



## Legislative Council Staff

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# Fiscal Note

**Drafting Number:** LLS 21-0128 **Date:** March 8, 2021  
**Prime Sponsors:** Rep. Esgar; Garnett **Bill Status:** House Education  
 Sen. Zenzinger; Fenberg **Fiscal Analyst:** Marc Carey | 303-866-4102  
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**Bill Topic:** TOTAL PROGRAM MILL LEVY TAX CREDIT

**Summary of Fiscal Impact:**

<input type="checkbox"/> State Revenue	<input type="checkbox"/> TABOR Refund
<input checked="" type="checkbox"/> State Expenditure	<input checked="" type="checkbox"/> School District
<input type="checkbox"/> State Transfer	<input type="checkbox"/> Statutory Public Entity

This bill requires the Colorado Department of Education to establish a correction schedule to begin phasing out the number of total program mill levy tax credits established in House Bill 20-1418. The bill may reduce state expenditures and increases school district revenue.

**Appropriation Summary:** This bill may reduce the state aid appropriated for school finance by up to \$91.7 million in FY 2021-22 and \$145.5 million in FY 2022-23, depending on the level of the budget stabilization factor set by the General Assembly.

**Fiscal Note Status:** This fiscal note reflects the introduced bill.

**Table 1  
State Fiscal Impacts Under HB 21-1164**

	Budget Year FY 2021-22	Out Year FY 2022-23
<b>Revenue</b>	-	-
<b>Expenditures</b>	General Fund* up to (\$91,690,369)	up to (\$145,487,979)
<b>Transfers</b>	-	-
<b>TABOR Refund</b>	-	-

\*While this fiscal note assumes a General Fund expenditure reduction, expenditures may be reduced in the General Fund, State Education Fund, or some combination thereof.

## Summary of Legislation

Beginning in the 2020 property tax year, for school districts that have received voter approval to retain property tax revenue above their TABOR limit, current law reset school district total program mill levies that were erroneously reduced. Current law also requires each district that levies a higher number of mills as a result of that correction to grant taxpayers a credit equal to the number of mills of the levy increase, so as not to impact the effective number of mills levied for total program.

This bill requires the Colorado Department of Education (CDE) to begin phasing out the tax credits, beginning in the 2021 property tax year, according to an established correction schedule. The schedule must:

- apply consistently to each affected school district;
- require each district's tax credit to phase out as quickly as possible, but by no more than one mill per year; and
- ensure that tax credits are fully phased out in 19 years.

## Background

**House Bill 20-1418.** Beginning in tax year 2020, House Bill 20-1418 reset the number of mills levied for total program for school districts that have obtained voter approval to retain revenue above the constitutional limit. The reset required these districts to levy the lesser of:

- the number of mills necessary to fully fund total program;
- the number of mills the district levied when it received voter approval adjusted for any instances when the levy would have been reduced due to property tax revenue exceeding total program; or
- 27 mills.

The bill did not impact total program mills for the two districts that have not obtained voter approval to retain revenue above constitutional limits.

House Bill 20-1418 further required school boards in districts whose total program mills were reset to approve a tax credit equal to the difference between the reset number of mills and the number of mills levied in tax year 2019. As a result, House Bill 20-1418 did not impact the amount of property tax collected for the district's local share.

## State Expenditures

The bill may reduce state expenditures for school finance by up to \$91.7 million in FY 2021-22 and \$145.5 million in FY 2022-23, with larger expenditure reductions in subsequent years. State expenditures for school finance are paid for out of a combination of the General Fund and State Education Fund. This fiscal note assumes that this bill will reduce General Fund expenditures. The bill also increases CDE workload, as discussed below.

**School finance.** In FY 2021-22, this bill could reduce the required state aid contribution for total program by up to \$91.7 million, to offset the new local revenue generated. Since the imposition of the budget stabilization factor, however, the General Assembly determines annually how much funding it wants to provide for total program. The General Assembly could alternatively decide not to reduce state aid, and let the additional local revenue increase total program through a reduction of the budget stabilization factor. They could also choose any funding level in between these scenarios. Assuming an increase of up to 2 mills in FY 2022-23, the estimated reduction grows to \$145.5 million.

Appendix A presents district level impacts of the bill on district total program mill levy, district total program, state aid and local share for FY 2021-22, under the assumption that state aid will be held at its current law level.

**Department of Education.** This bill requires the CDE to develop a correction schedule to phase out temporary property tax credits beginning in the 2021 property tax year. Additionally, CDE will provide technical assistance to districts related to the implementation of the correction schedule. This can be accomplished within existing appropriations.

## School District

In FY 2021-22, this bill is expected to provide an additional \$91.7 million in property tax revenue to fund the local share of total program. District level impacts for FY 2021-22 are detailed in Appendix A. Of the 176 school districts that have received voter approval to retain revenue above the TABOR property tax limit, 109 districts would see an increase of 1 mill, 18 districts would see an increase of less than one mill, and the remaining 49 districts would see no change in the number of mills levied. There would also be no change in the number of mills levied for the two districts that have not received voter approval to retain revenue above their TABOR limit. In FY 2022-23, this bill could provide an additional \$145.5 million in property tax revenue for school districts.

## Effective Date

The bill takes effect upon signature of the Governor, or upon becoming law without his signature.

## State Appropriations

This bill may reduce state appropriations for school finance. The actual amount of the reduction will be determined through the annual budget process and School Finance Act.

## State and Local Government Contacts

Education

School Districts

Joint Budget Committee Staff









**Appendix A**  
**School Finance Funding Comparison - Current Law vs House Bill 21-1164**  
**FY 2021-22 with and without First Year Implementation (up to 1 mill increase)**

*(Total program and state share are after the application of the budget stabilization factor and with the state share held constant)*

County	District	FY 2021-22 Under Current Law				FY 2021-22 Under House Bill 21-1164				Change from Current Law			
		TP Mill Levy	Total Program	State Share	Local Share	TP Mill Levy	Total Program	State Share	Local Share	TP Mill Levy	Total Program	State Share	Local Share
WELD	PRAIRIE	5.068	\$2,730,002	\$1,484,678	\$1,245,323	5.068	\$2,763,707	\$1,518,384	\$ 1,245,323.42	-	\$33,705	\$33,705	\$0
WELD	PAWNEE	4.078	\$1,367,091	\$0	\$1,367,091	4.078	\$1,367,091	\$0	\$ 1,367,090.61	-	\$0	\$0	\$0
YUMA	YUMA 1	18.345	\$7,882,443	\$5,546,991	\$2,335,452	19.345	\$7,979,761	\$5,529,028	\$ 2,450,733.09	1.000	\$97,318	-\$17,963	\$115,282
YUMA	WRAY RD-2	15.032	\$6,361,006	\$4,644,362	\$1,716,644	16.032	\$6,439,540	\$4,617,812	\$ 1,821,728.28	1.000	\$78,534	-\$26,550	\$105,084
YUMA	IDALIA RJ-3	21.498	\$2,647,107	\$2,207,048	\$440,059	22.498	\$2,679,789	\$2,221,265	\$ 458,523.23	1.000	\$32,682	\$14,217	\$18,464
YUMA	LIBERTY J-4	19.675	\$1,096,695	\$699,330	\$397,365	20.675	\$1,110,235	\$694,832	\$ 415,402.95	1.000	\$13,540	-\$4,498	\$18,038
<b>STATE</b>	<b>TOTAL</b>		<b>\$7,390,208,964</b>	<b>\$4,341,272,229</b>	<b>\$3,048,936,734</b>		<b>\$7,481,899,333</b>	<b>\$4,341,272,229</b>	<b>\$3,140,627,103</b>		<b>\$91,690,369</b>	<b>\$0</b>	<b>\$91,690,369</b>