



Legislative Council Staff

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Final Fiscal Note

Drafting Number:	LLS 21-0128	Date:	July 12, 2021
Prime Sponsors:	Rep. Esgar; Garnett Sen. Zenzinger; Fenberg	Bill Status:	Signed into Law
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Bill Topic:	TOTAL PROGRAM MILL LEVY TAX CREDIT
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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 increases school district revenue and state workload on an ongoing basis.

Appropriation Summary:	No appropriation is required.
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Fiscal Note Status:	This fiscal note reflects the enacted bill.
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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.

Finally, the bill specifies that, beginning in FY 2021-22 and until the budget stabilization factor no longer exists, any savings in the state share resulting from the phase out of tax credits must continue to be appropriated as state share of total program.

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. Appendix A contains district level information on reset mills and credits resulting from House Bill 20-1418.

State Expenditures

The bill does not impact state expenditures for school finance in FY 2021-22 and succeeding years, until the budget stabilization factor is no longer in existence. The bill also minimally increases CDE workload, as discussed below.

School finance. In FY 2021-22, the bill will not affect the required state aid contribution for total program, as state aid may not be reduced to offset any increased local revenue from the reduction of the tax credits, so long as the budget stabilization factor remains in place. Appendix B 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 B. 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 would provide an additional \$145.5 million in property tax revenue for school districts.

Effective Date

The bill was signed into law by the Governor and took effect on June 11, 2021.

State and Local Government Contacts

Education

School Districts

Joint Budget Committee Staff