

SCHOOL TAX INCREASES: 2012 COLORADO BALLOT

Colorado school tax increase proposals fared poorly in 2011. The statewide Proposition 103 sales and income tax initiative lost with a meager 36 percent of the vote. Locally, 26 out of 38 mill and bond proposals were rejected. This year at least 26 Colorado school districts are asking local voters to approve various tax increases, including mill levy overrides to fund operating costs, bond issues with local funds or state matching grants to pay for capital construction or renovation projects, and even a sales tax hike.

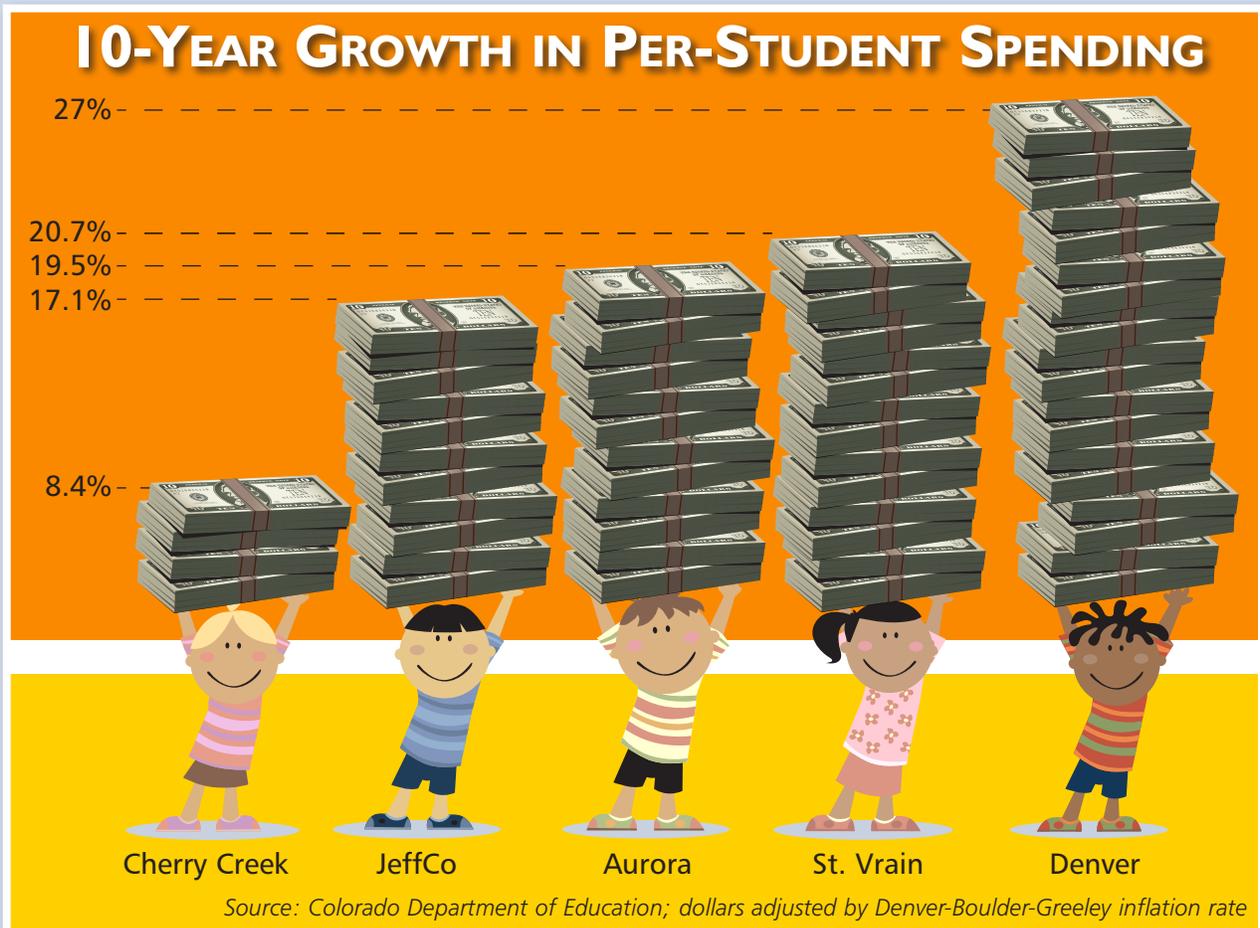
Notably, five of Colorado's nine largest school districts have placed property tax hikes on the fall 2012 ballot:

- Jefferson County R-1: \$39 million override and \$99 million bond
- Denver Public Schools: \$49 million override and \$466 million bond
- Cherry Creek Schools: \$25 million and \$125 million bond
- Aurora Public Schools: \$15 million override
- St. Vrain Valley R-1J: \$14.8 million override

SPENDING AND REVENUE HISTORY

Over the past decade all five of the tax-proposing school districts have significantly grown spending on "current" operating costs. From 2000-01 to 2010-11 real per-pupil spending grew anywhere from 8.4 percent (Cherry Creek) to 27 percent (Denver Public Schools).

Figure 1. Increase in Inflation-Adjusted Current Per-Pupil Expenditures.

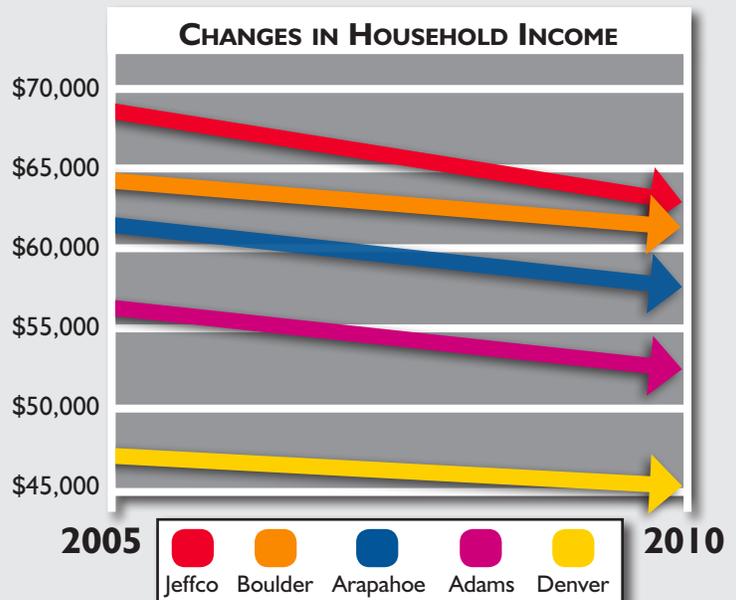


SHRINKING HOUSEHOLD INCOMES

The slowdown limiting growth to district budgets has hit local taxpayers' earnings even harder. The five districts cover all or part of five counties. In Jefferson County and Denver the school district and county boundaries align exactly. Cherry Creek and Aurora together comprise a significant portion of Arapahoe County and a small piece of Adams County, while St. Vrain makes up roughly half of Boulder County.

From 2005 to 2010, average households in all five counties lost purchasing power. Further, private earnings lost ground to school tax revenues. Median household income declines in both Arapahoe County (-5.4 percent) and Adams County (-6.5 percent) contrast with tax revenue gains of 3.5 percent in Aurora and 1.4 percent in Cherry Creek. Denver's household earnings fell 4.4 percent, while per-pupil revenues grew 2.6 percent. Boulder County residents (-3.4 percent) fared worse than St. Vrain (0.1 percent). Jeffco household incomes dropped nearly 6 percent over the five-year period, eclipsing the 1.5 percent drop in school tax revenues.

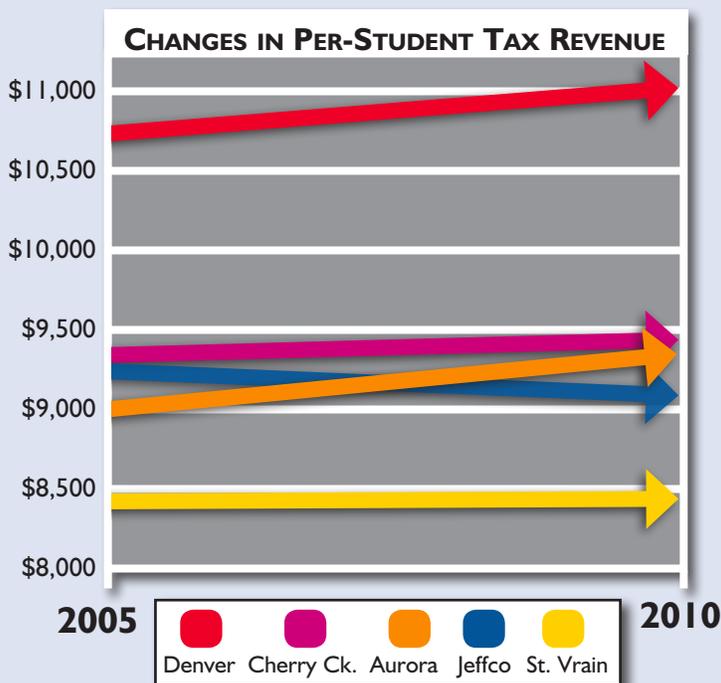
Figure 3. Five-Year Changes in Median Household Income, by County (2010 dollars)



Source: U.S. Census Bureau, American Community Survey; dollars adjusted by Denver-Boulder-Greeley inflation rate

The greatest increases in all five districts came during the first half of the decade. Economic challenges have slowed revenue growth in recent years. From 2005-06 to 2010-11, four of the districts grew real-dollar tax revenues on a per-student basis—anywhere from 0.1 percent (St. Vrain) to 3.5 percent (Aurora). Only Jefferson County (-1.5 percent) faced a small decline in combined local, state and federal tax collections. Local residential and commercial property taxes make up between 40 and 50 percent of tax revenues for the five school districts, with the exception of Aurora (26 percent).

Figure 2. Five-Year Changes in Total Per-Pupil Tax Revenues (2011 dollars)



Source: Colorado Department of Education; dollars adjusted by Denver-Boulder-Greeley inflation rate

A DIFFERENT APPROACH

A summer 2012 Fordham Institute survey asked 1,000 American voters to choose the best approach for their local school district to address fiscal challenges. Nearly half opted to "cut costs by dramatically changing how it does business," compared to 26 percent who called for changing "as little as possible; wait for times to get better." Only 11 percent selected tax increases as the solution.

Facing household financial challenges, most Coloradans may prefer local K-12 agencies to focus on greater productivity. District funding clearly exceeds 2000-01 levels. Even in an unusual period of low or flat revenue growth, the larger school districts seeking additional tax dollars have not faced the same degree of financial pain as most families who underwrite their costs. Asking voters to increase property taxes this year may not be an easy task.