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# **OSPB Presentation on the Budget Impacts Related to Property Tax**

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# Property Tax Guiding Principles

- Provide as much tax relief as fiscally responsible for residential and commercial property owners
- Ensure we can maintain a School Finance Act with no Budget Stabilization Factor returning
- Create predictability and stability for residential and commercial property owners, and smooth out big spikes in AV
- Ensure local governments can continue to provide critical services

# FY 25-26 Budget is already very tight

- For FY 25-26 we forecast that available revenue under the TABOR cap to grow by only 3.3%, meaning only \$648M available to cover caseload increases, salary increases, and other operating needs. This is much smaller than previous years, for example last two years have been over \$1.0 billion
- JBC staff highlighted on [April 29 General Fund Overview](#) that over \$400M in last year's budget was funded from one time funds or transfers.
- Ballot initiatives that impact the state's budget would make this budget picture even tighter, and likely require severe cuts to core services to balance the budget.

# Summary of 108 and 50

	<b>2024</b>	<b>2025</b>	<b>2026 and beyond</b>
<b>Local and School District Cap (including bonds)</b>		4% (Amend 50)	4% (Amend 50)
<b>School district regulator</b>		same as locals	same as locals
<b>Local Gov Residential Assessment Rate</b>	7.06%	5.7%	5.7%
<b>Local Gov Commercial and Ag and others</b>	29.0%	24.0%	24.0%
<b>School District Residential</b>	n/a	5.7%	5.7%
<b>School District Commercial and Ag and others</b>	n/a	24%	24%

# Summary of SB 24-233

	2024	2025	2026
<b>Local District Cap</b>		5.5%	5.5%
<b>School district regulator</b>		Reduction if 60% local share	Reduction if 60% local share
<b>Local Gov Residential Assessment Rate</b>	6.7%, \$55K exemption	6.4%	6.95% - (10% of first \$700K, adjusted by CPI, 0 if negative)  <i>Combined Effective Assessment = 6.5% for homes up to \$700k</i>
<b>Local Gov Commercial and Ag</b>	27.9%, \$30K exemption	27%	25%
<b>School District Residential</b>	n/a	7.15%	7.15%
<b>School District Commercial and Ag</b>	n/a	27%	25%

# New Property Tax Framework

	TY 24	TY 25	TY 26
	24-233	Framework	Framework
<b>Residential</b>			
Schools	6.7% w 55K Exemption	7.05% unless value growth (VG) in PT25 > 5% then 6.95%	7.05% unless VG in PT25 > 5% then 6.95%
Locals	6.7% w 55K Exemption	6.25% unless VG in PT25 > 5% then 6.15%	6.80% with 10% exemption up to first 700K unless VG in PT25 > 5% then 6.70% with 10% exemption up to first 700K
Implied RAR		6.4% unless VG in PT25 > 5% then 6.3%	6.4% unless VG in PT25 > 5% then 6.3%
<b>Non Residential</b>			
Schools/Locals	27.9% w 30K exemption	27% All Non Res	25% Comm/Ag, 26% Other , and down to 25% in PT27
<b>Growth Cap</b>			
Schools (SFA)		6% cap per year (12% per cycle) unless inflation and student growth is greater than 6%, then that year cap equal to inflation and student growth. Include anti ratchet provision and language on exemption. The ballot question must state in it that "this measure removes the X% annual cap on growth in property taxes."	
Locals (schools bond and overrides)		include exclusions from 24-233 but make it year over year (cycle of 10.5%) with inclusion of anti ratchet and make and following language on local exemption questions. The ballot question must state in it that "this measure removes the X% annual cap on growth in property taxes."	
* VG for TY 25 is what sets rate and then that is locked in moving forward (not variable)			

# Impacts of Framework and 108

## The Framework compared 24-233

Loss in PTY 25 (constant mills and value growth of 0.09%):

Total Statewide Loss: -\$270M

Local District Loss: -\$151M

School District Loss (SFA): -\$61M

**Needed value growth to offset loss for PTY25:**

Locals: 2.35%

Schools: 1.90%

### **Budget Impact:**

This would have small impact on the State Education Fund balance, that may be offset by the higher value growth noted above

Assumes no backfill for locals

## Initiative 108 compared 24-233

Loss in PTY 25 (constant mills and value growth of 0.09%):

Total Statewide Loss: -\$2,100M

Local District Loss: -\$805M

School District Loss (SFA): -\$668M

**Needed value growth to offset loss for PTY25:**

Locals: 12.10%

Schools: 19.20%

### **Budget Impact:**

This would require between \$668M and \$1.5B in GF. This is between 4% and 9% of total GF.

To balance would require re-establishing the budget stabilization factor, significant cuts to higher education and Medicaid Providers, and impact local funding like HUTF and Severance as the state uses them to backfill loss revenue

# Impacts of Property Tax Changes on TY 25

<b>TY25* (note the rates will be different for locals given no exemption)</b>				
	<b>Previous Law (7.15/29%)</b>	<b>SB 24-233</b>	<b>Framework (&lt;5% Value Growth)</b>	<b>Prop 108</b>
Total Statewide Revenues	\$16.668 B	\$15.889 B	\$15.619 B	\$13.789 B
Local Districts	\$8.302 B	\$7.695 B	\$7.544 B	\$6.890 B
Schools (All)	\$8.366 B	\$8.193 B	\$8.075 B	\$6.899 B
<b>Schools (total program)</b>	<b>\$4.317 B</b>	<b>\$4.228 B</b>	<b>\$4.167 B</b>	<b>\$3.560 B</b>
<b>Incremental difference</b>		<b>vs Previous Law</b>	<b>vs 233</b>	<b>vs Framework</b>
Total Statewide Revenues		-\$779.02 M	-\$269.79 M	-\$1830.06 M
Local Districts		-\$606.81 M	-\$151.29 M	-\$653.81 M
Schools (All)		-\$172.21 M	-\$118.51 M	-\$1176.25 M
<b>Schools (total program via SFA)</b>		<b>-\$88.86 M</b>	<b>-\$61.15 M</b>	<b>-\$606.94 M</b>



# Impacts of Property Tax Changes on TY 26

TY26				
	<b>Previous Law (7.15/29%)</b>	<b>SB 24-233</b>	<b>Framework (&lt;5% Value Growth)</b>	<b>Prop 108</b>
Total Statewide Revenues	\$16.800 B	\$15.715 B	\$15.390 B	\$13.899 B
Local Districts	\$8.369 B	\$7.629 B	\$7.452 B	\$6.946 B
Schools (All)	\$8.431 B	\$8.086 B	\$7.937 B	\$6.953 B
<b>Schools (total program)</b>	<b>\$4.350 B</b>	<b>\$4.172 B</b>	<b>\$4.096 B</b>	<b>\$3.588 B</b>
<b>Incremental difference</b>		<b>vs Previous Law</b>	<b>vs 233</b>	<b>vs Framework</b>
Total Statewide Revenues		-\$1085.67 M	-\$324.78 M	-\$1491.06 M
Local Districts		-\$740.17 M	-\$176.57 M	-\$506.38 M
Schools (All)		-\$345.50 M	-\$148.22 M	-\$984.68 M
<b>Schools (total program via SFA)</b>		<b>-\$178.28 M</b>	<b>-\$76.48 M</b>	<b>-\$508.10 M</b>