

No 'backfill' issue with Job Creation Districts

A school district's mill levy currently allows the district to collect \$300 dollars annually from twenty acres of property within the district's boundaries. Technology Laboratories is looking to move their corporate headquarters to a new build-to-suit office building, and they are interested in creating a JCD on the above-mentioned twenty acres of land to build the new headquarters. In the event that the project moves forward, the increased value of the property would allow the school district to collect an additional \$1,000 annually for a total collection of \$1,300 once the new headquarters is finished.

Scenario 1: The school district, along with all of the other taxing entities, chooses not to pledge any of its new tax revenues generated by the increased property value, and Technology Laboratories decides not to locate their company headquarters on this site. The school district continues to collect \$100 in property taxes annually (assuming the property does not depreciate in value over time).

Scenario 2: The JCD is approved, and all entities—including the school district—elect to participate at some level. Technology Laboratories decides to move forward with the project. The school district decides to pledge 50 percent of its new tax revenues, the maximum allowable for a school district. The new building increases the value of the property, thereby increasing the amount the school district collects from the mill levy. Fifty percent of the *new* tax revenues (\$500) is collected by the school district after 50 percent is dedicated to the project. The result is a total annual collection of \$800 for the school district.

- The school district participated at the maximum level—sixty percent—allowable for a school district, yet the district still collects substantially more revenue than it would have had the project not moved forward.
- There is no obligation by the state to 'backfill' any revenues because only new revenues are used. The school district is entitled to Total Program funding based on a per pupil formula:

To calculate Total Program, use the following formula:

Funded Pupil

Count (October 1) × Total Per- Pupil Funding + At-risk Funding + On-line Funding + Negative

"Two local sources of revenues are incorporated into the Public School Finance Act of 1994 (as amended): property taxes and specific ownership (vehicle registration) taxes. Funding for a school district's Total Program is provided first by local sources of revenues (the Local Share); if these local sources are insufficient to fully fund Total Program, state moneys fund any shortfall."

Source: "Understanding School Finance and Categorical Program Funding," Colorado Department of Education

The creation of a JCD has no effect on the school district's Total Program. Instead the JCD results in an increased mill levy collection (increased Local Share), thereby *reducing* the amount that must be allocated from the general fund.

- As an extra measure of protection, the law requires that a JCD must have a positive fiscal impact on the state.

THE BOTTOM LINE is that the creation of a JCD, even in cases where the school district pledges the full 60 percent of new revenues, will result in an increase in total collections for the school district, and the state will always have a positive net fiscal impact. It is the responsibility of the school district, the local governments, the local economic development organization, the prospective company and all other parties involved to determine the minimum level of participation at which the company will move forward with the project. This minimum level will result in new revenues for the school district.