

**JBC STAFF FISCAL ANALYSIS
HOUSE APPROPRIATIONS COMMITTEE**

CONCERNING REDUCTIONS IN REAL PROPERTY TAXATION FOR ONLY THE 2023 AND 2024 PROPERTY TAX YEARS, AND, IN CONNECTION THEREWITH, REDUCING THE ASSESSMENT RATES FOR CERTAIN CLASSES OF NONRESIDENTIAL PROPERTY AND ALL RESIDENTIAL PROPERTY AND THE AMOUNT OF ACTUAL VALUE TO WHICH THE RATE IS APPLIED FOR ALL RESIDENTIAL REAL PROPERTY AND COMMERCIAL PROPERTY FOR 2023; REDUCING THE ASSESSMENT RATES FOR ALL MULTI-FAMILY RESIDENTIAL REAL PROPERTY TO A SET AMOUNT FOR 2024; REDUCING THE ASSESSMENT RATES FOR ALL RESIDENTIAL REAL PROPERTY OTHER THAN MULTI-FAMILY RESIDENTIAL REAL PROPERTY FOR 2024 BY AN AMOUNT DETERMINED BY THE PROPERTY TAX ADMINISTRATOR TO CUMULATIVELY WITH THE OTHER PROVISIONS OF THE BILL REDUCE STATEWIDE PROPERTY TAX REVENUE FOR 2023 AND 2024 BY A SPECIFIED AMOUNT; REDUCING THE ASSESSMENT RATES FOR REAL AND PERSONAL PROPERTY THAT IS CLASSIFIED AS AGRICULTURAL OR RENEWABLE ENERGY PRODUCTION PROPERTY FOR 2024; AND REQUIRING THE STATE TO REIMBURSE LOCAL GOVERNMENTS, EXCLUDING SCHOOL DISTRICTS, IN 2024 FOR 2023 REDUCTIONS IN THEIR PROPERTY TAX REVENUE RESULTING FROM THE BILL.

Prime Sponsors: Sens. Hansen and Rankin
Reps. Weissman and Neville

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Appropriation Items of Note

Appropriation Not Required, No Amendment in Packet

General Fund/TABOR Impact

Fiscal Impact of Bill as Amended to Date

The most recent Legislative Council Staff Fiscal Note (attached) reflects the fiscal impact of the bill as of 05/05/22.

XXX	No Change: Attached LCS Fiscal Note accurately reflects the fiscal impact of the bill
	Update: Fiscal impact has changed due to <i>new information or technical issues</i>
	Update: Fiscal impact has changed due to <i>amendment adopted</i> after LCS Fiscal Note was prepared
	Non-Concurrence: JBC Staff and Legislative Council Staff disagree about the fiscal impact of the bill

Amendments in This Packet for Consideration by Appropriations Committee

Amendment	Description
L.008	Bill Sponsor amendment - does not change fiscal impact

Current Appropriations Clause in Bill

The bill neither requires nor contains an appropriation clause for FY 2022-23.

Description of Amendments in This Packet

L.008 Bill sponsor amendment **L.008** (attached) corrects a technical error and clarifies that the state backfill will be 90 percent for municipalities, fire districts, water districts, and sanitation districts with an increase in assessed value of 10 percent or more and 100 percent for the same local governments with an increase in assessed value of less than 10 percent. These backfill amounts are consistent with the assumptions in the Legislative Council Staff Fiscal Note, so if the amendment is adopted there is no change in the estimated fiscal impact of the bill. However, if the amendment is not adopted, the technical error would result in a backfill of 100 percent for municipalities, fire districts, water districts, and sanitation districts with larger increases in assessed value and 90 percent for these same local governments with smaller increases in assessed value.

Points to Consider

General Fund Impact

The Joint Budget Committee has proposed a budget package for FY 2022-23 based on the March 2022 Legislative Council Staff revenue forecast. The budget package includes two set-asides:

- \$40.0 million General Fund for bills that create ongoing obligations; and
- \$900.0 million General Fund for bills that create one-time obligations in FY 2022-23.

The \$40.0 million *appropriations* set-aside includes an additional \$6.0 million General Fund to provide a 15.0 percent General Fund reserve for those appropriations. The \$900.0 million *obligations* set-aside does not include an additional amount for a General Fund reserve and, assumes, but does not require, that obligations be addressed through statutory transfers rather than appropriations. Therefore *appropriations* from the \$900.0 million set-aside require an additional 15.0 percent to maintain the statutory General Fund reserve.

This bill creates a one-time obligation and includes a General Fund transfer of \$200.0 million for FY 2022-23, reducing the \$900.0 million set aside by the same amount.

Future Fiscal Impact

There is a \$56.0 million gap between the \$200.0 million transfer in the bill from the General Fund to the State Public School Fund and the total estimated \$256.0 million increase in the state share of school finance over two fiscal years identified in the Legislative Council Staff Revised Fiscal Note

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(\$183.0 million in FY 2023-24 plus \$73.0 million in FY 2024-25). This gap will need to be addressed in the future.

Forecast Uncertainty

As noted in the Legislative Council Staff Fiscal Note (see the property tax backfill discussion on page 4), if the FY 2022-23 state revenue subject to TABOR is lower than projected, the associated TABOR refund paid out in FY 2023-24 will be smaller than expected and potentially up to the entire cost to backfill local government revenues -- estimated at \$225.0 million -- could become a General Fund obligation.