

September 17th, 2024

TO: Douglas County School District (DCSD) Superintendent
FROM: Joint Working Group on Taxpayer Impact
SUBJECT: Best Practices for Calculating Taxpayer Impact for DCSD Revenue Measures

As the BoE considers putting Bond or Mill Levy Override (MLO) measures on the ballot, it is customary for District staff to provide an estimation of the taxpayer impact of any proposed measures. This number is critical in helping local residents understand how tax changes might affect them.

The Fiscal Oversight Committee (FOC) and the Mill/Bond Oversight Committee (MBOC) are both tasked with advising the Board of Education (BoE) on matters relating to Transparency within the District. As such, a joint working group composed of six volunteers from the two committees recommends that the District adopt the following practices when estimating and publicizing the taxpayer impact for material bonds or mill levies proposed in 2024 or beyond.

1. Purpose: *The goal here is to provide taxpayers an estimated cost based on the currently available information and to provide a consistent, clearly understood method for calculating anticipated taxes.*
 - 1.1. Using a consistent, clearly understood method for estimating taxpayer impact should make it easier for District voters to:
 - 1.1.1. Understand how proposed revenue measures might affect them.
 - 1.1.2. Provide accountability and transparency for the District when projected tax impact numbers differ from the actual results faced by taxpayers.
 - 1.2. Given all the unknowns when a revenue measure is first approved to be placed on the ballot, it is almost impossible to accurately predict things like end-of-year tax changes from the Colorado legislature or neighborhood-specific changes in assessment values.

2. Guidelines: *Establishing a clear and consistent framework for estimating taxpayer impact will promote transparency and accountability.*
 - 2.1. When proposing a new Bond or MLO, the District should use one consistently defined, clearly explained method for projecting the taxpayer impact.
 - 2.2. The District should provide supporting details to the public via the District's website to allow taxpayers to understand the definition, high-level calculation, and material assumptions for such estimates. Every mention of this estimate in District-supplied materials will include a footnote to those supporting details. Details required in this section shall be expanded upon in Section 3 below.
 - 2.3. Starting with the 2024-2025 school year, in any year when an approved revenue measure first takes effect, the District should publish to relevant Board advisory committees and then to the public a variance analysis for how taxpayers have been impacted (e.g., "We projected that it was going to cost an average

homeowner [this much] and it actually cost them [that much].”) These totals will be consistently calculated using the methodology outlined in this document.

3. Recommended Methodology: *To make the taxpayer impact easily understandable to Douglas County residents and taxpayers, best practices for calculating a number should:*
 - 3.1. Make a reasonable attempt to estimate the impact of known changes to all school property taxes likely to occur in the same year that a proposed bond or MLO would go into effect.
 - 3.2. For assessment years (i.e., revenue measures proposed in odd-numbered election years) this estimate:
 - 3.2.1. Will include an estimate of the overall increase or decrease in mill rates as a result of aggregate property value changes in the county:
 - 3.2.1.1. If total property values go up, the mill rates charged on “flat \$\$ rate” line items (e.g., the previously approved DCSD MLOs) will go down.
 - 3.2.1.2. If total property values go up, the mill rates charged on “flat mill rate” line items (e.g., the State School Finance Act as outlined in Colorado SB24-233) will remain consistent.
 - 3.2.1.3. Mill rate implications for any proposed revenue measure shall be clearly stated.
 - 3.2.2. Will reflect already-ratified legislative changes, if any.
 - 3.2.3. There could be ballot or legislative initiatives that will affect property taxation if passed. All estimates reflect current law only and will not reflect other initiatives expected to be on the ballot or discussed during the legislative session. This will be clearly stated.
 - 3.2.4. Will clearly state that this does not reflect any assumptions about changes in home value, and that taxpayers should consider such changes when trying to understand the impact on their year-over-year tax changes.
 - 3.3. For non-assessment years (i.e., revenue measures proposed in even-numbered election years) this estimate:
 - 3.3.1. Will include an estimate of the overall increase or decrease in mill rates as a result of aggregate property value changes in the county (for tax purposes, such values changes are typically small in a non-assessment year).
 - 3.3.2. Will reflect already-ratified legislative changes, if any.
 - 3.3.3. There could be ballot or legislative initiatives that will affect property taxation if passed. All estimates will reflect current law only and will not anticipate other initiatives expected to be on the ballot or discussed during the legislative session. This will be clearly disclosed.
 - 3.4. *(We recommend that the change outlined in Section 3.4 goes into effect January 1st, 2025, as a \$780K average home value has already been communicated to the public in previous BoE meetings in recent months)* Provide an “average taxpayer impact” number that uses the most recently available average home value in Douglas County.

- 3.4.1. To promote reliability and transparency, such home values should be obtained from a reputable, nationally recognized source.
- 3.4.2. At the current time, we recommend using either the Zillow website or the National Association of Realtors website.

4. The District shall calculate taxpayer impact as:

$$\text{[Rate Change (in mills)]} \times \text{[Current Taxable Assessed Value of Average DCSD Home]} / 1,000$$

5. Every District publication that uses these numbers shall reference a publicly available document/website with supporting details (see Section 2.2 above), including but not limited to:
 - 5.1. The most recent available average home values in the county
 - 5.2. Projected mill rate changes for previously approved and currently approved MLOs
 - 5.3. Projected mill rate changes tied to debt payments (principal and interest) for all previously approved and currently proposed Bonds
 - 5.4. Any major legislative changes already written into state law
 - 5.5. There could be ballot or legislative initiatives that will affect property taxation if passed. All estimates will reflect current law only and will not anticipate other initiatives expected to be on the ballot or discussed during the legislative session. This will be clearly disclosed.
 - 5.6. A clear statement of the incremental impact of the individual (or specific) of MLO/bond approval ratification or failure (e.g., "If this proposal passes, we estimate that the average District taxpayer will pay [Amount #1] more than if this proposal fails."). This calculation only applies to the one specific tax line impacted by the ballot proposal.

Make every effort to estimate the average taxpayer impact upon the same or a very similar house using a "Before" and "After" picture.

Dissenting viewpoint on the committee - The majority prefers to use the same house value year-over-year. However, some committee members preferred a method in which the District's taxpayer impact calculations included the changing value of an individual home from year-to-year (e.g., in an assessment year, if the assessed value on a typical house increased 15%, then the calculations would use \$500,000 for the previous year's value and \$575,000 for the current year value). Obviously, such a forecast would paint in very broad strokes (e.g., in 2025, even if average assessments went up 15%, some specific properties might see a 0% increase while others would see a 30% increase) and it would result in a larger \$\$ number.

However, given the "Flat \$\$ rate" of previous District-approved MLOs, declines in Mill Rates are largely tied to appreciation in property values and do not reflect any "real" savings (i.e., "If my house doubles in value, paying 3 mills on a \$1M house is no different than paying 6 mills on a \$500K house").

We appreciate the working group's concession to call this out clearly in their supporting details (Section 5 above), but believe that more emphasis should be placed on understanding the impact of assessed appreciation on overall tax payments. Difficulties in explaining these complexities would be offset by helping voters to understand the very likely impact of changing assessments, which have been a particularly sensitive topic for many voters recently.

In the absence of that, at least one member preferred that the District would lead with the incremental impact of MLO/bond ratification or failure (see Section 5.6 above), as opposed to providing that number in the supporting details. This methodology *would* result in a larger tax amount communicated to the public in most assessment years, and it would require additional communication to the public that other factors might impact (and even reduce) mill rates and tax payments. However, the resulting gain in transparency would be worth it."

Sincerely,

--Dan Smith

on behalf of the Joint Working Group on Taxpayer Impact (Dan Smith, James Coope, John Freeman, Alex Frum, Dave Usechek, Joe Robinson, Micah Merrick)