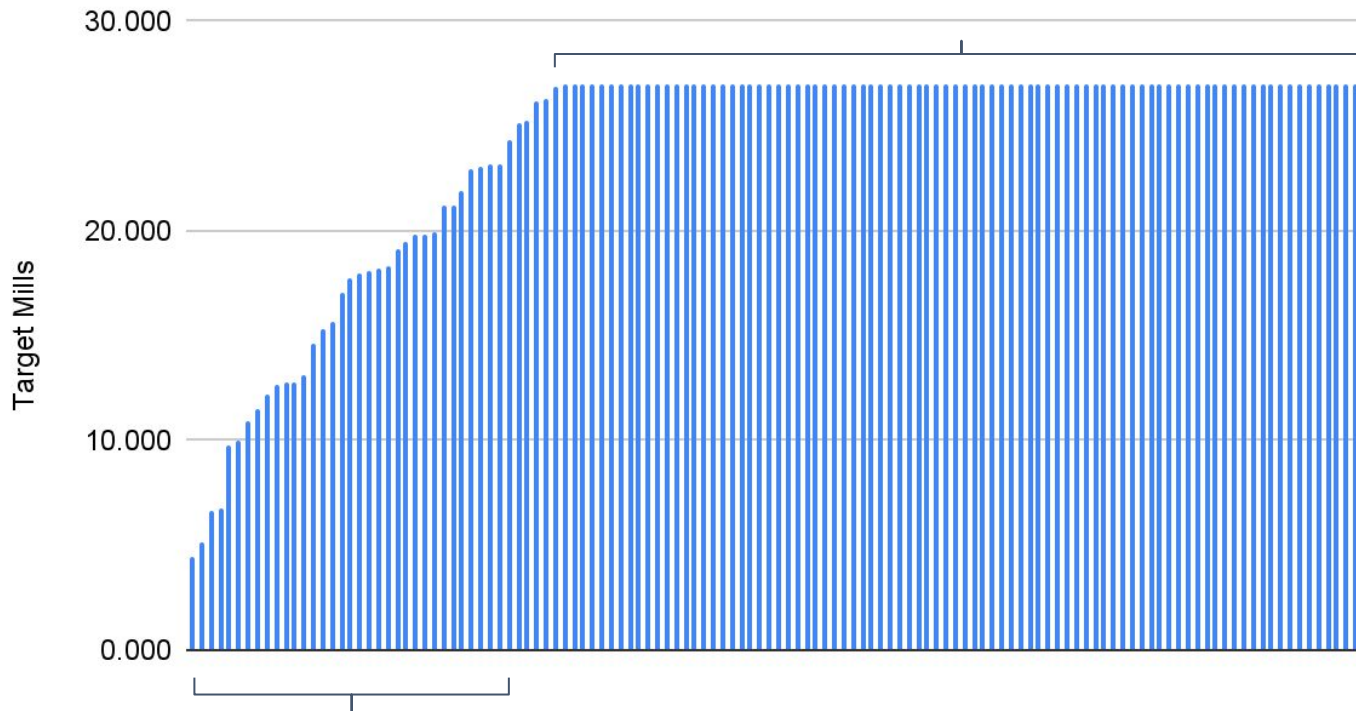
June 2020: [HB20-1418](#) signed (see Section 33). The 2020-2021 School Finance Act required districts to levy the number of mills specified by the requirements in the bill, including the establishment of temporary tax credits, if necessary, to correct historical errors. The bill required districts to set a mill levy target equal to **the lowest of:**

1. The mills required to fully fund the district with local property taxes;
2. The mills in place at the time the district obtained voter approval to retain and spend revenue in excess of the property tax revenue limitation imposed on the district by TABOR (de-Bruce); **or**
3. 27.000 mills.

Background: How do we fix it?



Target Mills per HB20-1418: Districts Impacted by Mill Levy Correction



86 out of 127 districts (68%) have target mills of 27. This means that the mills required to fully fund the district, **and** the mills in place at the time of deTABOR, are both greater than 27.

41 out of 127 districts (32%) have target mills under 27. This means that either the mills required to fully fund the district, **or** the mills in place at the time of deTABOR, are less than 27.

Background: How do we fix it?



Step 2: District certification of Temporary Tax Credits

December 2020: If required, districts included temporary tax credits when [certifying property tax mills](#) related to the local share of total program for the 2020 tax year. The temporary tax credits were equal to the difference between the district's current total program mill and the mill levy target established by [HB20-1418](#). For example, if the district's current total program mill was 25, and its mill levy target is 27, the district implemented a temporary tax credit of 2 mills.



DISTRICT NUMBER	COUNTY OF ASSESSED VALUATION	SCHOOL DISTRICT	NET ASSESSED VALUATION	HB20-1418 TOTAL PRGM MILLS	TEMP TAX CREDIT	NET TOTAL PRGM MILLS
0010	ADAMS	MAPLETON 1	831,452,880			
0010		MAPLETON 1 TOTAL	\$831,452,880	27.000	0.920	26.080
0020	ADAMS	ADAMS 12 FIVE STAR	2,543,352,030			
0020	BROOMFIELD	ADAMS 12 FIVE STAR	542,844,087			
0020		ADAMS 12 FIVE STAR TOTAL	\$3,086,196,117	27.000	0.000	27.000



Step 3: Introduction, challenge to, and passage of HB21-1164

March 2021: [HB21-1164](#) introduced. The bill requires CDE to implement a correction plan for districts with temporary tax credits. Specifically, the plan must ensure that districts incrementally reduce temporary tax credits “as quickly as possible but by no more than one mill each property tax year,” beginning in the 2021 tax year.

May 2021: Colorado Supreme Court ruled in an [interrogatory](#) that HB21-1164 is constitutional.

June 2021: [HB21-1164](#) signed into law.

Next Steps: What happens now?

- **HB21-1164 requires CDE to implement a correction plan that:**
 - Reduces a district's temporary tax credits "as quickly as possible,"
 - But by no more than 1 mill per year.

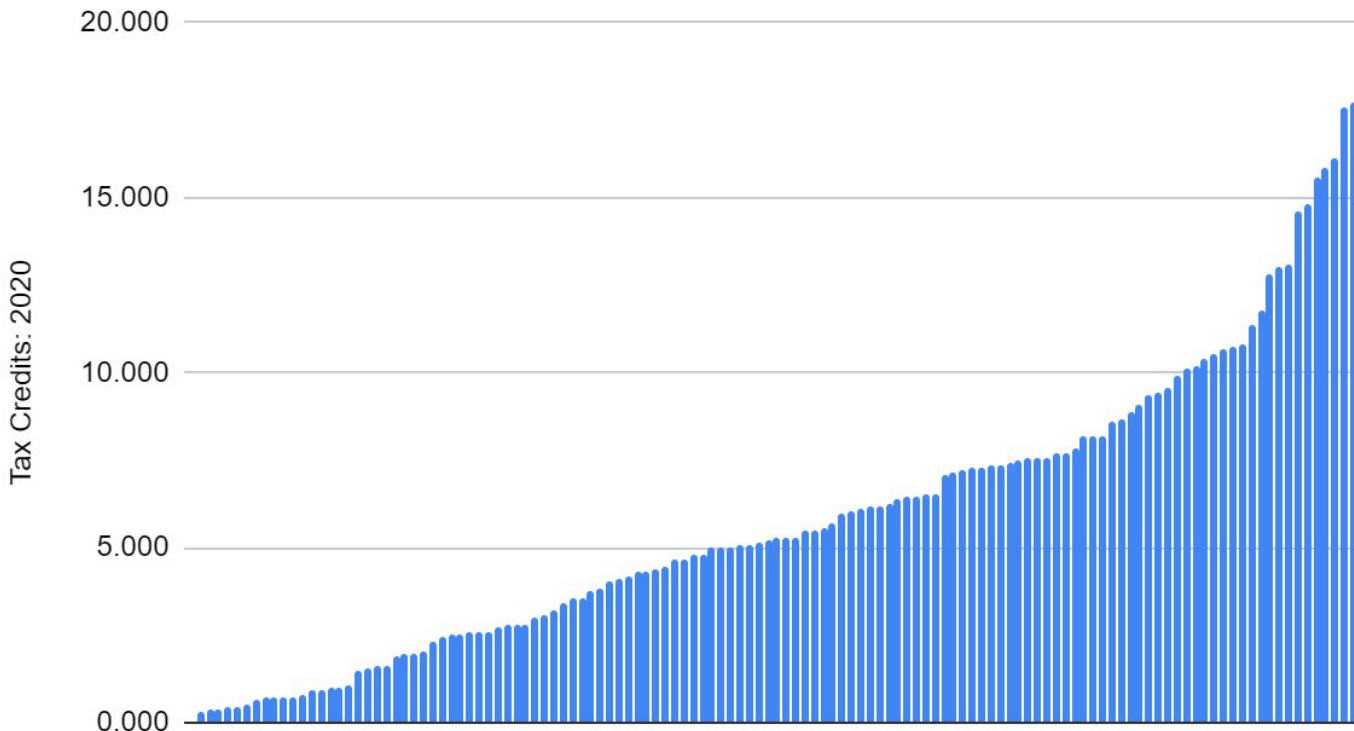
For Example:

District A has a mill levy target of 27 mills based on the requirements of HB20-1418. In 2020, it was levying 25.0 mills. Taxpayers in District A will see the following changes in their property taxes for the local share of Total Program:

2020 Tax Year (certified December 2020):	25.0 mills, 2 temporary tax credits
2021 Tax Year (certified December 2021):	26.0 mills, 1 temporary tax credit
2022 Tax Year and beyond:	27.0 mills

Background: How do we fix it?

Tax Credits per HB20-1418



Tax credits range from **.048** to **18.480**.

This means that districts will be implementing Mill Levy Correction for anywhere from 1 to 19 years.

107 out of 127 districts (82%) have fewer than 10 temporary tax credits

Find your district's temporary tax credits [here](#).

Next Steps: What happens now?

- How much more will this cost a generic taxpayer each year?



\$600,000

$$\begin{array}{r} \text{Residential} \\ \text{Assessment} \\ \text{Rate:} \\ 7.15\% \end{array} \times \begin{array}{r} = \\ \\ \\ \end{array} \begin{array}{r} \text{Assessed} \\ \text{Property} \\ \text{Value:} \\ \$42,900 \end{array} \times \begin{array}{r} \text{Mill} \\ \text{Levy:} \\ .015 \end{array} = \begin{array}{r} \text{2020} \\ \text{School} \\ \text{Property} \\ \text{Tax Bill:} \\ \text{\$643.50} \end{array}$$

One year later, when one tax credit has been implemented, the homeowner will pay **\$42.90** per year more in property taxes from mill levy correction, assuming a static residential assessment rate and static assessed property value:



\$600,000

$$\begin{array}{r} \text{Residential} \\ \text{Assessment} \\ \text{Rate:} \\ 7.15\%^* \end{array} \times \begin{array}{r} = \\ \\ \\ \end{array} \begin{array}{r} \text{Assessed} \\ \text{Property} \\ \text{Value:} \\ \$42,900 \end{array} \times \begin{array}{r} \text{Mill} \\ \text{Levy:} \\ .016 \end{array} = \begin{array}{r} \text{2022 School} \\ \text{Property} \\ \text{Tax Bill:} \\ \text{\$686.40} \end{array}$$

- **What happens if a district does not implement Mill Levy Correction, despite being required to by law?**

“If a district does not certify at least the mill levy required by subsection (2) OR (2.1) of this section, the department shall determine what the state's percentage share of the district's total program would have been had the district certified the required mill levy. The department of education shall reduce the district's state aid in an amount that will result in the state's percentage share of the district's total program remaining the same as if the district had certified the required mill levy.” - from HB20-1418

- **Can we fund the increase in mills via our Mill Levy Override?**
 - Districts are statutorily required to implement total program mill levy corrections as outlined in HB20-1418 and HB21-1164.
 - If a district wishes to reduce its mill levy override collections in an amount commensurate with, and to offset, the increase in total program mills required by correction, it must consult with its local counsel and review the ballot language associated with the mill levy override to determine whether this is legal and allowable.
 - CDE cannot advise on whether reducing mill levy override collections to offset mill levy correction impacts is allowable in your district.

Next Steps: What happens now?



- **Where will the money go?**

- The estimate for the 2021-2022 school year is that Mill Levy Correction will generate ~\$90M in additional local share
- These are funds that won't need to be paid from state sources
- Therefore, the funds may be redirected, for example to the new factor changes in the finance formula:

“...THE GENERAL ASSEMBLY FURTHER DECLARES THAT THE REMAINING COSTS OF THE SCHOOL FINANCE FORMULA CHANGES ARE OFFSET BY THE SAVINGS TO THE STATE SHARE OF TOTAL PROGRAM THAT OCCUR **AS A RESULT OF CORRECTING THE UNAUTHORIZED REDUCTIONS IN DISTRICT PROPERTY TAX MILL LEVIES** AS PROVIDED IN SECTION 22-54-106 (2.1).”

- **Ultimately, use of these state funds is the legislature's decision.**

Next Steps: What happens now?

- **How much might Mill Levy Correction raise in additional property taxes over time?**

The following chart provides an *estimate* of the impact of Mill Levy Correction on property tax collection, all else being equal.*

FY2021-22 Projected Property Taxes with Credit Stepdowns			
	Current with No Stepdown	With Credit Stepdown	Approx Add'l Prop Taxes per Year
Year 1	2,853,909,591	2,945,599,960	91,690,369
Year 5	2,853,909,591	3,061,122,354	207,212,763
Year 10	2,853,909,591	3,096,358,015	242,448,424
Fully Implemented	2,853,909,591	3,106,891,398	252,981,807

*Note: the estimates above assume static Assessed Valuations and assessment rates.

Support: What support is available?



- **Consultation**

CDE School Finance is offering technical assistance to districts in the form of webinars and individual district consultations. To request technical assistance with mill levy correction, please reach out to Kate Bartlett (bartlett_k@cde.state.co.us) or Tim Kahle (kahle_t@cde.state.co.us) at CDE.

- **Communications resources in development**

- CDE press release - *early September*
- One pager
- FAQs
- Sample letter for districts to use
- Slide deck for districts to use
- Talking points for County Assessors and Treasurers

**So, what does
this mean for
your district?**

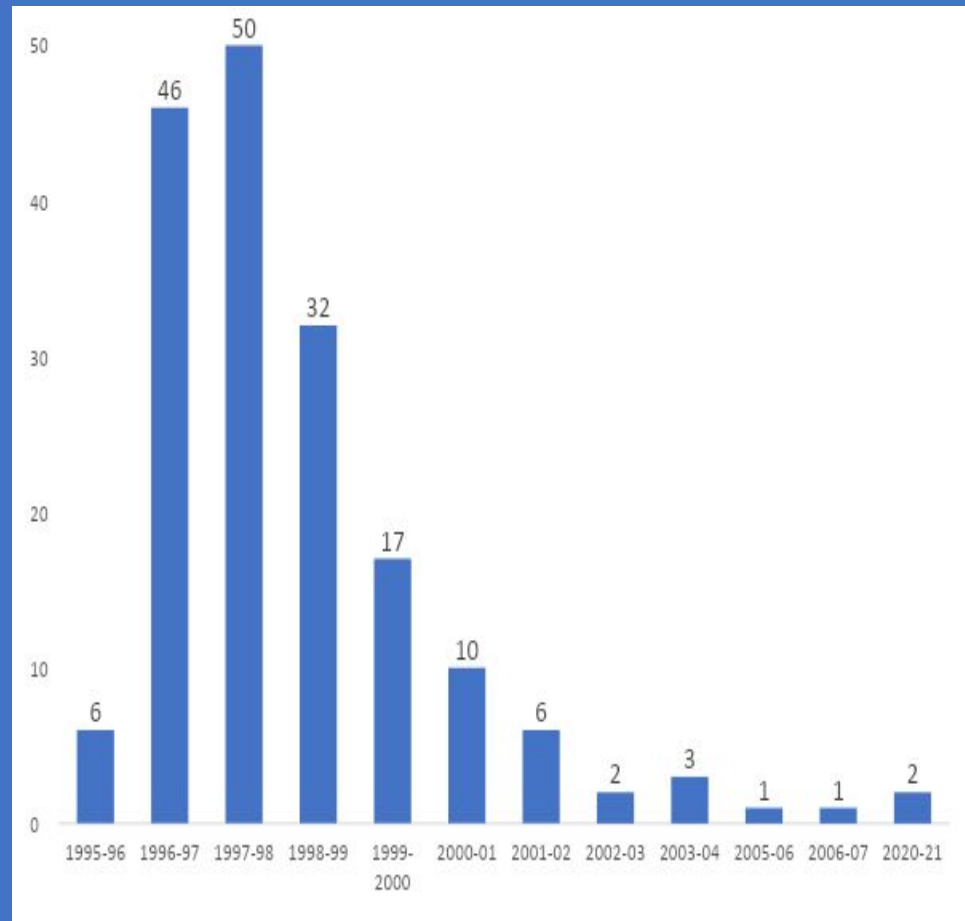
- It depends – based on what was just presented
- Here are the reference links that you can find the information

<https://cosfp.org/wp-content/uploads/Mill-Levy-and-Tax-Credits.pdf>

<https://cosfp.org/wp-content/uploads/2020-21-Tax-Effort-Fiscal-Capacity-Portrait.pdf>

When districts de-bruced or de-TABORed

Number of School Districts by Year 'de-bruced' or de-TABORED

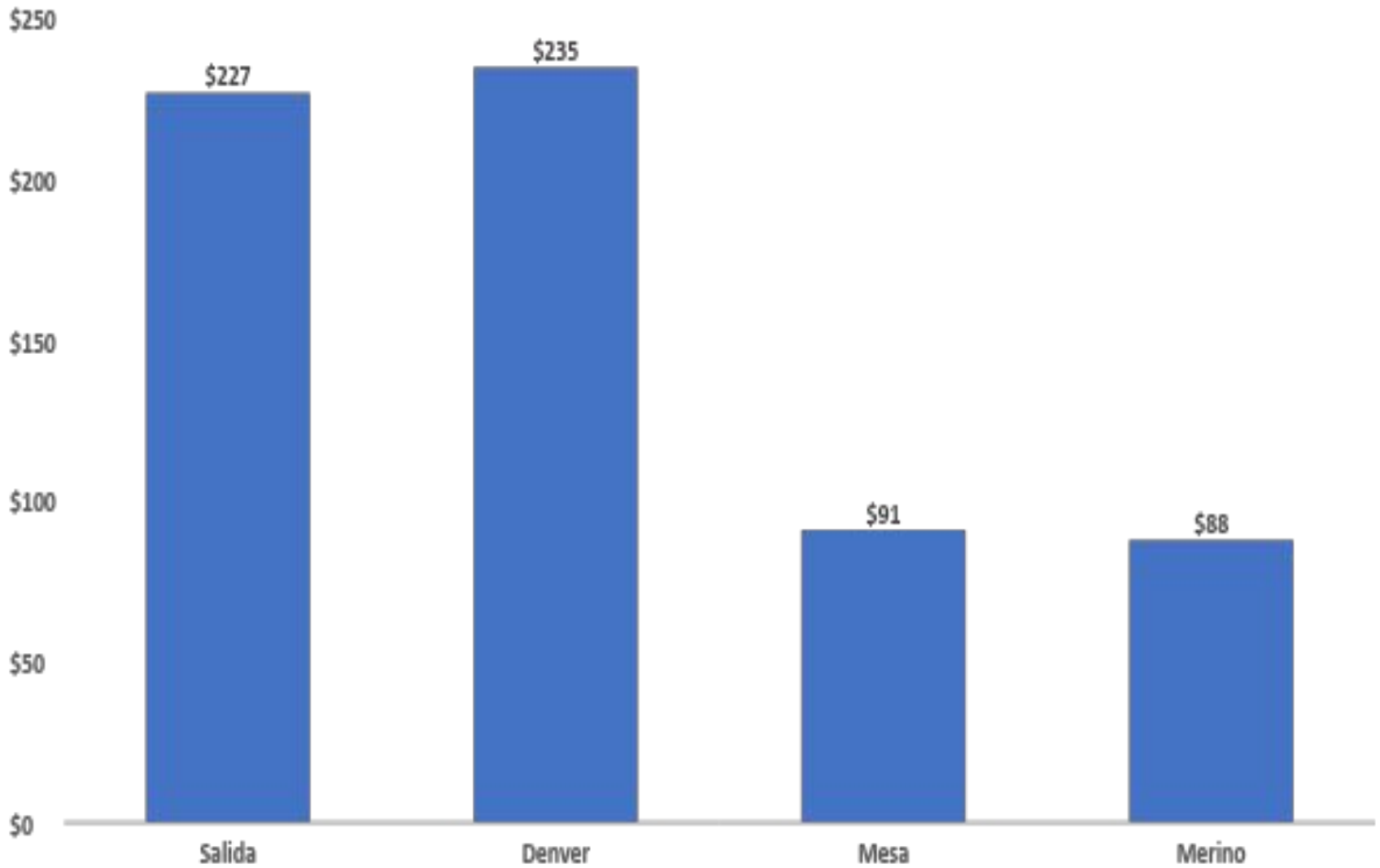


The ranges and impacts vary

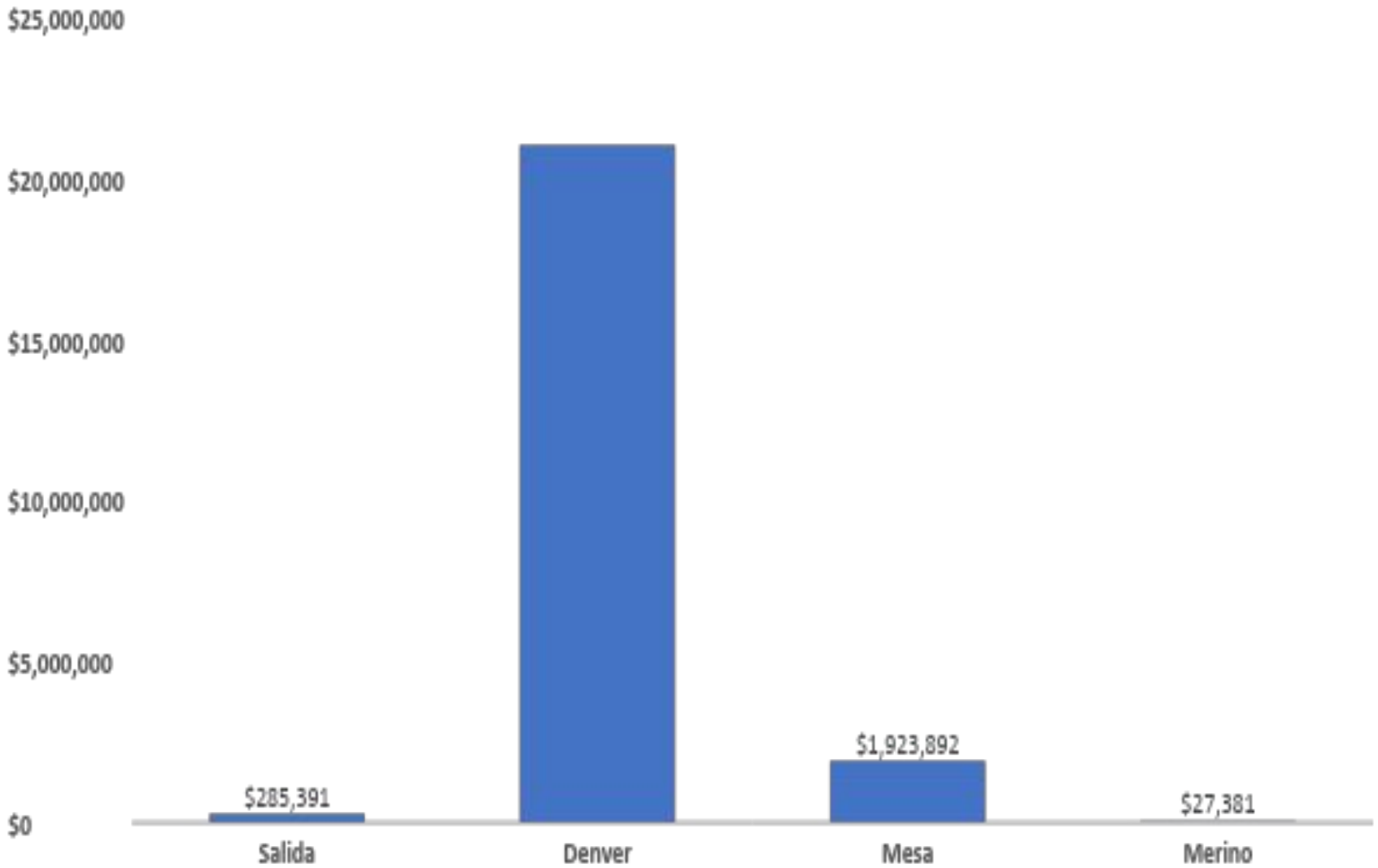
- Districts have no control of their property wealth
- Districts have no control of their residential and non-residential split

These both determine the impacts on communities.

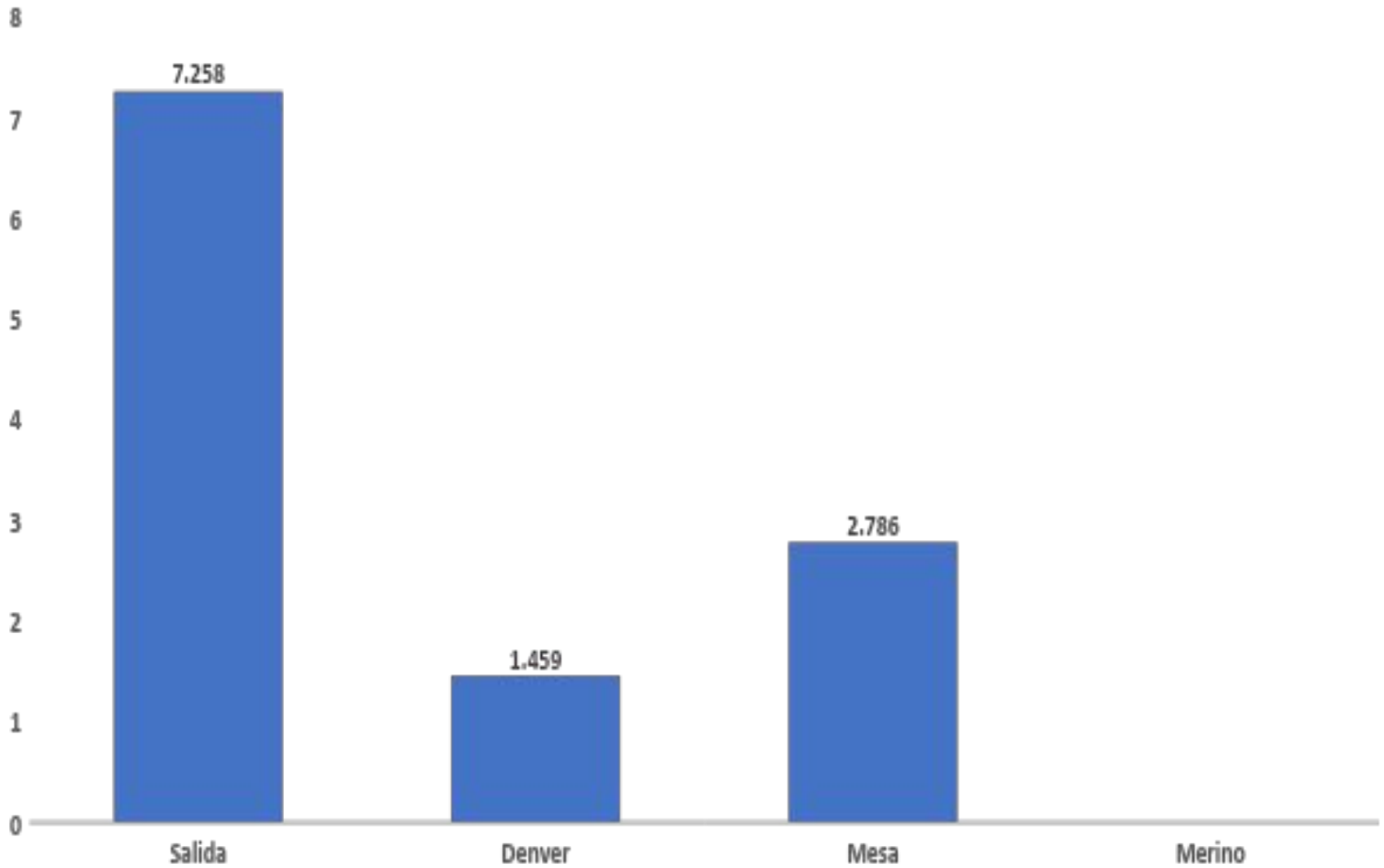
Amount Raised by 1 Mill Per Pupil



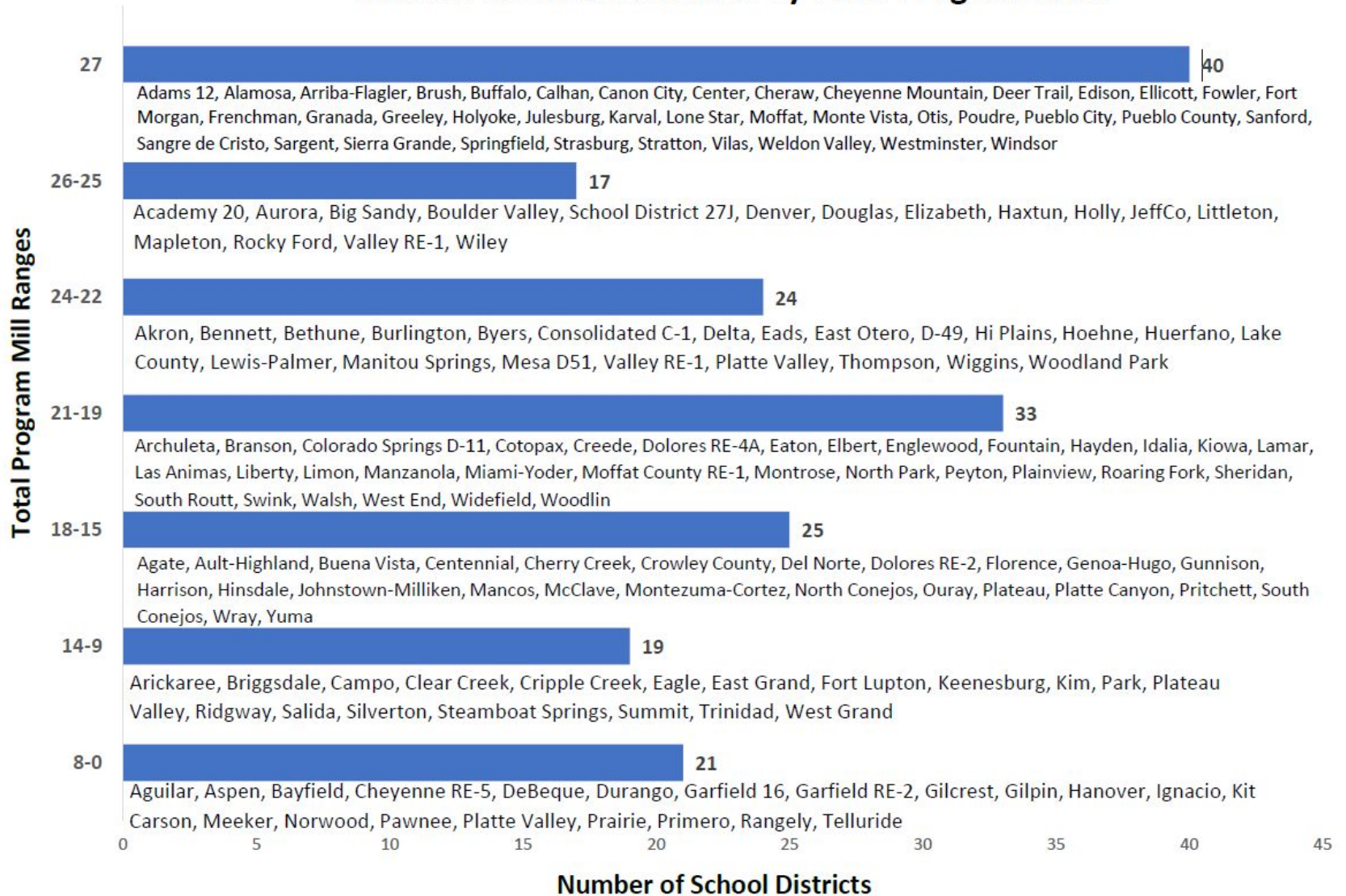
Amount Raised by 1 Mill



Mill Levy Tax Credit



Number of School Districts by Total Program Mills



Note: Harrison and Steamboat Springs have not 'de-bruced' or de-TABORed

Number of School Districts by Mill Levy Tax Credit



NOTE: Harrison and Steamboat Springs school districts have not 'de-bruced' or de-TABORed



QUESTIONS?



KEY MESSAGES RELATED TO THE MILL LEVY CORRECTION

- Mill Levy Correction is a legislative and legal directive to correct a historical undercollection of local property taxes.
- The historical undercollection resulted in districts collecting less in property taxes for education than their voters had approved by de-TABORing.
- Mill Levy Correction is in law, dictated by state statute; it is not a local decision to raise property taxes.
- Mill Levy Correction is a phased approach to restoring local property taxes to the levels voters authorized.
- Mill Levy Correction will result in local taxpayers increasing their taxes to previously approved levels, or to an appropriate level as defined by HB20-1418.
- There are no retroactive payments or penalties--the law only applies to future years.
- **Funds generated through Mill Levy Correction will result in more fiscal resources overall being available for education.**

RESOURCE LINKS

- [Financing Public Schools FY 2021-22 \(LCS\)](#)
- [School Finance Booklet \(LCS\)](#)
- [CDE Mill Levy Correction website](#)
- [CSFP Mill Levy and Tax Credits for Colorado districts](#)
- [CSFP Tax Effort and Fiscal Capacity – 2020-21](#)