



Colorado  
Legislative  
Council  
Staff

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**MEMORANDUM**

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December 22, 2009

**TO:** Interested Persons

**FROM:** Todd Herreid, Chief Fiscal Officer, 303-866-2633

**SUBJECT:** Revised Impact of Mill Levy Freeze

This memorandum responds to requests for an updated estimate of the impact of the change in calculating school district mill levies for purposes of the school finance act. This estimate incorporates the new assessed values for 2009 as well as the December 2009 Legislative Council Staff forecast for assessed values, pupil counts, and inflation in future years.

**Estimated Impact of Mill Levy Change for School Finance**

Senate Bill 07-199 made two changes to the method of calculating school district mill levies for the school finance act. First, it placed a cap of 27 mills on district levies, thereby reducing tax rates in any district with a levy greater than 27 mills. Second, it required any school district that received voter approval to retain and spend property tax revenue in excess of its TABOR<sup>1</sup> limit to impose the prior year's levy. For most districts, this second provision — sometimes referred to as the "levy freeze" — means imposing the number of mills levied in FY 2006-07 each year into the future. Prior to Senate Bill 07-199, school district mill levies were reduced, if necessary, to prevent a change in property tax revenue greater than the sum of inflation plus the percentage change in the district's funded pupil count.

***Six-year impact of Senate Bill 07-199.*** To date, school districts have certified levies under the provisions of Senate Bill 07-199 three times:

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<sup>1</sup> The Taxpayer's Bill of Rights, Article X, Section 20, Colorado Constitution

- in December 2007 for tax collections in 2008 (school finance funding for FY 2007-08);
- in December 2008 for tax collections in 2009 (school finance funding for FY 2008-09); and
- in December 2009 for tax collections in 2010 (school finance funding for FY 2009-10).

The net result of the **FY 2007-08** levy certifications was an increase in property taxes of \$115.6 million statewide compared to the law prior to Senate Bill 07-199. Please note that the \$115.6 million is the sum of increased property tax revenue from the levy freeze and reduced property tax revenue from the 27-mill cap. The levy freeze portion of the law change resulted in higher levies in 115 districts for an increase in property taxes of \$121.0 million. The 27-mill cap reduced levies in 30 districts for a reduction in taxes of \$5.4 million.

The impact of Senate Bill 07-199 on school district property taxes in **FY 2008-09** was an increase of \$127.3 million. This amount includes an increase of \$132.3 million in 132 districts from the levy freeze and a reduction of about \$5.0 million in 25 districts affected by the 27-mill cap.

In the **current budget year**, the impact of Senate Bill 07-199 on school district property taxes is an increase of \$201.4 million. This amount includes an increase of \$206.0 million in 150 districts from the levy freeze and a reduction of about \$4.6 million in 20 districts affected by the 27-mill cap. An unexpected increase in assessed values in 2009 accounted for the sharp increase in the estimated impact in FY 2009-10.

In December 2009, Legislative Council Staff released a new forecast of assessed values and pupil counts for FYs 2010-11 through 2012-13. In addition, a new inflation forecast was released. Both annual and cumulative projected impacts of the changes in the mill levy calculation pursuant to SB07-199 over the next three years are included in Table 1. The table includes totals for both: (1) the net impact of the levy freeze and the 27-mill cap and (2) the impact of the levy freeze alone.

The projected cumulative *net* impact of the mill levy changes contained in Senate Bill 07-199 through FY 2012-13 is \$1.1 billion. For comparison purposes, in January 2008, Legislative Council Staff estimated the cumulative net impact to be \$1.5 billion over the same time period. An aggregate reduction in assessed values over the entire forecast period due to deteriorating economic conditions accounts for most of the difference.

***Putting the impact numbers into context.*** The projected totals presented above are the result of a mathematical calculation based on requirements in the school finance act. The school finance act calculates a total funding amount for each school district. Through its mill levy requirements, the act also specifies each district's property tax share of the total funding amount. The totals in this memorandum depict the difference in how property taxes are calculated — for purposes of allocating state aid — under the school finance act before and after Senate Bill 07-199. The school finance act requires an assumption of 100 percent collection of property taxes. Thus, this memorandum does not address actual school district property tax collections, either under the school finance act or TABOR.

**Table 1**  
**Estimated Impact of Mill Levy Changes in Senate Bill 07-199**  
**(Millions of Dollars)**

Fiscal Year	Net Impact		Levy Freeze Only	
	Annual	Cumulative	Annual	Cumulative
FY 07-08 (actual)	\$115.6	\$115.6	\$121.0	\$121.0
FY 08-09 (actual)	\$127.3	\$242.9	\$132.3	\$253.3
FY 09-10 (preliminary)	\$201.4	\$444.3	\$206.0	\$459.3
FY 10-11 (projected)	\$210.1	\$654.4	\$213.4	\$672.7
FY 11-12 (projected)	\$212.6	\$867.0	\$215.3	\$888.0
FY 12-13 (projected)	\$234.7	\$1,101.7	\$236.8	\$1,124.8