



**Legislative Council Staff**  
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**Fiscal Note  
Memorandum**

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**TO:** Members of the House Finance Committee

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**SUBJECT:** Fiscal Assessment of Proposed Amendment **L.001 to House Bill 23-1054**

This memorandum is an assessment of the fiscal impact of the attached proposed amendment L.001 to House Bill 23-1054. This fiscal assessment is for the impact of the bill with inclusion of this amendment only. Any other added amendment could influence the fiscal impact.

## **Summary of Proposed Amendment**

The amendment removes a provision from the introduced bill that would limit growth in value for most types of properties for property tax year 2023 and replaces it with a requirement that the value will equal 110 percent of its 2022 value. The amendment also clarifies that this requirement does not apply to oil and gas, producing mines, other natural resources, and state assessed property classes that are assessed on an annual basis.

## **Fiscal Impact of Amendment L.001**

**State expenditures.** Adopting amendment L.001 will reduce the required amount of state expenditures for school finance by \$270.5 million in FY 2023-24, and \$315.4 million in FY 2024-25, compared with the introduced bill. The amendment reduces the amount of decreased property tax collections from school district total program mills compared with the introduced bill. The reduced state aid obligation is shown in Table 1.

*State backfill and FY 2022-23 TABOR refund.* The amendment increases the state backfill to local government under SB 22-238 compared with the amount of decrease in the introduced bill. Compared with the introduced bill, state backfill will be \$9.7 million higher. This is paid out of TABOR refunds, and will reduce the amount required to be paid to taxpayers through the six-tier sales tax refund mechanism by the same \$9.7 million, compared with the introduced bill, as shown in Table 1.

**Table 1**  
**Change in HB 23-1054 State Fiscal Impacts Under Amendment L.001**

		<b>Budget Year FY 2023-24</b>	<b>Out Year FY 2024-25</b>
<b>Revenue</b>		-	-
<b>Expenditures</b>	School Finance <sup>1</sup>	(\$270.5 million)	(\$315.4 million)
<b>Transfers</b>		-	-
<b>TABOR Refund<sup>2</sup></b>	Property Tax Backfill	\$9.7 million	-
	Six-Tier Sales Tax Refund	(\$9.7 million)	-

<sup>1</sup> Expenditures for the state share of school finance may be paid from the General Fund, the State Education Fund, the State Public School Fund, or a combination of these.

<sup>2</sup> TABOR refund obligation incurred in FY 2022-23, refunded to taxpayers via these mechanisms in FY 2023-24.

**Local revenue.** The amendment will increase the amount of revenue to local governments that levy property taxes by \$473.2 million in FY 2023-24 and \$516.2 million in FY 2024-25, compared with the introduced bill, as shown in Table 2.

**Table 2**  
**Change in HB 23-1054 Local Government Revenue Impacts Under Amendment L.001**

	<b>FY 2023-24</b> <i>Property Tax Year 2023 Collected in 2024</i>	<b>FY 2024-25</b> <i>Property Tax Year 2024 Collected in 2025</i>
Property tax revenue	\$733.9 million	\$831.6 million
School districts – state aid	(\$270.5 million)	(\$315.4 million)
State backfill to other locals <sup>1</sup>	\$9.7 million	-
<b>Net Revenue Impact</b>	<b>\$473.2 million</b>	<b>\$516.2 million</b>

<sup>1</sup> Reimbursements to counties, municipalities, and special districts only.

### **Bill’s Revised Fiscal Impact with Amendment L.001**

**State expenditures.** With the adoption of amendment L.001, the bill will increase state expenditures for school finance by \$325.6 million in FY 2023-24, and by \$445.1 million in FY 2024-25. With the adoption of amendment L.001, the bill decreases property tax collections from school district total program mills and requires an increase in the state share of total program funding for school finance, as shown in Table 3.

*State backfill and FY 2023-24 TABOR refund.* With the adoption of amendment L.001, the bill reduces the state backfill to local governments under SB 22-238 to \$145.5 million, a reduction of \$93.1 million under current law. This is paid out of TABOR refunds, and the reduction in state property tax backfill to local governments expected under the bill will increase expected refunds via the six-tier sales tax refund mechanism, as shown in Table 3.

**Table 3**  
**State Fiscal Impacts Under HB 23-1054 L.001**

		<b>Budget Year FY 2023-24</b>	<b>Out Year FY 2024-25</b>
<b>Revenue</b>		-	-
<b>Expenditures</b>	School Finance <sup>1</sup>	\$325.6 million	\$445.1 million
<b>Transfers</b>		-	-
<b>TABOR Refund<sup>2</sup></b>	Property Tax Backfill	(\$93.1 million)	-
	Six-Tier Sales Tax Refund	\$93.1 million	-

<sup>1</sup> Expenditures for the state share of school finance may be paid from the General Fund, the State Education Fund, the State Public School Fund, or a combination of these.

<sup>2</sup> TABOR refund obligation incurred in FY 2022-23, refunded to taxpayers via these mechanisms in FY 2023-24.

**Local revenue.** With the adoption of amendment L.001, the bill will decrease local government revenue by net amounts of \$841.2 million for property tax year 2023 and more than \$1.0 billion for property tax year 2024, as shown in Table 4.

**Table 4**  
**Local Government Revenue Impacts of HB 23-1054 L.001**

	<b>FY 2023-24</b> <i>Property Tax Year 2023 Collected in 2024</i>	<b>FY 2024-25</b> <i>Property Tax Year 2024 Collected in 2025</i>
Property tax revenue	(\$1,073.7 million)	(\$1,492.2 million)
School districts – state aid	\$325.6 million	\$445.1 million
State backfill to other locals <sup>1</sup>	(\$93.1 million)	-
<b>Net Revenue Impact</b>	<b>(\$841.2 million)</b>	<b>(\$1,047.1 million)</b>

<sup>1</sup> Reimbursements to counties, municipalities, and special districts only.

The revenue impact for each local government will vary according to property valuation levels in the government’s tax area that would otherwise be realized under current law. With amendment L.001, the bill will decrease tax revenue in areas where valuations are expected to increase by more than 10 percent in property tax year 2023 under current law, including most urban and suburban areas and many rural areas. Conversely, the bill will increase tax revenue in areas where valuations are expected to increase by less than 10 percent in property tax year 2023 under current law, including many other rural areas. If the amendment is adopted, a revised fiscal note will include updated appendices that show the anticipated effects on individual local government revenues and individual school districts’ levels of total program funding for school finance.