

# Constitutional Environment for School Finance



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# Property Tax

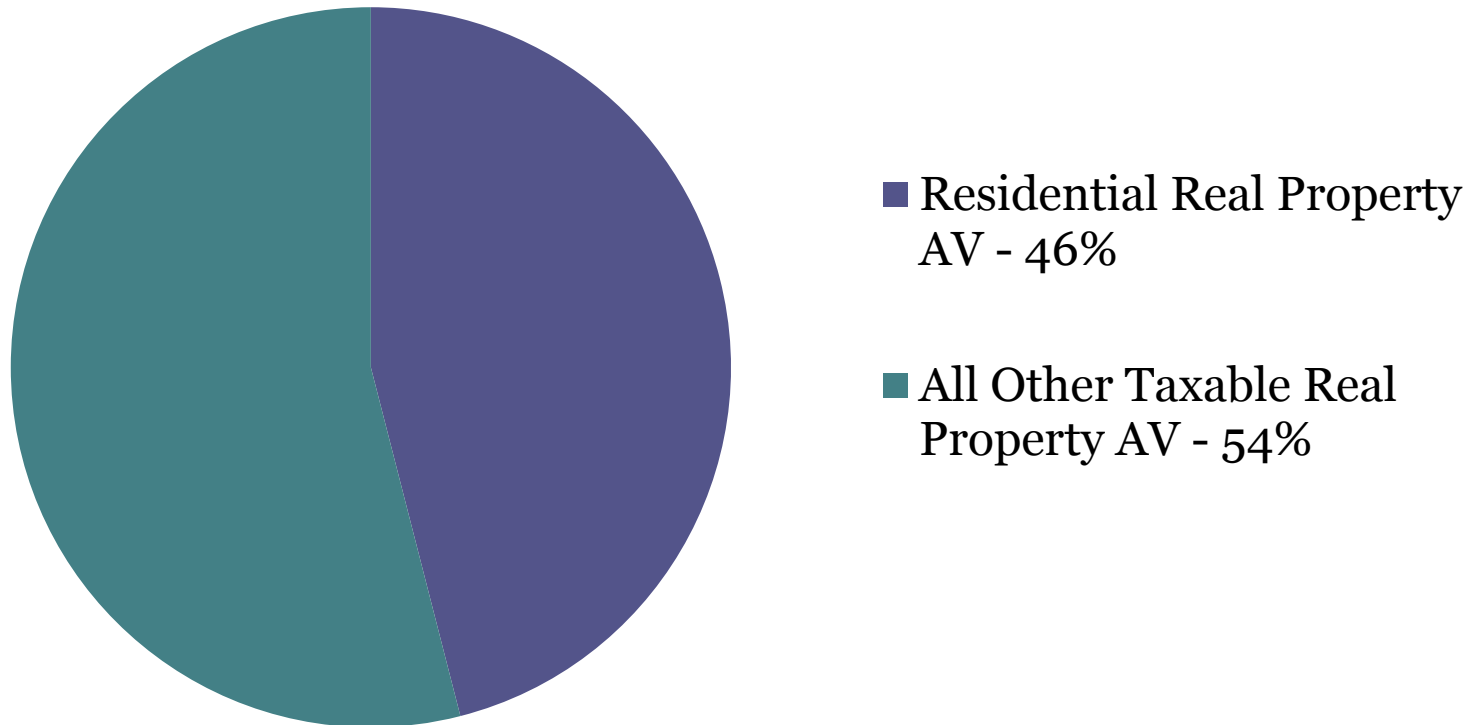
- Actual value:
  - Residential property – market value
  - All other taxable real property – market value and other methods
- Assessment rate:
  - Percentage of actual value
- Assessed value:
  - $\text{market value} \times \text{assessment rate}$
- Property tax amount:
  - $[\text{Assessed value} \times \text{number of mills}] \div 1,000$

# Gallagher Amendment

- Controls the assessment rates
  - 1982
- All taxable non-residential real property
  - 1985 on: 29% of actual value
- Residential real property: reset every 2 years
  - 1985: 21% of market value

# Gallagher Amendment

## Statewide Ratio of Assessed Value (AV) of Taxable Real Property



# Gallagher Amendment

- Assessment rate for residential real property
  - 1985: 21%
  - 2016: 7.96%

# Gallagher Amendment

- Effect:
  - Generally lower residential property assessed value
  - Generally lower local property tax revenues
  - Pressure on state resources to pay state share of total program funding

# TABOR Amendment

- 1992
- Requires voter approval for:
  - Increases in assessment rate
  - Increases in mill levy
- Imposes revenue limits
  - Inflation plus enrollment growth

# TABOR Amendment

- Effect
  - In years when residential assessment rate would increase, it doesn't
  - In years when assessed value increases, the total program mill levy must decrease to stay within revenue limits
    - Mill levy freeze in 2007 – stopped decreases in mill levies except for 4 districts that are still subject to TABOR revenue limits
  - School district cannot increase its mill levy to offset decreases in assessed value



# TABOR Amendment

- Overall Effect:
  - Pressure on state resources to pay state share of total program funding
  - State share – Local share ratio:
    - 1990: 47%-53%
    - 1992: 51%-49%
    - 1994: 54%-46%
    - 2016: 64%-36%

# Amendment 23

- 2000
- 2001-2010: statewide base per pupil funding annual increase by at least inflation plus 1%
- Since 2011: statewide base per pupil funding annual increase by at least inflation

# Amendment 23

- Effect:
  - Pressure on state resources to increase the level of total program funding

# Great Recession of 2008

- Decrease in state revenues
- Decrease in residential market value so decrease in assessed value
- No decrease in costs – statewide base per pupil funding required to increase by at least inflation plus 1%

# Negative Factor

- 2010
- Insufficient state revenue to pay state share of total program and all other state budget needs
- Reduce state share of total program proportionately across school districts
  - Doesn't affect districts that receive sufficient local revenues to fully fund total program