

2021-2022 MILL LEVY CERTIFICATION AND EXPLANATION OF MILL LEVY CORRECTION

December 14, 2021

Business Services Department



Learn Today, Lead Tomorrow

AGENDA

- School Tax Bills
- School Finance Act Mill Levy Correction
- Calculating Mill Levies
- Recommended Mill Levies
- Historical Mill Levies and School Tax Bills: Residential and Non-Residential
- Action Requested

SCHOOL TAX BILLS

- Local Share of School Finance Act (Total Program) Funding
 - School Finance Act per HB20-1418 – 27.000
 - HB20-1418 Tax Credit – 0.560
 - HB20-1418 Net Mill Levy – 26.440
- DCSD Mill Levy Overrides as approved by voters
 - 5 separate authorizations in 1989, 1997, 2003, 2006 and 2018
 - Authorizations total \$73,713,000
- Bond Redemption as allowed by statute to fund debt service on the District's voter approved General Obligation Bonds
- Abatement as allowed by statute for the District's proportional share of property taxes abated and refunded by Douglas County

SCHOOL FINANCE ACT MILL LEVY BACKGROUND

- In the 1990s and 2000s, many school districts obtained voter approval to retain and spend School Finance Act revenue in excess of the property tax revenue limitation imposed by TABOR
 - Referred to as “de-TABORing”
 - DCSD passed a de-TABOR vote in 1998
- Once de-TABORed, permitted by voters to keep local property tax mill levies at the level in place at the time of the de-TABOR vote
- CDE interpreted statute that some de-TABORed districts should reduce their local property tax mill levies through 2007; however, because de-TABORed districts had permission from voters to keep mills levies higher, it is now clear that local property tax mills should NOT have been reduced
- In 2007, school district mills were frozen through legislation
- Because of the reduction in mill levies between early 1990s and 2007, the local share collected by districts went down and the state share of the School Finance Act when up
- Legislation has now taken steps to restore, going forward, the local share that was erroneously reduced
- **Mill Levy Correction is 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**

MILL LEVY CORRECTION LAW

- Step 1: Passage of HB20-1418
 - 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 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; or
 3. 27.000 mills
- Step 2: District certification of Temporary Tax Credits
 - 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
 - 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
- Step 3: Passage of HB21-1164
 - The bill required CDE to implement a correction plan for districts with temporary tax credits to 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

DCSD MILL LEVY CORRECTION

- HB20-1418 Mill Levy Target
 1. Mills required to fully fund the district with local property taxes = 76.397 mills
 2. 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 by TABOR = 35.122 mills
 3. **27.000 mills**
- 2020 certification of Temporary Tax Credits
 - 2019 Total Program (School Finance Act) mill levy = 25.440 mills
 - Mill Levy Target (HB20-1418) = 27.000 mills
 - Temporary Tax Credits = 1.560 mills
- 2021 Certification of School Finance Act Mill Levy (HB21-1164)
 - Target of 27.000 mills (HB20-1418)
 - 2020 certification of 24.440 mills with 1.560 temporary tax credits
 - 2021 certification of 26.440 mills with 0.560 temporary tax credits
 - 2022 certification of 27.000 mills with 0.000 temporary tax credits

DCSD RESIDENTIAL TAXPAYER IMPACT

- How much more will this cost the average Douglas County residential taxpayer in 2021?*

\$558,691	✘	Residential Assessment Rate: 7.15%	▬	Assessed Property Value: \$39,946	✘	Mill Levy: .02544	▬	2020 School Property Tax Bill: \$1,016
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One year later, when one tax credit has been implemented, the homeowner will pay **\$40** per year more in property taxes from mill levy correction, assuming a static residential assessment rate of 7.15% and static assessed property value

\$558,691	✘	Residential Assessment Rate: 7.15%	▬	Assessed Property Value: \$39,946	✘	Mill Levy: .02644	▬	2021 School Property Tax Bill: \$1,056
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* Property tax bill before voter-approved mill levy overrides, abatement or bond redemption mills

WHERE WILL THE MONEY GO?

- Estimate for 2021-2022 was that Mill Levy Correction would generate ~\$90M in additional local share statewide
- These are funds that won't need to be paid from state sources
- Funds may be redirected, for example to the new factor changes in the School Finance Act formula
- Use of these state funds is the legislature's decision
- In 2021-2022, the legislature chose to allocate these newly available state funds to additional funding for at-risk and English learner students in school districts
- Additional funding for at-risk and English learner students is not “dollar for dollar” back to the districts generating the increase property taxes and associated reduced funds from state sources

MAIN TAKEAWAYS ON MILL LEVY CORRECTION

- Legislative and legal directive to correct a historical under collection of local property taxes
- Historical under collection resulted in districts collecting less in property taxes for education than their voters had approved by de-TABORing
- In law, dictated by state statute; not a local decision to raise property taxes
- Phased in approach to restore local property taxes to levels authorized by voters and will result in local taxpayers increasing their taxes to previously approved levels or to an appropriate level defined by HB20-1418
- No retroactive payments or penalties
- Funds generated through Mill Levy Correction will result in more resources available for education

ADDITIONAL RESOURCES ON MILL LEVY CORRECTION

- [Presentation](#) to Fiscal Oversight Committee on December 9th using materials prepared by the Colorado Department of Education (CDE)
- Mill Levy Correction [Informational](#) from CDE

CALCULATING MILL LEVIES

I. Calculation:

$$(\text{Amount Required} \div \text{Assessed Valuation}) \times 1000$$

II. Mill Levy Override Example

<u>Approved Override</u> <u>Amount</u>	<u>2021</u> <u>Assessed Valuation</u>	<u>Mill Rate</u>
\$73,713,000	\$8,118,024,637	

$$\div \times 1000 = 9.080$$

RECOMMENDED MILL LEVIES

Type of Levy	2021-2022 Recommended Levy	2020-2021 Levy	2019-2020 Levy
School Finance Act per HB20-1418	27.000	27.000	25.440
HB20-1418 Tax Credit	0.560	1.560	0.000
HB20-1418 Net Mill Levy (amount collected by county)	26.440	25.440	25.440
Total Mill Levy Overrides	9.077	9.886	10.113
Abatement	0.226	0.124	0.232
Bond Redemption	8.054	8.054	8.054
Total Levy	43.797	43.504	43.839

Increase year-over-year in total recommended mill levy due to School Finance Act mill levy correction

HISTORICAL MILL LEVIES AND SCHOOL TAX BILLS: RESIDENTIAL

	2021-2022 Recommendation	2020-2021	2019-2020	2018-2019	2017-2018
Avg. Home Value	\$558,691	\$525,000	\$525,000	\$470,000	\$470,000
Residential Assessment Rate	7.15%	7.15%	7.15%	7.20%	7.20%
Residential Assessed Value	\$39,946	\$37,538	\$37,538	\$33,840	\$33,840
Mill Levy Rate	43.797	43.504	43.839	44.950	38.996
Residential Taxes Paid	\$1,750	\$1,633	\$1,646	\$1,521	\$1,320

HISTORICAL MILL LEVIES AND SCHOOL TAX BILLS: NON-RESIDENTIAL

	2021-2022 Recommendation	2020-2021	2019-2020	2018-2019	2017-2018
Comparable Business Value	\$558,691	\$525,000	\$525,000	\$470,000	\$470,000
Non- Residential Assessment Rate	29%	29%	29%	29%	29%
Non- Residential Assessed Value	\$162,020	\$152,250	\$152,250	\$136,300	\$136,300
Mill Levy Rate	43.797	43.504	43.839	44.950	38.996
Non- Residential Taxes Paid	\$7,096	\$6,623	\$6,674	\$6,127	\$5,315

ACTION REQUESTED

- Board of Education vote to certify mill levies as recommended by staff on December 14th with associated resolution
- Certification required to occur and all supporting documentation submitted to Douglas and Elbert Counties by December 15th