



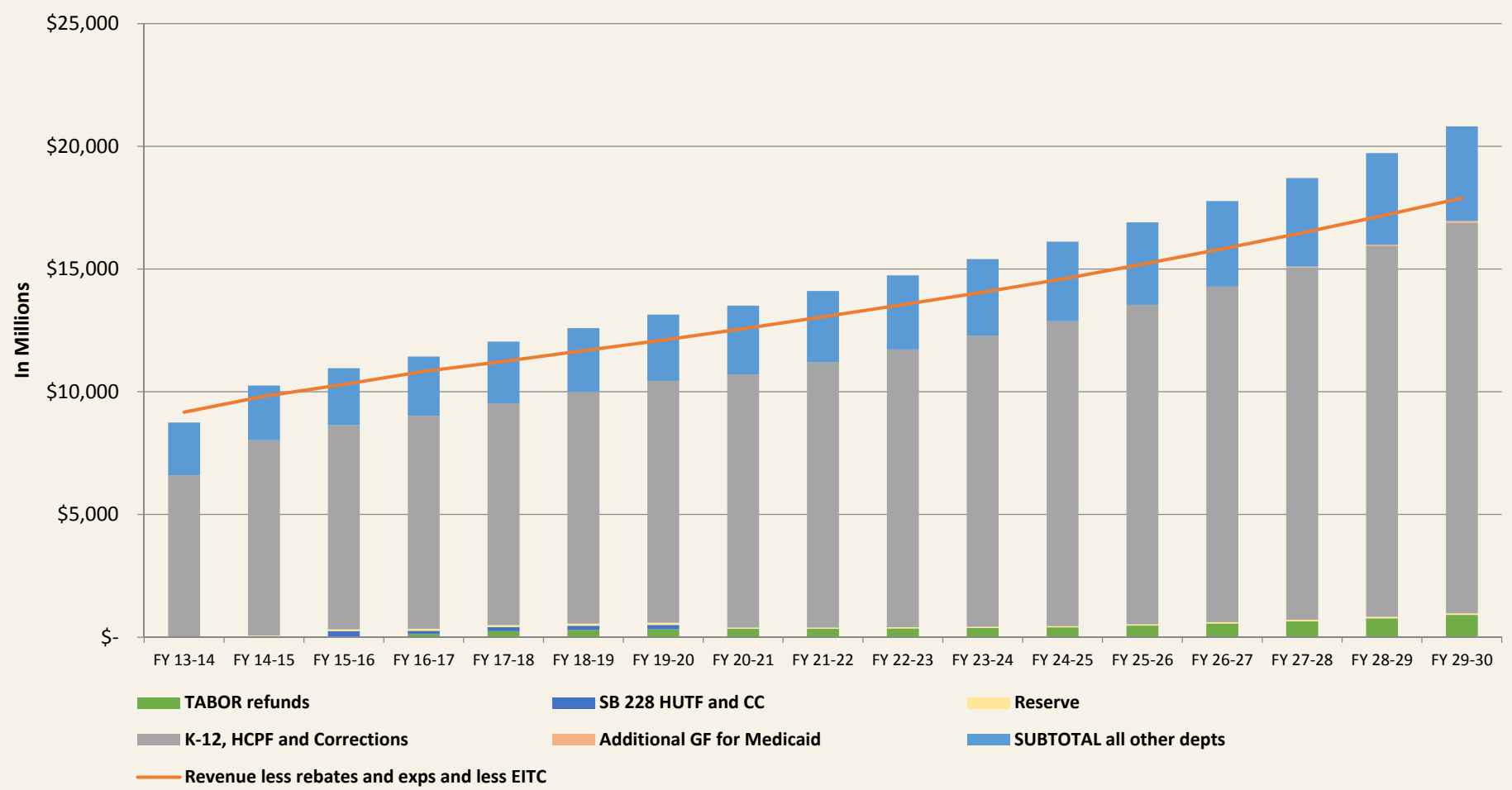
**COLORADO
FUTURES
CENTER**

*Financing Colorado's Future – A Look
at the Interaction of School Finance
and the Funding of State Government*



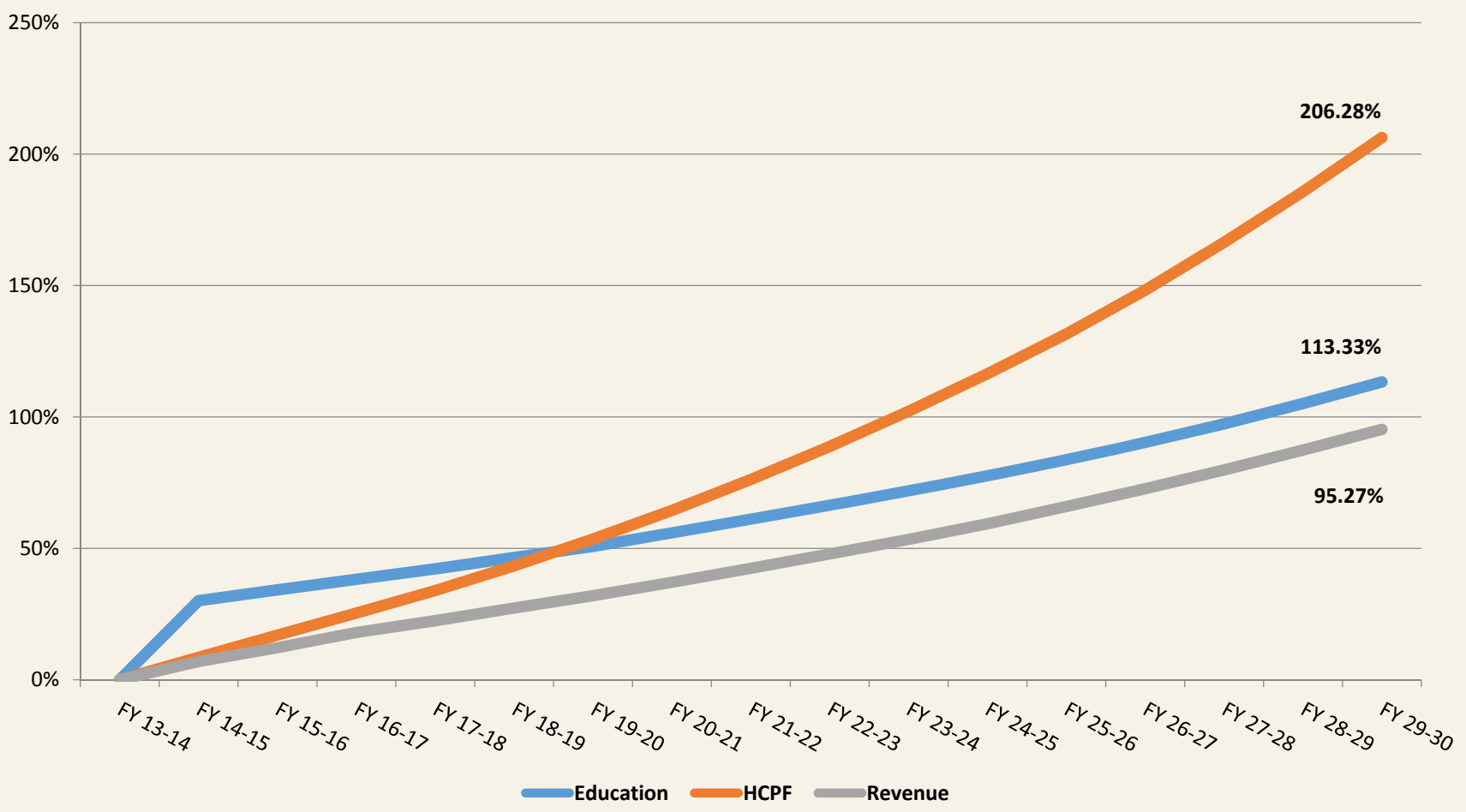
Colorado State University

Colorado Continues to Face a Structural Imbalance

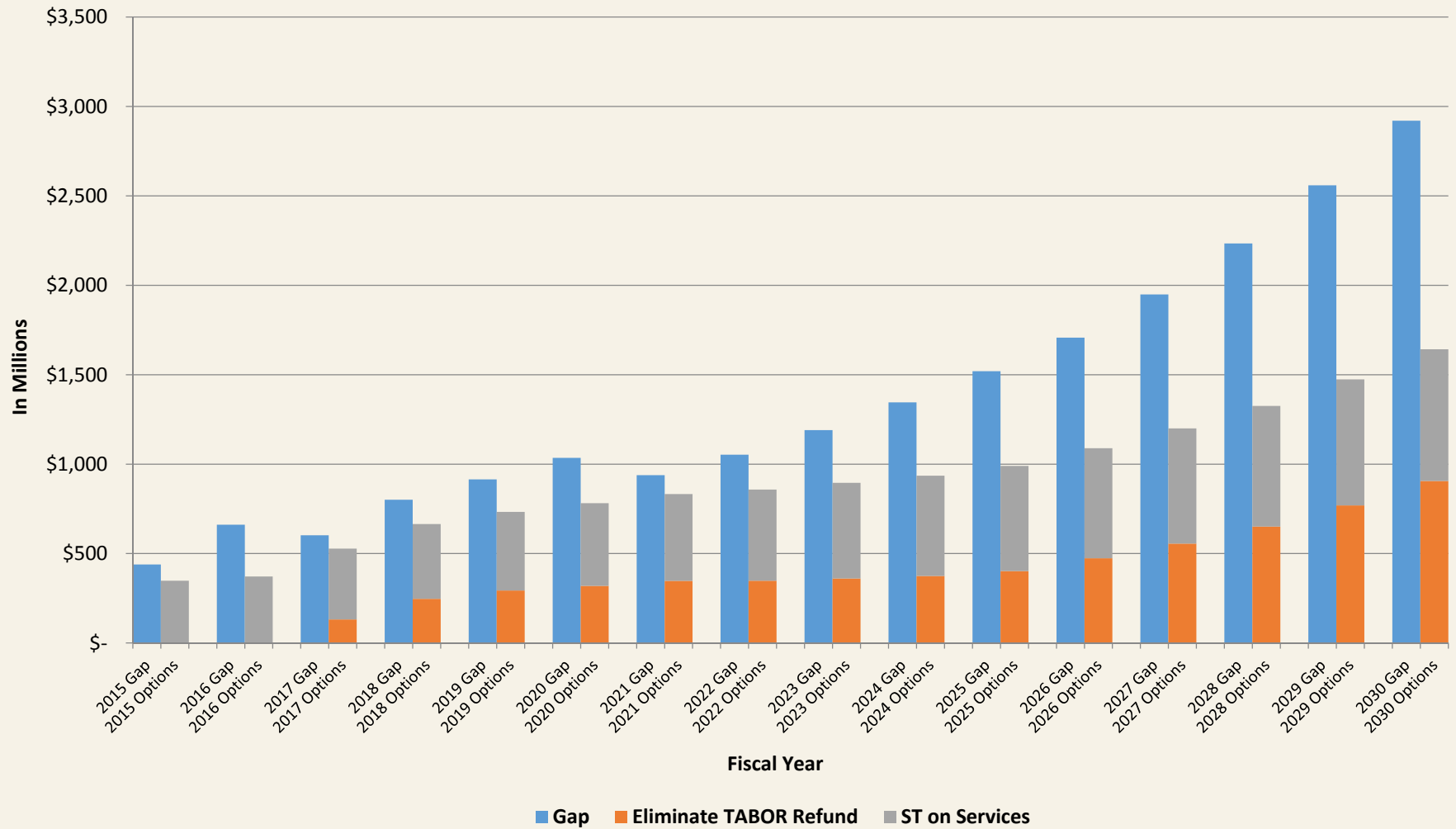


Source of the Structural Imbalance

Cumulative Growth Rates from FY 13-14 through FY 29-30



TABOR and Sales Tax Changes Provide an Almost Complete Short-Term Solution

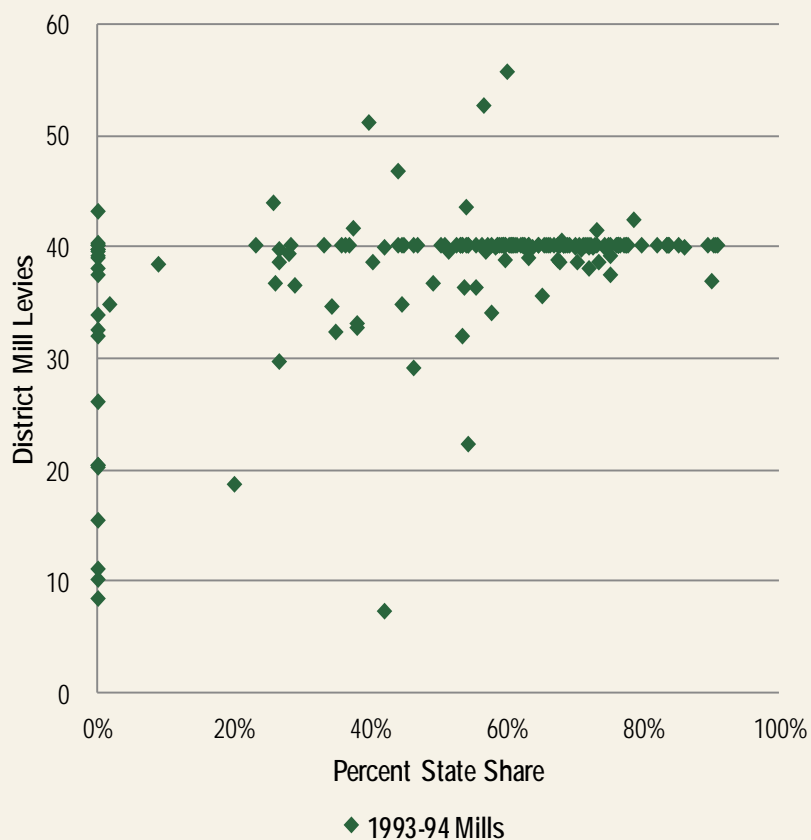


Closing the Remaining Gap

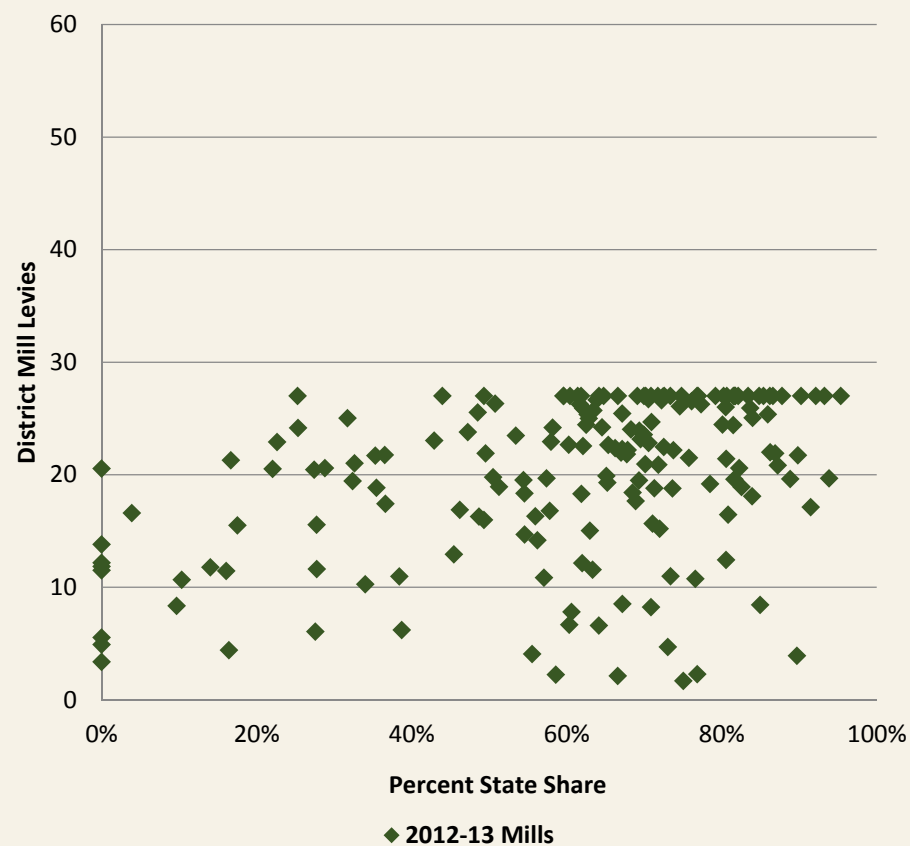
- Requires addressing school finance
 - Address local share of school funding
 - Address the structure of the property tax system
 - Options will require
 - Better balancing state/local partnership for funding schools
- Or
- Developing a replacement funding model for schools

System of Financing K-12 Education Remains Broken

1993-94



2012-13

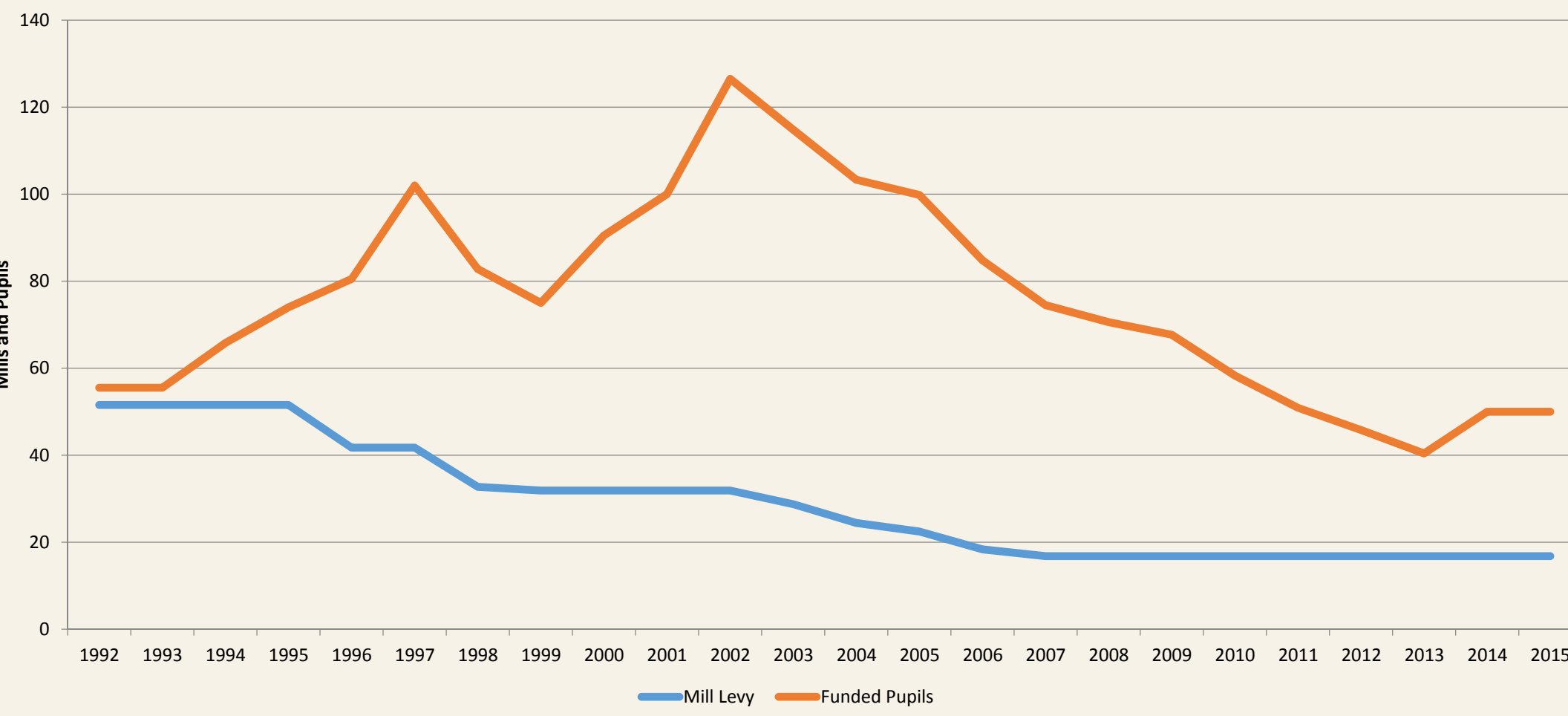




The Dynamics Behind the Declining Levies: Two Provisions of TABOR Collide with Economic and Demographic Dynamics of School Districts

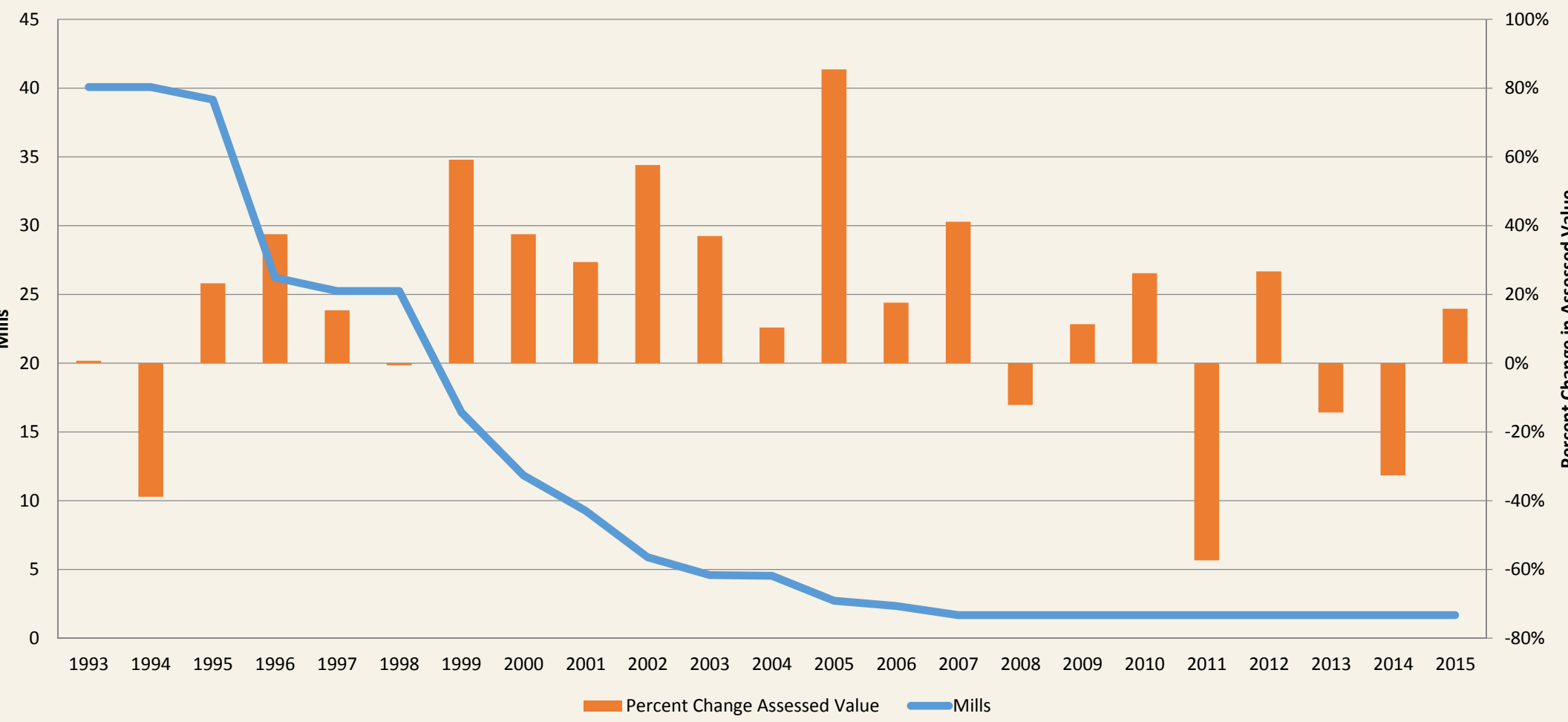
Dynamic 1: Fluctuating Enrollments

Agate: Funded Pupils and Mill Levies



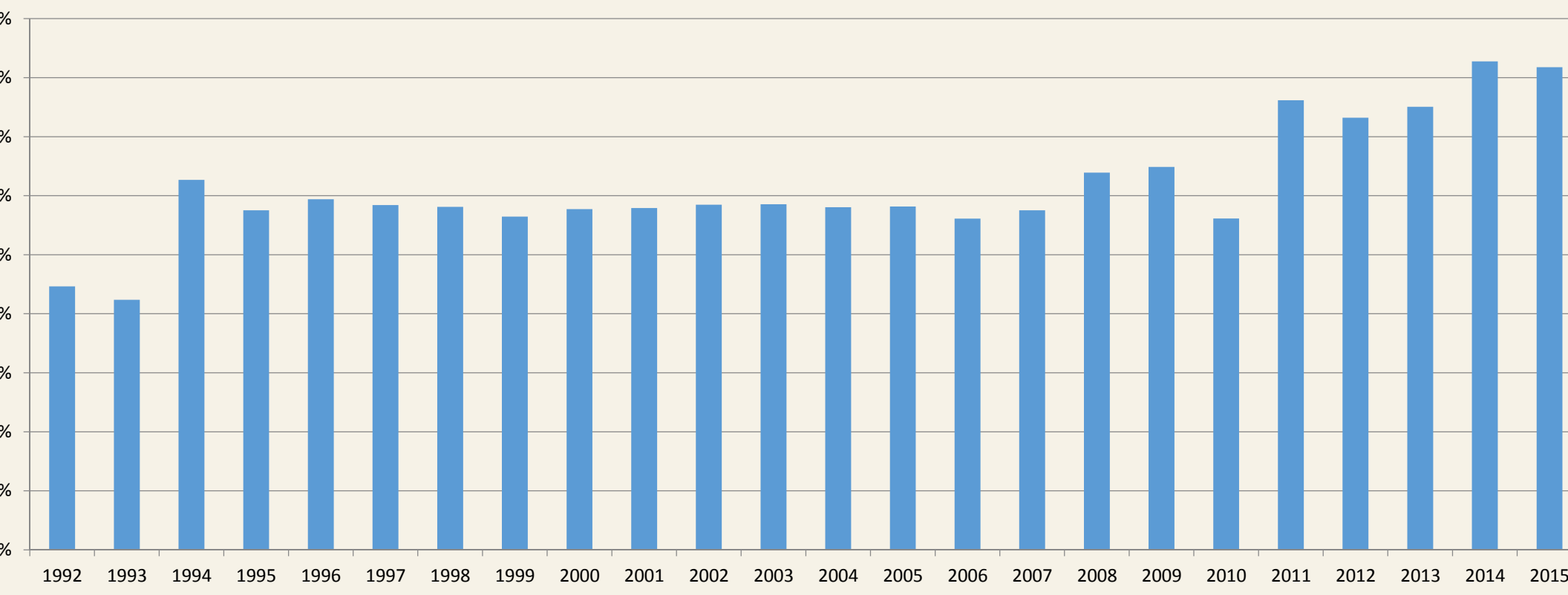
Dynamic 2: Wide Swings in Assessed Values

Primer: Change in Assessed Value vs. Mill Levy



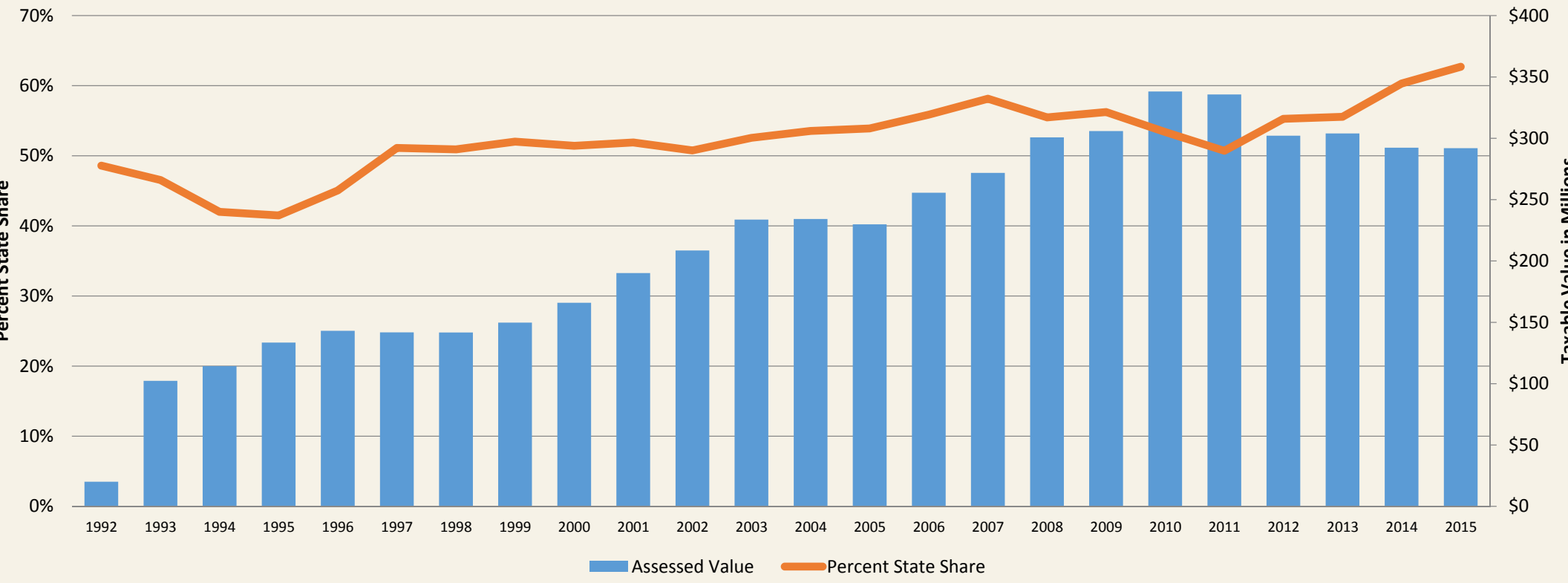
Dynamic 2: Continued

Primero Percentage State Share Since the Passage of TABOR



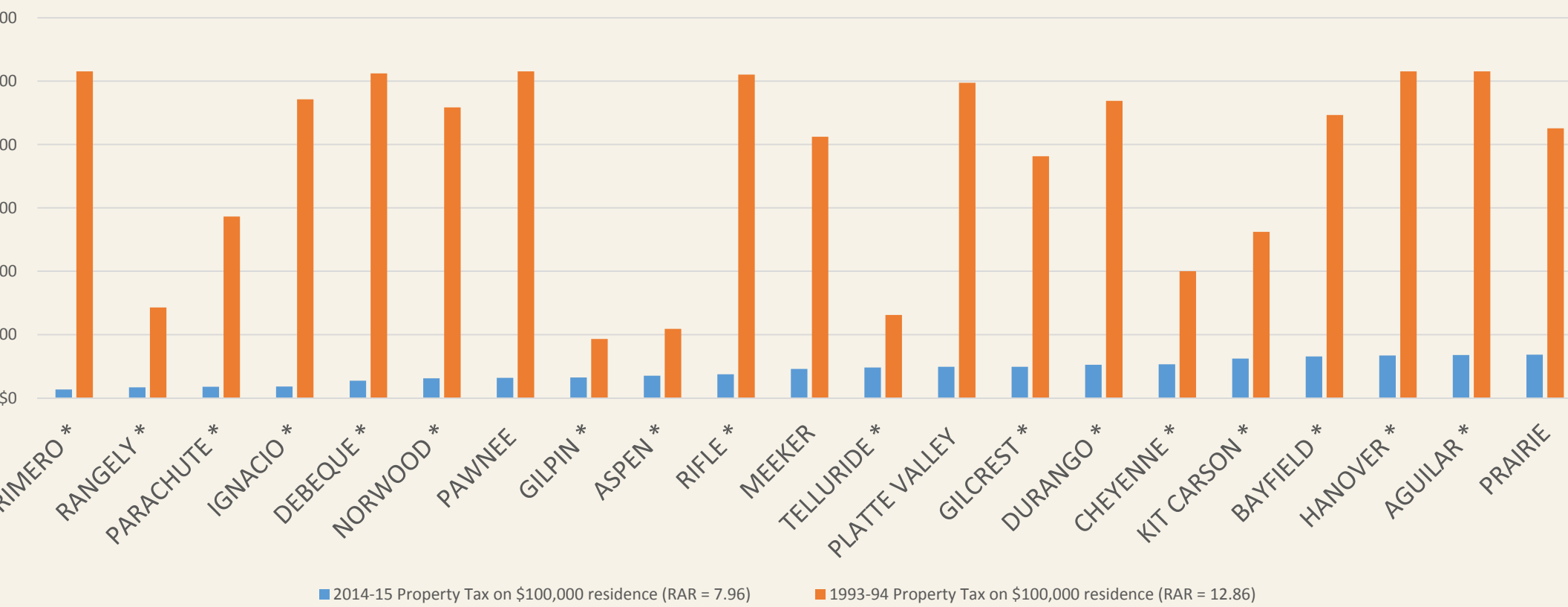
Dynamic 3: Consistent Increases in Assessed Value

Gilpin County: Taxable Value and State Share



Colorado Now Has 21 Districts Levying Fewer than 10 Mills; Eight in Top Quintile for Median Household Income

Decline in Property Tax: Districts Under 10 Mills



te share increased from 1993-4 to 2014-15

Our Current Research Focus: TABOR Related Distortion to School Property Taxes

We investigated:

- Distributional changes in effective tax rates
- Changing incidence of the school property tax
- District spending disparities; the use of override levies
- Whether TABOR has limited taxes for all taxpayers



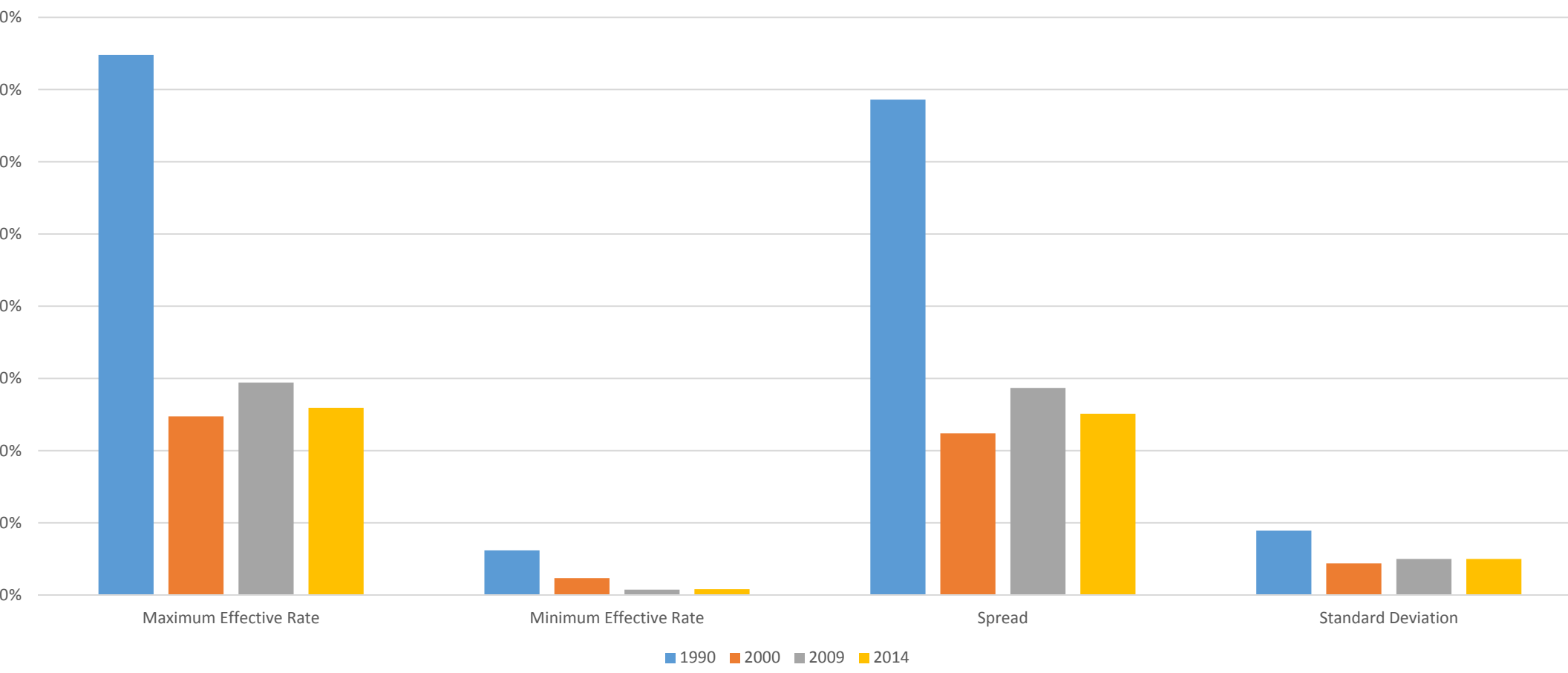
RESEARCH FINDINGS



Finding 1. As measured by effective tax rates, local property taxes to support base school programs have become more unequal since the passage of TABOR.

This Has Resulted in the School Property Tax Becoming More UNEQUAL

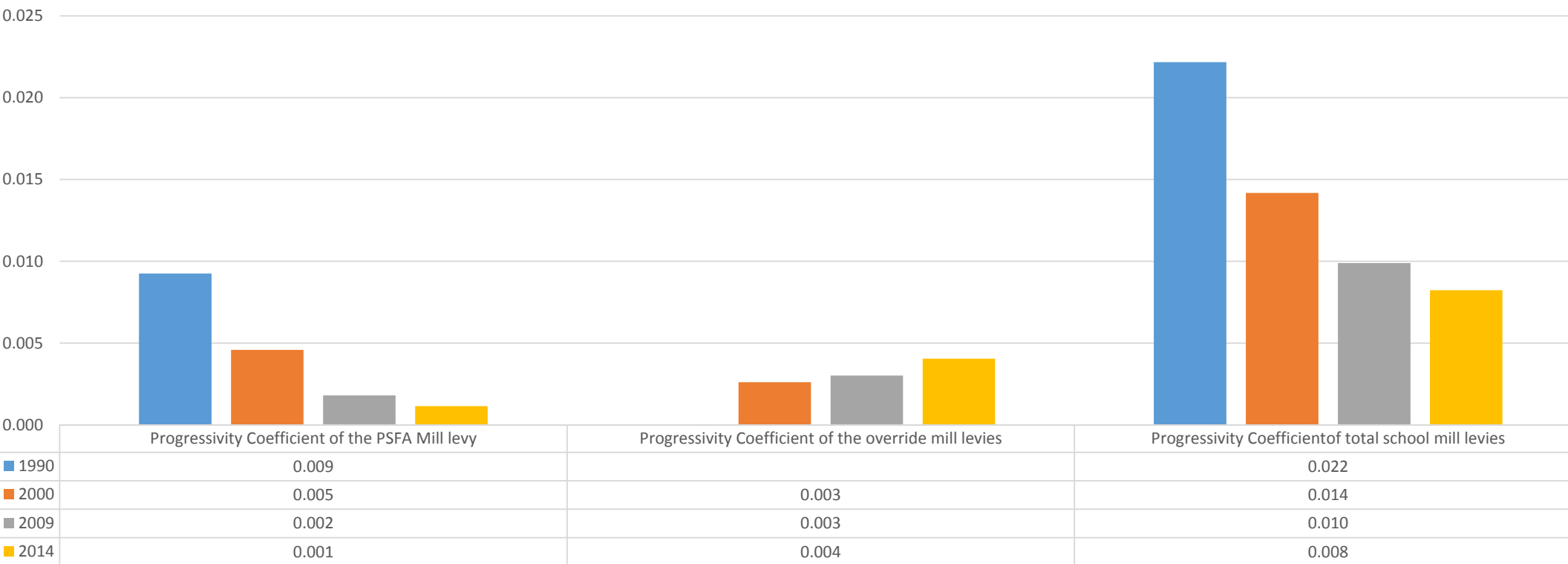
Median Taxpayer Effective Tax Rates - PSFA mills



Finding 2. As measured by effective tax rates, the local property tax to support base school programs has become more regressive.

All Levies Except for Override Levies Have Become More Regressive

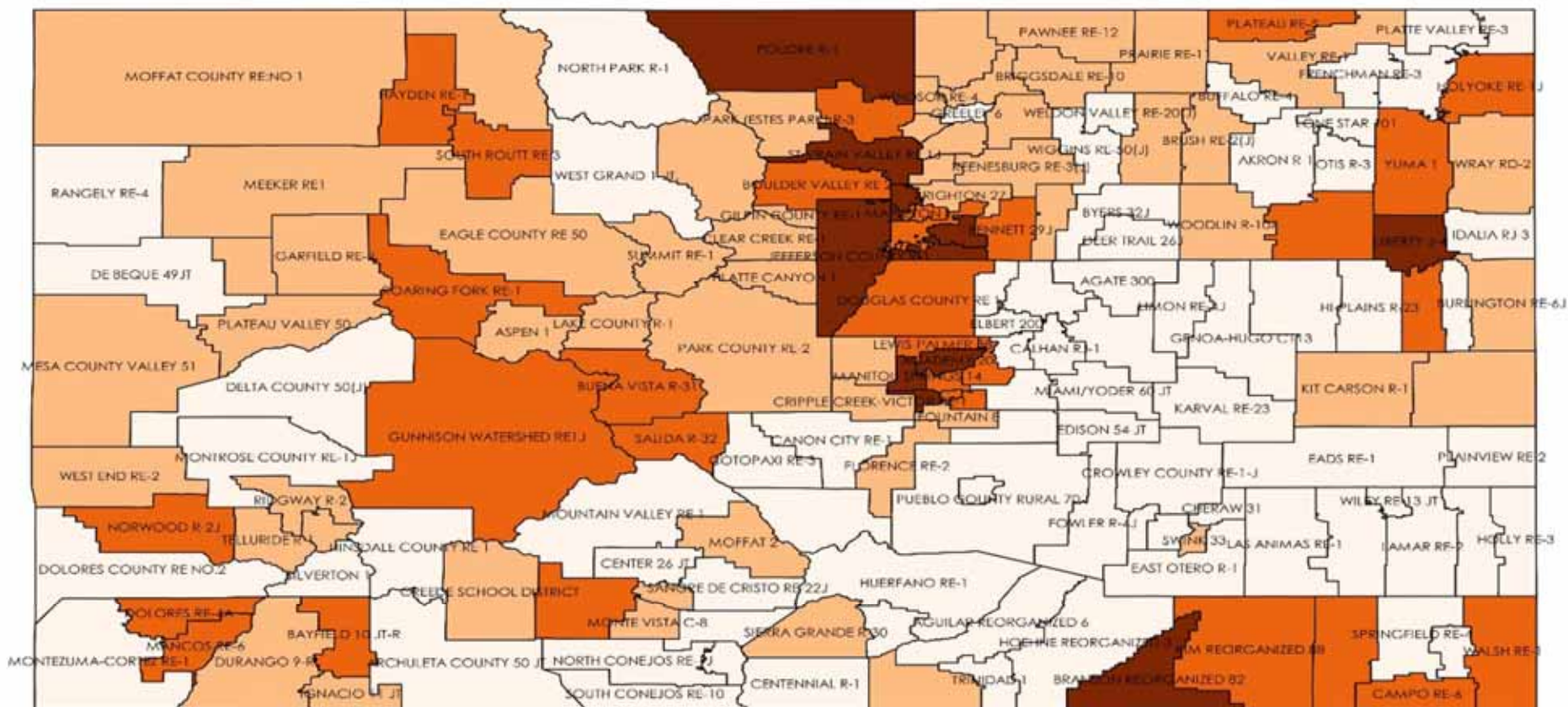
Progressivity Coefficients of Major School Mills



■ 1990 ■ 2000 ■ 2009 ■ 2014

Finding 3. District level funding disparities increased as the use of local override levies became increasingly prevalent in districts with falling effective property tax rates for base school programs.

Use of Override Levies Uneven Statewide



Legend

District Voter Approved Override Mills

- 0.0000 - 0.0000
- 0.0001 - 6.1070
- 6.1070 - 13.0120
- 13.0120 - 20.6060

Is the Uneven Use of Override Levies Related to TABOR?

Dependent Variable: MILLS_OR_2014
 Model: Stepwise Regression
 Date: 5/14/15 Time: 10:28
 Number of observations: 170 after adjustments
 Number of always included regressors: 1
 Number of search regressors: 10
 Selection method: Stepwise forwards
 Stopping criterion: p-value forwards/backwards = 0.1/0.1

| Variable | Coefficient | Std. Error | t-Statistic | Prob.* |
|-----------------|-------------|------------|-------------|--------|
| C | -1.273874 | 1.187191 | -1.073015 | 0.2848 |
| POP | 2.68E-05 | 4.35E-06 | 6.146960 | 0.0000 |
| ED_ATT | 13.43090 | 2.786070 | 4.820733 | 0.0000 |
| AV_PER_PUPIL_14 | -2.81E-06 | 8.72E-07 | -3.228421 | 0.0015 |
| PSFA_MILL_CHG | 0.205758 | 0.063091 | 3.261279 | 0.0013 |
| CHG_EFF_RATE | -250.3092 | 104.5744 | -2.393598 | 0.0178 |

| | | | |
|--------------------|-----------|-----------------------|----------|
| Adjusted R-squared | 0.370895 | Mean dependent var | 4.091959 |
| Adjusted R-squared | 0.351715 | S.D. dependent var | 5.171445 |
| F-statistic | 4.163850 | Akaike info criterion | 5.725413 |
| Adjusted R-squared | 2843.373 | Schwarz criterion | 5.836089 |
| Adjusted R-squared | -480.6601 | Hannan-Quinn criter. | 5.770324 |
| Adjusted R-squared | 19.33753 | Durbin-Watson stat | 1.498900 |
| Adjusted R-squared | 0.000000 | | |

Selection Summary

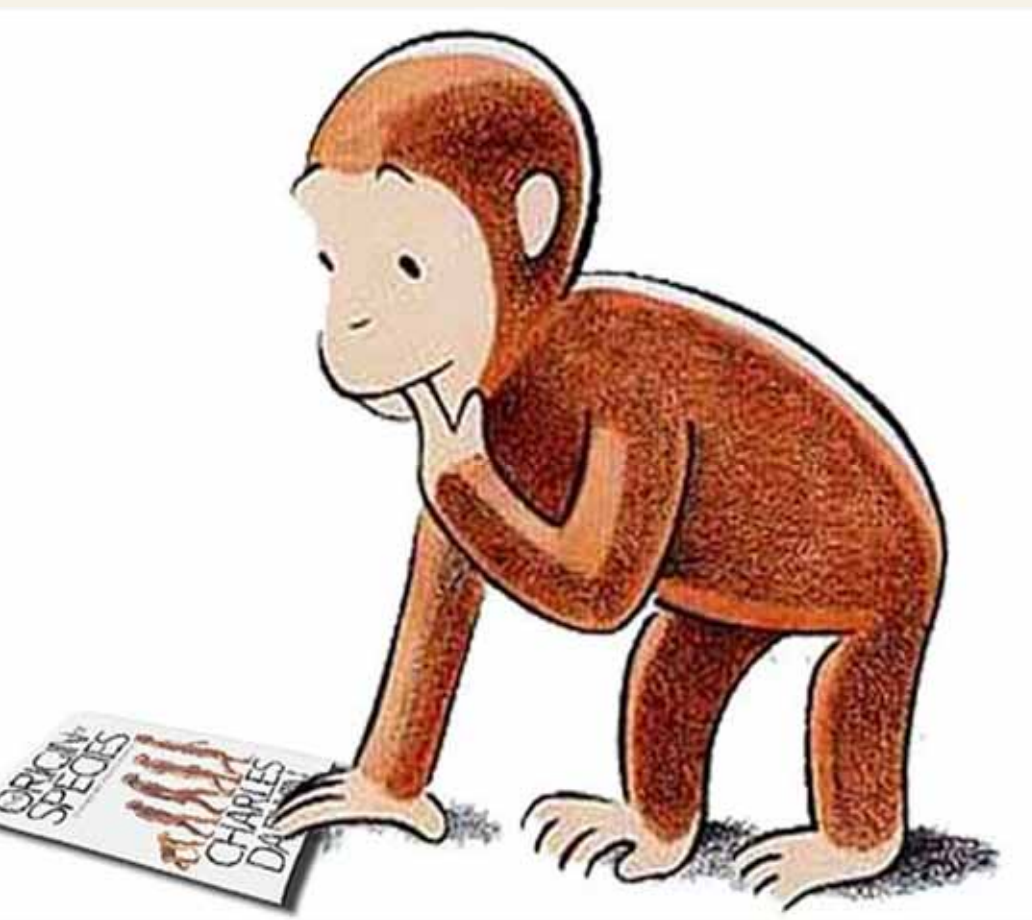
POP
 ED_ATT
 AV_PER_PUPIL_14
 PSFA_MILL_CHG
 CHG_EFF_RATE

p-values and subsequent tests do not account for stepwise selection.

- The use of overrides is more prevalent in districts that:
 - Are LARGER in population
 - Are MORE EDUCATED – as measured by educational attainment of head of household
 - Have LOWER assessed value per pupil – likely a vestige of Gallagher
 - **AND HAVE SEEN THE LARGEST DECLINES IN EFFECTIVE TAX RATE SINCE THE PASSAGE OF TABOR**

Finding 4. As a result of TABOR, taxpayers in 7%
of the state's 178 school districts currently pay
more in school property taxes than they would
if TABOR were never enacted.

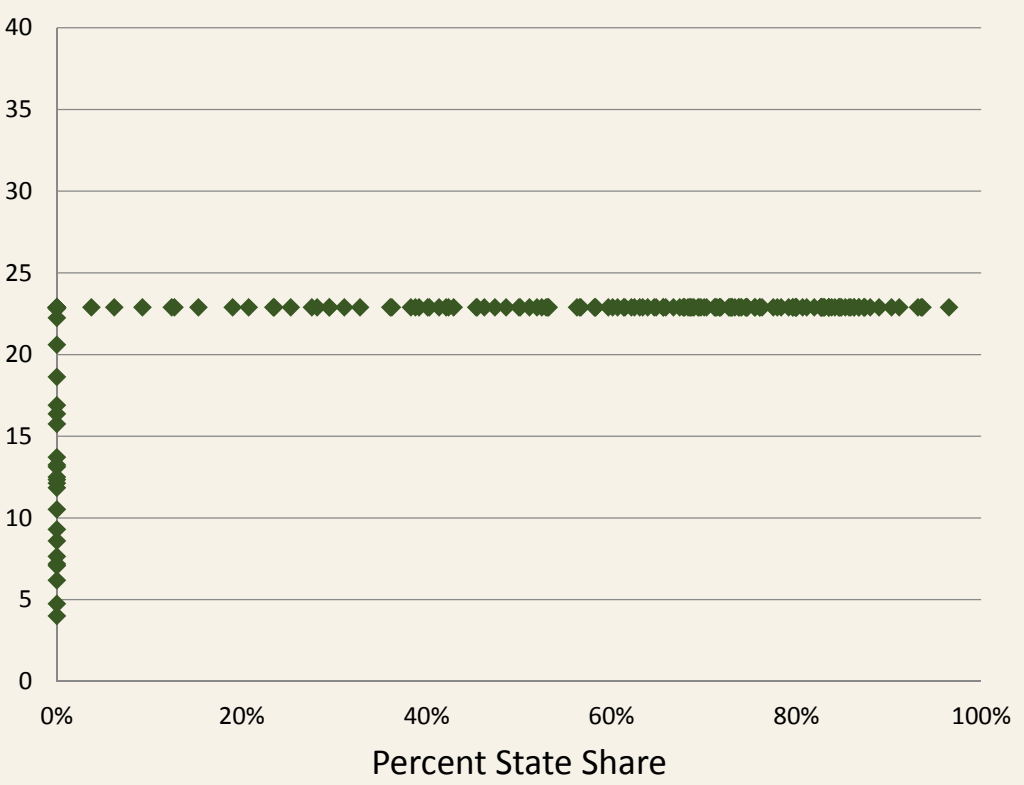
How Can a Limit Result in 81% of Coloradans Paying MORE in Property Taxes?



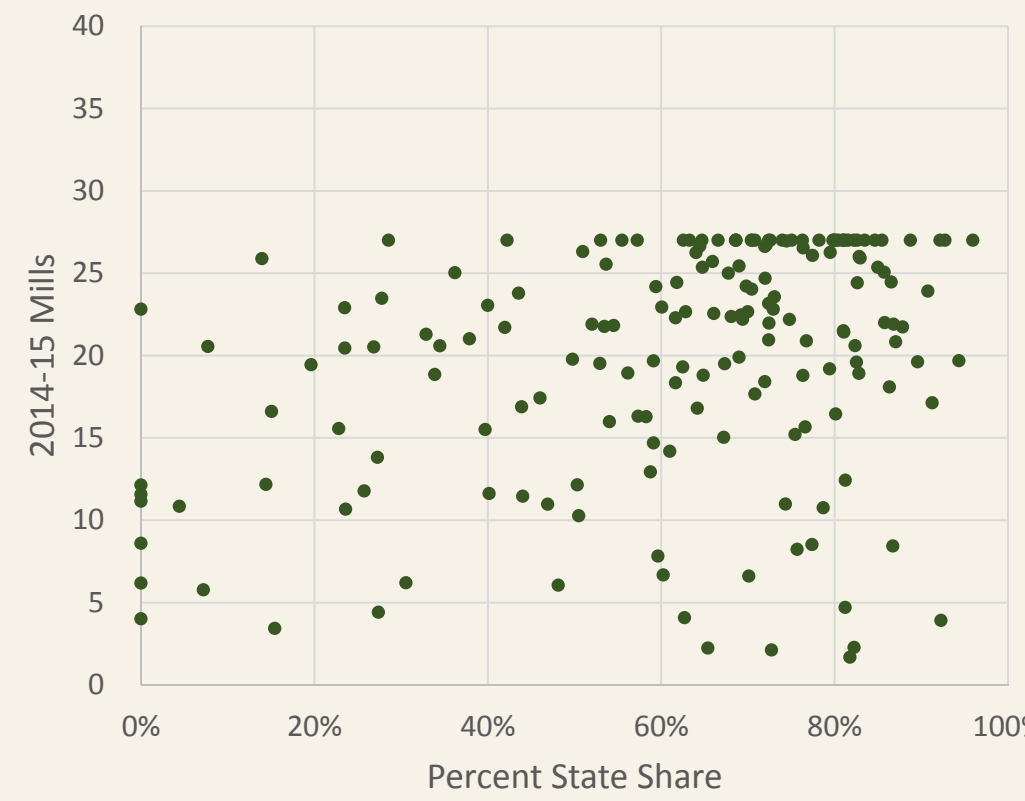
**THIS TAKES
SOME
EXPLAINING...**

The Explanation is Distributional

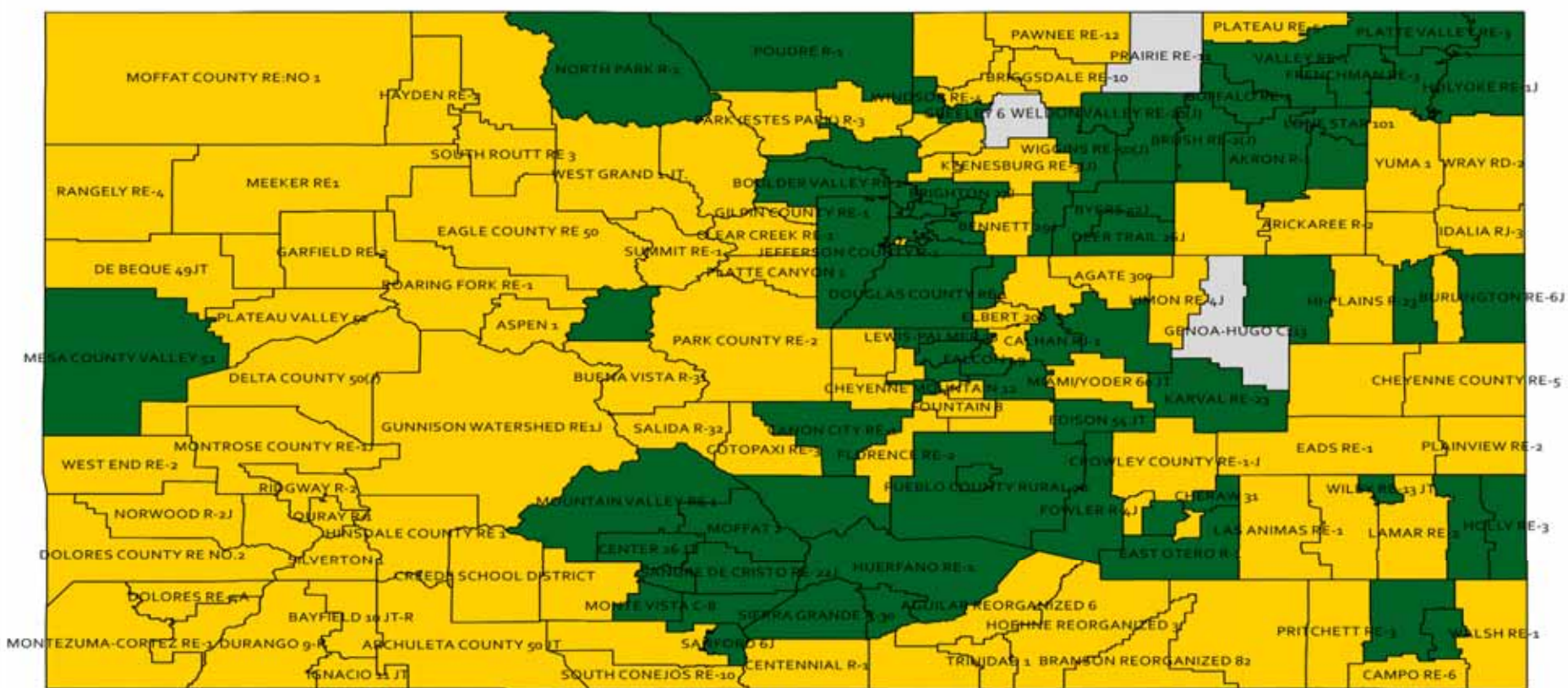
State Share vs. Modeled Uniform Levy, 2014-15



State Share vs. Current Levies, 2014-15



Geographic Distribution of TABOR's Distortion



TABOR Effect on Property Tax

- Paying Less
- Paying More
- No Change

Ten Districts Most Adversely Affected by TABOR's Redistribution

Amount TABOR's redistribution is costing the median household

| | |
|--|-----------|
| Cheyenne Mountain School District 12, Colorado | \$ 135.97 |
| Elizabeth School District C-1, Colorado | \$ 105.83 |
| Academy School District 20, Colorado | \$ 101.06 |
| Poudre School District R-1, Colorado | \$ 81.63 |
| Windsor School District RE-4, Colorado | \$ 77.38 |
| Strasburg School District 31J, Colorado | \$ 70.80 |
| Northglenn-Thornton School District 12, Colorado | \$ 70.67 |
| Jefferson County School District R-1, Colorado | \$ 70.18 |
| La Veta School District RE-2, Colorado | \$ 68.96 |
| Douglas County School District RE-1, Colorado | \$ 68.34 |

The Top Ten Beneficiaries of TABOR's Redistribution and the Median Household Impact

| | |
|--|---------|
| Steamboat Springs School District RE-2, Colorado | \$ (52) |
| Trango School District 9-R, Colorado | \$ (47) |
| Weld County School District RE 50, Colorado | \$ (40) |
| Windsorfield School District RE-2, Colorado | \$ (37) |
| Woodward School District R-2J, Colorado | \$ (36) |
| Windsor School District R-1, Colorado | \$ (36) |
| Windsor School District R-2, Colorado | \$ (35) |
| Windsorfield School District R-10-JT, Colorado | \$ (34) |
| Steamboat Valley School District 50, Colorado | \$ (24) |
| Windsor School District 1, Colorado | \$ (22) |

Steamboat ranks 28th in state in household median income (ACS 2009-13 5 year survey)

Of the 20 highest income districts, 6 pay LESS because of TABOR's school property tax limits



Of the 20 lowest income districts, 14 pay MORE because of TABOR's school property tax limits



Is there an Opportunity in these Findings?

Summary of Findings

- School base program property taxes now more unequal
- School base program property taxes now more regressive
- TABOR contributing to larger district disparity in the use of overrides
- As a result of TABOR, 81% of Coloradans are paying more in base program school property taxes

Given the distortions to the property tax, is there an opportunity to restructure school finance to

- Reverse the increasing distortions AND
- Provide some General Fund relief

And Why Should Counties Care?

- General Fund pressures have repercussions on County finance
- Increasing distortion to the property affects public perception of County's main revenue source
- And, future economic conditions may require different county reliance on mill levies