



Legislative Council Staff

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Fiscal Note

Drafting Number:	LLS 24-1161	Date:	April 18, 2024
Prime Sponsors:	Rep. Marshall	Bill Status:	House Finance
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Bill Topic: **PROPERTY TAX REVENUE GROWTH LIMIT**

Summary of Fiscal Impact:	<input checked="" type="checkbox"/> State Revenue	<input type="checkbox"/> State Transfer	<input checked="" type="checkbox"/> Local Government
	<input checked="" type="checkbox"/> State Expenditure	<input type="checkbox"/> TABOR Refund	<input type="checkbox"/> Statutory Public Entity

The resolution refers a ballot measure to the voters at the November 2024 election that, if approved, imposes a local government property tax revenue limit. It conditionally increases state and local expenditures beginning in FY 2024-25, decreases local government revenue beginning in FY 2025-26, and increases state revenue beginning in FY 2026-27.

Appropriation Summary: No appropriation is required.

Fiscal Note Status: The fiscal note reflects the introduced resolution.

Table 1
Conditional State Fiscal Impacts Under HCR 24-1006

		Budget Year FY 2024-25	Out Year FY 2025-26
Revenue		-	-
Expenditures	School Finance ¹	-	\$1.9 million
Transfers		-	-
Other Budget Impacts		-	-

¹ 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.

Summary of Legislation

The resolution refers a constitutional amendment to voters at the November 2024 statewide election. If approved by voters, the amendment would create a new annual property tax revenue growth limit for taxing districts beginning with the 2025 property tax year. The limit would allow revenue to grow by state population growth plus inflation, consistent with TABOR limit on state spending, plus 2 percentage points, plus an amount allowable for newly taxed property such as new construction, annexations, and previously exempt property. An amount for property that is newly untaxed such as land excluded from a district, demolitions, or newly exempt property is subtracted from the limit. If the limit is expected to be exceeded, the district must reduce its mill levy such that revenue will fall below the limit.

The resolution establishes a process for waiving the limit and maintaining the district's current mill levy depending on whether the district is subject to TABOR limitations based on prior voter approval. If the district is subject to TABOR limitations, the district needs voter approval to waive the property tax growth limit. If the district has voter approval to retain and spend revenue above the TABOR limit, the district's governing body can waive the property tax growth limit without voter approval.

Lastly, the resolution allows districts that have reduced their mill levies to comply with the limitation, to raise mill levies back to up to their prior level without voter approval as long as doing so does not exceed the growth limit.

Assumptions

Expectations for assessed values in property tax year 2025 are based on the December 2023 Legislative Council Staff (LCS) forecast for assessed values. The property tax growth limit is estimated for each county based on the LCS March 2024 forecast for growth in the FY 2024-25 Referendum C cap, 5.8 percent, plus 2 percentage points, and adjustments for net new construction. Net new construction is expected to be equal to the average growth in residential assessed values over the past five intervening years.

State Revenue

If approved by voters, the resolution may increase cash fund revenue from severance tax beginning in FY 2026-27 by reducing the amount of ad valorem credits. The ad valorem credit allows oil and gas producers to claim a tax credit towards their severance tax liability in an amount equal to 87.5 percent of their property tax obligation to local governments. In the event that the property tax growth limit reduces the amount of property taxes owed, severance tax revenue will increase in FY 2026-27. A forecast of credits is not yet available for FY 2026-27, and the amount of the revenue impact is indeterminate. Severance tax revenue is subject to TABOR.

State Expenditures

Conditional on voter approval, the resolution will increase state expenditures for school finance by \$1.9 million in FY 2025-26 and varying amounts in future years. The resolution also conditionally increases workload in the Department of Local Affairs (DOLA) and affects state election expenditures. These impacts are described below.

School finance. The resolution conditionally decreases property tax collections from school district total program mills, requiring an equivalent increase in the state share of total program funding for school finance. The state aid obligation is expected to increase by \$1.9 million in FY 2025-26, corresponding to property tax year 2025, and by varying amounts in future years. The state aid obligation may be paid from the General Fund, the State Education Fund, the State Public School Fund, or a combination of these.

Department of Local Affairs. The resolution conditionally increases workload in DOLA to provide technical assistance to help local districts understand the impact of the measure and to make changes to forms as needed to assist local governments in being able to implement the measure. The additional workload can be absorbed within existing appropriations.

Election expenditure impact — existing appropriations. This resolution includes a referred measure that will appear before voters at the November 2024 general election. While no additional appropriation is required, certain election costs are incurred by the state when ballot measures are referred. These include reimbursing counties for certain election costs; publishing the text and title of the measure in newspapers across the state; and preparing and mailing the ballot information booklet.

Local Government

Local revenue. The resolution conditionally reduces local property tax revenue by imposing a property tax growth limit. The resolution limits property tax revenues for all local governments except that districts may obtain voter approval to waive the limit, and districts that have voter approval to retain and spend revenue above the TABOR limit can waive the property tax limit without voter approval.

Reduced local property tax revenue under the resolution depends on the number of local governments that waive the limit. If local districts waive the new limit, the revenue impact of the limit will be less. Additionally, some governments are subject to other revenue limits, such as the 5.5 percent property tax limit or the TABOR limit, which may be more restrictive than the property tax growth limit established by this resolution.

To the extent that local governments implement the property tax growth limit without opting out and are not already constrained by a more restrictive limit, property tax revenue will be reduced. Assuming all impacted local governments implement the limitation, local property taxes would be reduced by an estimated \$12.7 million for property tax year 2025.

Table 2
Conditional Local Government Impacts Under HCR 24-1006

	FY 2024-25 Property Tax Year 2024 Collected in 2025	FY 2025-26 Property Tax Year 2025 Collected in 2026
Property Tax Revenue	-	(\$12.7 million)
School Districts – State Aid	-	\$1.9 million
Net Revenue Impact	-	(\$10.9 million)

Most local districts are expected not to be constrained by the property tax growth limit in property tax year 2025 because assessed values in most areas of the state are not expected to grow significantly between in 2024 and 2025. If property values were to spike in future years, the cap could be much more constraining to local property tax revenue. Additionally, if property values fell significantly in a future, the limit may make property tax revenue slower to rebound.

Local expenditures. The resolution conditionally increases workload and expenditures for local governments to comply with the new limit. This includes determining the assessed values of newly taxed and newly untaxed property, and increased election costs to the extent that local districts

Technical Note

The property tax growth limit is determined in part by inflation and state population growth, consistent with the state TABOR spending limit, but does not specify which year’s inflation rate and population growth should be used to determine the property tax growth limit. The fiscal note assumes that the property tax growth limit for property tax year 2025 will be determined by growth in the state TABOR spending limit for FY 2024-25.

Effective Date

If approved by voters at the November 2024 general election, the changes take effect upon proclamation of the Governor.

State and Local Government Contacts

Counties	County Assessors	Information Technology
Legislative Council Staff	Local Affairs	Property Tax Division
Secretary of State		

The revenue and expenditure impacts in this fiscal note represent changes from current law under the bill for each fiscal year. For additional information about fiscal notes, please visit the [General Assembly website](#).