

Proposition HH: Reduce Property Taxes and Retain State Revenue

Placed on the ballot by the legislature • Passes with a majority vote

1 Proposition HH, if approved, would:

- 2 • lower property taxes owed for homes and businesses for at least ten years,
3 compared to what would be owed under current law;
- 4 • allow the state to retain money that would otherwise be refunded to taxpayers
5 under the Taxpayer’s Bill of Rights (TABOR) through at least 2032;
- 6 • authorize the state legislature to retain revenue after 2032 without further
7 voter approval, if property tax decreases equivalent to those in the measure
8 are maintained;
- 9 • allow the retained revenue to be spent on education, reimbursements to local
10 governments for some of their reduced property tax revenue, and rental
11 assistance programs;
- 12 • distribute TABOR refunds to taxpayers in equal amounts for tax year 2023
13 only; and
- 14 • create a new limit on the growth of property tax revenue for most local
15 governments.

16 What Your Vote Means

YES 17 A “yes” vote on
18 Proposition HH lowers
19 property taxes owed, allows the state
20 to keep additional money that would
21 otherwise be refunded to taxpayers,
22 temporarily changes how taxpayer
23 TABOR refunds are distributed, and
24 creates a new property tax limit for
25 most local governments.

NO A “no” vote on
Proposition HH maintains
current law for property taxes, TABOR
refunds, and state and local
government revenue limits.

26 For more information on these provisions, see the following:

- 27 • Overview of Proposition HH..... Page 2
- 28 • Impacts on Taxpayers Page 3
- 29 • Changes to Property Taxes..... Page 4
- 30 • Retained State Revenue..... Page 6
- 31 • Changes to TABOR Refunds..... Page 7
- 32 • Changes for Local Governments..... Page 9
- 33 • Arguments For Proposition HH..... Page 10
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- 35 • Fiscal Impact of Proposition HH..... Page 11

1 **Summary and Analysis of Proposition HH**

2 **Overview of Proposition HH**

3 **What does Proposition HH do?**

4 Proposition HH reduces property taxes owed, resulting in smaller increases in
 5 property taxes beginning in 2023, while allowing the state to keep additional
 6 revenue that would otherwise be refunded to taxpayers.

7 The measure lowers property taxes by reducing the portion of a property’s
 8 market value that is subject to taxes, allowing seniors who have qualified for the
 9 existing homestead exemption to receive the same benefit at a new home, and
 10 creating a new limit on property tax revenue for most local governments. It
 11 requires that local governments exceeding the limit either go through a public
 12 process to waive the limit or lower tax rates to stay below the limit.

13 The measure creates a new cap on state revenue that grows by the same rate as
 14 the existing cap, plus an additional 1 percentage point each year. The revenue
 15 retained from the new cap is used to fund education, reimburse local
 16 governments for a portion of the lost property tax revenue, and provide rental
 17 assistance.

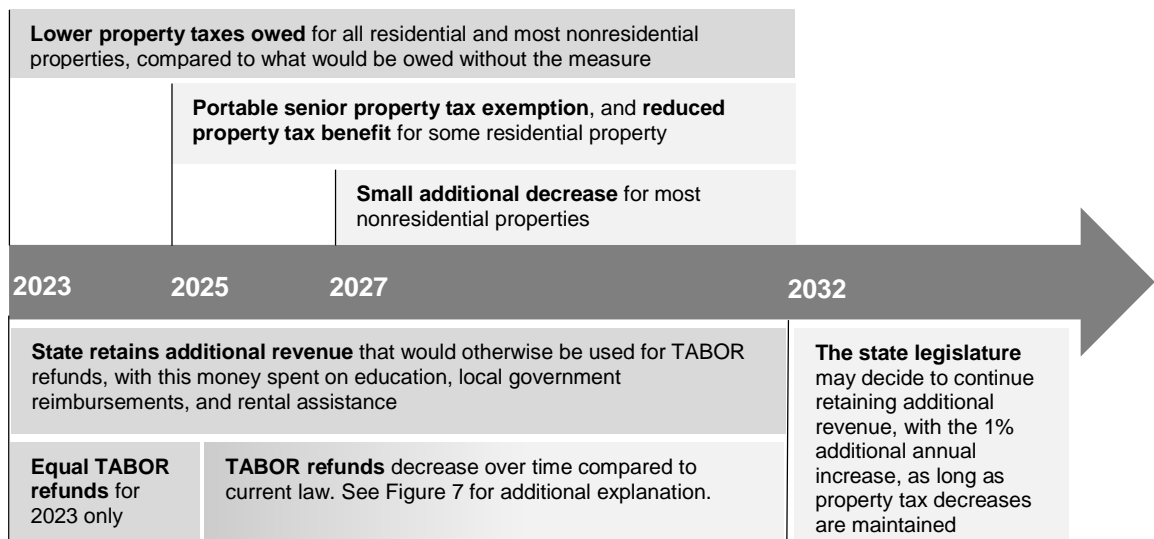
18 **How long will the changes under the measure last?**

19 Most changes under Proposition HH remain in effect through state budget year
 20 2031-32, and may be extended by the state legislature for future budget years
 21 without further voter approval. If extended, the state may continue to retain
 22 additional revenue in future years, as long as the state legislature extends
 23 property tax reductions equal to or greater than those in the measure. The
 24 amount the state is allowed to retain grows each year, and continues to grow if
 25 the measure is extended.

26 In addition, if Proposition HH passes, another state law distributes refunds under
 27 the Taxpayer’s Bill of Rights (TABOR) in equal amounts in tax year 2023 only.
 28 Figure 1 shows the measure’s changes through at least 2032.

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**Figure 1
 Proposition HH Timeline**



1 Impacts on Taxpayers

2 **How does Proposition HH impact taxpayers?**

3 The measure primarily impacts taxpayers in two ways: by reducing the amount
 4 owed in property taxes and by changing the amount of TABOR refunds. Figure 2
 5 summarizes the impacts of Proposition HH on various taxpayers, compared to
 6 what would happen if Proposition HH does not pass. Each of these impacts is
 7 described in more detail later in this analysis.

8 In 2023, providing equal TABOR refunds to all taxpayers will increase refunds for
 9 low-income and middle-income taxpayers, while higher-income taxpayers will
 10 receive a lower refund than under current law. Property taxes for all property
 11 owners will be lower than they would be if Proposition HH is not approved. For
 12 some higher-income homeowners, the reduction in TABOR refunds in 2023 may
 13 offset the savings from lower property taxes.

14 In 2024 and through at least 2032, TABOR refunds will decrease or be
 15 eliminated for taxpayers at all income levels, depending on state revenue
 16 collections each year. These future decreases in TABOR refunds may offset or
 17 exceed property tax savings under Proposition HH for property owners,
 18 depending on the value of their property.

19 **Figure 2**
 20 **Summary of Taxpayer Impacts**
 21 *Compared to current law*

All Taxpayers – TABOR Refunds	
2023	
<ul style="list-style-type: none"> - Income less than \$99,000: TABOR refunds increase - Income greater than \$99,000: TABOR refunds decrease 	
2024 through 2032	
<ul style="list-style-type: none"> - TABOR refunds decrease, and could be eliminated, for all taxpayers. - To see how state revenue affects the amount of the decrease, see Figure 7 	
Property Owners – all changes are for 2023 through 2032 unless otherwise noted	
Primary residence, multifamily property	<ul style="list-style-type: none"> - Reduction in property taxes compared to what would be owed otherwise
Seniors	<ul style="list-style-type: none"> - Same reduction in property taxes as for primary residences - Beginning in 2025: Seniors who have qualified for the homestead exemption can receive the same benefit if they purchase and move to a new home
Other single-family residential properties (second homes, rental properties, etc.)	<ul style="list-style-type: none"> - 2023 and 2024: Same reduction in property taxes as primary residences - Beginning in 2025: Smaller property tax reduction than primary residences
Nonresidential properties	<ul style="list-style-type: none"> - Reduction in property taxes, compared to what would be owed otherwise, for most property types - Amount of reduction depends on type of property
Renters	
<ul style="list-style-type: none"> - Do not directly benefit from property tax decreases - Additional funding for rental assistance to qualifying renters 	

Changes to Property Taxes

1 **How does Proposition HH change property**
2 **taxes?**

3 Proposition HH lowers the property taxes
4 owed by property owners, compared to what
5 would be owed without the measure. Property
6 values have increased significantly in most
7 areas of the state, resulting in higher property
8 taxes owed. The measure results in a smaller
9 increase in property taxes than under current
10 law.

11 In Colorado, there is no state property tax.
12 Only local governments collect property tax.
13 Property taxes are paid on a portion of a
14 property’s value. This portion is known as the
15 taxable value or assessed value, and is calculated by multiplying the value by the
16 assessment rate. To lower property taxes, the measure:

- 17 • lowers assessment rates for residential property and most nonresidential
18 property and subtracts a set amount from most properties’ values before
19 applying the new assessment rates;
- 20 • allows a senior aged 65 and older who has previously qualified for the senior
21 homestead exemption to receive the same property tax benefit in any home
22 they purchase and live in as their primary residence, beginning in 2025;
- 23 • distinguishes owner-occupied primary residences and multifamily properties
24 from other residential properties, resulting in a larger subtraction for primary
25 residences and multifamily properties than other properties, beginning in
26 2025; and
- 27 • establishes a limit on local government property tax revenue growth,
28 including methods to lower tax rates to comply with the limit or to waive the
29 limit. This limit is discussed further below.

30 Figure 3 estimates the potential impact of these changes on property types and
31 values in 2023 and 2024, based on a forecast of property values and an
32 estimated average mill levy. These changes continue through 2032 unless
33 otherwise noted. The impact on an individual property owner depends on the
34 type and value of the property and the tax rates for the local governments where
35 the property is located. Tables with the exact assessment rates and subtractions
36 for different property classes are available in the fiscal impact statement here:

37 <https://leg.colorado.gov/bluebook>

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Online Calculation Tool:

To see how the combination of the property tax changes and TABOR refund changes impact a taxpayer in your area, please visit <https://hhcalc.apps.coleg.gov/> or scan the QR code below:



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Figure 3
Average Property Tax Impacts as a Result of Proposition HH*

	Property Value	Average Change in Property Tax **		
		2023	2024	2025-2032
<u>Residential Property</u>				
Primary residences and multifamily properties	\$100,000	-\$167 to -\$177	-\$212 to -\$223	Further reductions in 2025 Beginning in 2025, there will be a smaller reduction for non-primary residences, and a larger reduction for qualifying seniors
	\$350,000	-\$179 to -\$239	-\$276 to -\$331	
	\$500,000	-\$186 to -\$276	-\$314 to -\$396	
	\$700,000	-\$195 to -\$326	-\$364 to -\$483	
	\$1,000,000	-\$208 to -\$400	-\$440 to -\$613	
<u>Nonresidential Property</u>				
Lodging and commercial	\$1,000,000	-\$34 to -\$847	-\$802 to -\$1,550	Further reductions in 2024, 2027, 2029, 2031
Industrial, natural resources, state-assessed properties	\$1,000,000	-\$35 to -\$873	-\$802 to -\$1,550	Further reductions in 2024, 2027, 2029, 2031
Agriculture and renewable energy producing property	\$1,000,000	-\$0 to -\$795	-\$0 to -\$709	Further reduction in 2031
Renewable energy agricultural land	\$1,000,000	-\$0 to -\$795	-\$3,139 to -\$3,726	Continues through 2032
Vacant land	\$1,000,000	-\$35 to -\$873	-\$0 to -\$778	Continues through 2032
Oil and gas and mines	\$1,000,000	No change	No change	No change through 2032

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* This example shows the estimated reduction in property taxes owed for a hypothetical property, based on a 2022 statewide average levy of 69.745 mills, which excludes mill levies that are expected to decrease from 2022 to 2023 even if Proposition HH does not pass. Estimates are based on preliminary 2023 assessed values by county. The actual change in property tax will depend on local tax rates, property values, and local government policy.

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** Property tax savings will depend on whether or not local governments waive the new revenue limits created by Proposition HH. The high end of the range reflects the savings if local governments do not waive the limit. The low end of the range reflects the savings if local governments waive the limit.

1 Retained State Revenue

2 **What is the state’s revenue limit, known as the TABOR limit?**

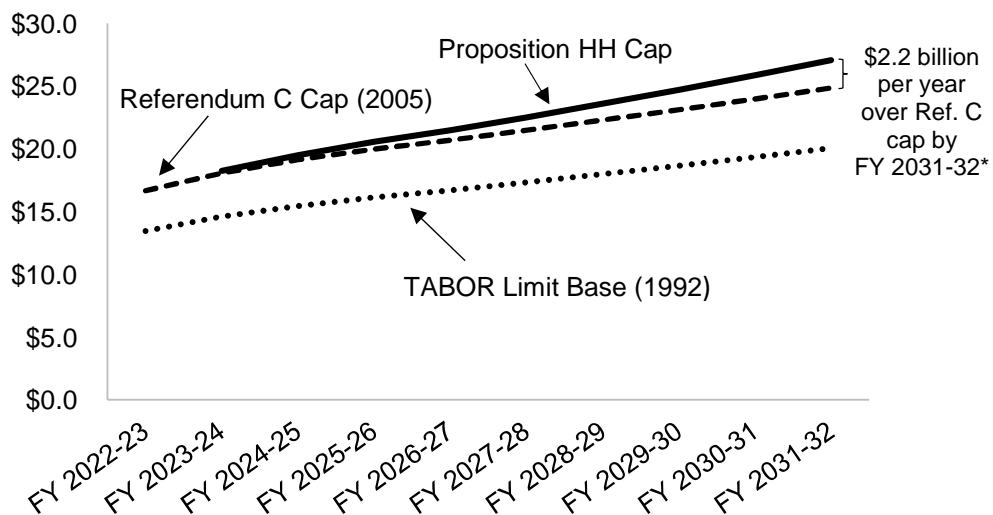
3 The Colorado Constitution includes a section, “The Taxpayer’s Bill of Rights,”
 4 commonly known as TABOR, that limits the amount of money that the state
 5 government can collect and spend or save each year. Voter approval is required
 6 to retain money above the TABOR limit. If money is collected above the limit, the
 7 excess must be refunded to taxpayers. This is called a TABOR refund.

8 Currently, a portion of this money is refunded through property tax reductions,
 9 including those for seniors, veterans with a disability, and Gold Star surviving
 10 spouses, and the remainder is distributed as a tiered sales tax refund using the
 11 state income tax return. For last year only, part of the TABOR refund was
 12 distributed to taxpayers through checks in the amount of \$750 for a single filer
 13 and \$1,500 for a joint filer, rather than through the tiered system. Flat refunds
 14 provide larger amounts for lower-income taxpayers and smaller refunds for
 15 higher-income taxpayers when compared with the tiered refund system.

16 **What happens to the state revenue limit if Proposition HH passes?**

17 Proposition HH creates a new cap on the amount of money the state may retain
 18 over its revenue limit that is higher than the current cap established by
 19 Referendum C in 2005. Proposition HH allows the state to retain additional
 20 revenue up to the new cap, which grows by population growth and inflation, plus
 21 1 percentage point, each year. The measure allows the state to retain an
 22 estimated \$170 million in state budget year 2023-24 and \$360 million in state
 23 budget year 2024-25. The state is allowed to retain increasing amounts through
 24 at least 2032, depending on revenue collections (see Figure 7 for more
 25 information). Figure 4 shows the new cap over the next ten years.
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27 **Figure 4**
 28 **Proposition HH Cap on State Revenue**
 29 *Dollars in Billions*



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* Assumes inflation through 2025 from the June 2023 Legislative Council Staff forecast and 2.5 percent annual inflation for 2025 to 2031. Population growth projections from the Colorado State Demography Office.

1 **How will the retained revenue be spent?**

2 The retained money will be used for the following purposes:

- 3 • up to 20 percent to reimburse eligible local governments for lost property tax
- 4 revenue;
- 5 • up to \$20 million each year for rental assistance; and
- 6 • the remaining funds to reimburse school districts for reduced property tax
- 7 revenue as a result of the measure, and for education-related programs,
- 8 estimated at \$125 million in state budget year 2024-25, and up to
- 9 \$2.16 billion in state budget year 2031-32.

10 Over ten years, local reimbursements are expected to decrease, rental

11 assistance will reach its \$20 million annual limit, and the amount retained by the

12 state will increase. As a result, the amount allocated to education funding will

13 increase, assuming consistent revenue growth. The new education funding

14 cannot replace current General Fund spending for public school finance.

15 **Changes to TABOR Refunds**

16 **How does the measure impact TABOR refunds in the short term?**

17 **2023 TABOR refunds.** A separate state law changes the way that refunds are

18 distributed for tax year 2023 only if Proposition HH passes. The text of that law,

19 House Bill 23-1311, is available here: <https://leg.colorado.gov/bluebook>

20 Under current law, TABOR refunds to taxpayers are typically distributed through

21 the state income tax, based on the taxpayer’s adjusted gross income. Under

22 Proposition HH, the refunds are distributed in an equal amount for each taxpayer,

23 estimated at \$898 for single filers and \$1,796 for joint filers. Figure 5 shows the

24 change in the refund amount projected for tax year 2023 under Proposition HH.

25 The actual amounts refunded will depend on the final state revenue amount for

26 the 2022-23 budget year.

27 **Figure 5**

28 **2023 TABOR Refunds Under Proposition HH**

29 *For a single filer; amounts double for joint filers*

Adjusted Gross Income	Percent of Taxpayers*	Refund Amount		Change in Refund
		Current Law	Under Prop. HH	
Up to \$50,000	35%	\$628	\$898	+\$270
\$50,001 to \$99,000	27%	\$838	\$898	+\$60
\$99,001 to \$157,000	18%	\$964	\$898	-\$66
\$157,001 to \$218,000	9%	\$1,146	\$898	-\$248
\$218,001 to \$278,000	4%	\$1,233	\$898	-\$335
\$278,001 and up	7%	\$1,984	\$898	-\$1,086

30 * Totals may not sum due to rounding.

1 **2024 and 2025 TABOR refunds.** In 2024 and 2025, TABOR refunds are
 2 expected to decrease, compared to what would be distributed under current law.
 3 Refunds will be distributed based on a taxpayer's adjusted gross income.
 4 Figure 6 shows the change in the refund amount forecasted for tax year 2024
 5 and 2025 under Proposition HH. The actual amounts refunded will depend on
 6 state revenue collections in future budget years.

7 **Figure 6**
 8 **Projected Change in TABOR Refunds for 2024 and 2025**
 9 **Under Proposition HH**

10 *For a single filer; amounts double for joint filers*

Adjusted Gross Income	Percent of Taxpayers*	Refund Amount		Change in Refund
		Current Law	Under Prop. HH	
<u>2024 Refunds</u>				
Up to \$52,000	35%	\$357	\$326	-\$31
\$52,001 to \$103,000	27%	\$476	\$434	-\$42
\$103,001 to \$163,000	17%	\$548	\$500	-\$48
\$163,001 to \$226,000	9%	\$651	\$594	-\$57
\$226,001 to \$289,000	4%	\$701	\$639	-\$62
\$289,001 and up	7%	\$1,128	\$1,028	-\$100
<u>2025 Refunds</u>				
Up to \$53,000	35%	\$336	\$269	-\$67
\$53,001 to \$105,000	27%	\$448	\$358	-\$90
\$105,001 to \$167,000	17%	\$515	\$412	-\$103
\$167,001 to \$231,000	9%	\$612	\$490	-\$122
\$231,001 to \$297,000	4%	\$659	\$527	-\$132
\$297,001 and up	7%	\$1,060	\$848	-\$212

11 * Totals may not sum due to rounding.

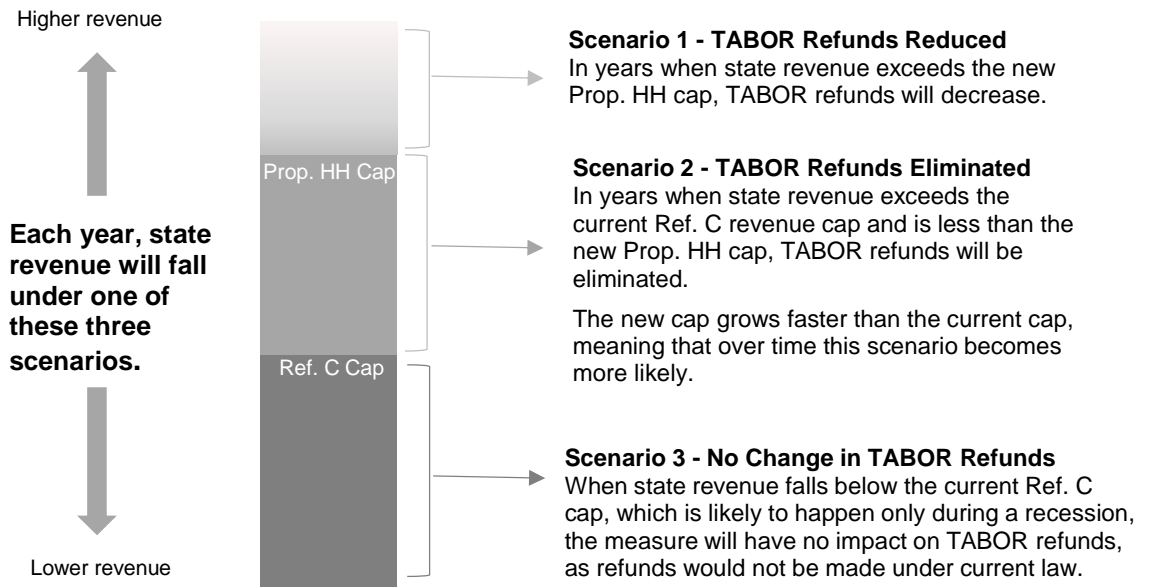
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1 **How does the measure impact TABOR refunds in the long term?**

2 The measure’s impact on TABOR refunds over the long term depends on
 3 population growth, inflation, and state revenue collections. Absent future policy
 4 changes, state revenue collections are largely driven by economic activity.
 5 Figure 7 shows scenarios for state revenue collection and the impact on TABOR
 6 refunds. The changes in Proposition HH are in place until 2032, but the measure
 7 allows the state legislature to extend them without additional voter approval.

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Figure 7
Scenarios for TABOR Refund Changes



Note: Figure 7 is not to scale.

10 **Changes for Local Governments**

11 **How does the measure impact local governments?**

12 Revenue for local governments will decrease compared to what local
 13 governments are authorized to collect under current law, due to the new property
 14 tax revenue limit and reduced property taxes. Some reductions will be partially
 15 offset by reimbursements from the state.

16 Cities, towns, counties, school districts, and special districts collect property
 17 taxes to fund public schools and local services such as road maintenance, police
 18 departments, fire protection, water and sewer infrastructure, parks, and libraries.
 19 Not all local governments that collect property taxes are treated the same by
 20 Proposition HH, as explained below.

21 **Property tax revenue limit.** Under Proposition HH, many local governments that
 22 are not currently subject to other local revenue limits cannot collect property tax
 23 revenue above the amount they collected in the prior year plus inflation. If a local
 24 government would exceed this limit, it may waive the limit by annually notifying
 25 the public, holding a meeting for public comment, and adopting an ordinance or
 26 resolution. Otherwise, it must lower its tax rate (mill levy) for one year or refund to

1 taxpayers any property tax revenue collected above the limit. School districts and
2 home rule jurisdictions are not subject to this limit.

3 **Reimbursements.** Under Proposition HH, the state reimburses local
4 governments for some of the revenue lost due to property tax reductions. This is
5 paid from the revenue that the state retains under the new revenue cap, and
6 other state funds, with some limitations. Reimbursements depend on available
7 funds, and may be reduced in years when state revenue collections fall below the
8 Proposition HH cap.

9 Reimbursements range from 65 percent to 100 percent of lost revenue, based on
10 the type of local government, the population of the county in which the local
11 government is located, and growth of property values in the jurisdiction. Smaller
12 counties and those with slower property value growth generally receive higher
13 reimbursement rates.

14 Most counties, cities, towns, and special districts are initially eligible for
15 reimbursement; however, most local governments are not reimbursed if their
16 assessed value exceeds 2022 levels by 20 percent, which is expected to happen
17 at some point between 2023 and 2031 for most local governments. School
18 districts are fully reimbursed through the public school funding formula, using
19 money retained by the state.

For information on those issue committees that support or oppose the measures on the ballot at the November 7, 2023, election, go to the Colorado Secretary of State's elections center web site hyperlink for ballot and initiative information:

<https://www.sos.state.co.us/pubs/elections/Initiatives/ballot/contacts/2023.html>

20 **Arguments For Proposition HH**

- 21 1) With Colorado facing a historic increase in residential property values,
22 Proposition HH provides long-term property tax relief for homeowners and
23 businesses. In doing so, the measure also limits the impact on local services,
24 makes Colorado a more competitive environment for businesses, and allows
25 seniors to downsize or move without losing the benefits of their homestead
26 exemption.
- 27 2) The new property tax limit makes local taxing entities more accountable to
28 their constituents. By requiring a public process to waive the limit,
29 Proposition HH gives people a say in how much they are taxed while
30 providing flexibility for local governments to retain revenue needed to provide
31 important services.
- 32 3) By allowing the state to retain additional revenue, the measure benefits public
33 schools. The state's spending cap has limited Colorado's ability to fully fund
34 education for years. Proposition HH provides a funding source for at least ten
35 years, using money the state already collects.
- 36 4) Proposition HH benefits low- and middle-income people, many of whom are
37 renters, by providing a more equitable distribution of TABOR refunds in 2023.

1 With recent high inflation and housing costs, this puts more money in the
2 pockets of those who need it most.

3 **Arguments Against Proposition HH**

4 1) Proposition HH essentially increases taxes by reducing or eliminating future
5 TABOR refunds, potentially growing the state budget by up to \$2.2 billion per
6 year by 2032. The measure removes important taxpayer protections and
7 gives the state legislature the power to extend the new revenue cap forever
8 without asking voters.

9 2) Property tax relief should not come at the expense of TABOR refunds. While
10 the measure provides some limited property tax relief, the loss to taxpayers
11 from the reduction or elimination of TABOR refunds is likely to exceed the
12 property tax savings over time. The measure is also costly for renters, who do
13 not directly benefit from property tax relief and will receive lower TABOR
14 refunds in the future.

15 3) Property taxes are a local issue, best handled by local communities.
16 Proposition HH pushes state priorities and an unnecessary new revenue limit
17 onto local governments and their residents, rather than letting them find
18 solutions that work locally.

19 4) Proposition HH adds unnecessary complexity to an increasingly confusing
20 property tax system, with new classes of property and an additional
21 administrative burden for homeowners, seniors, county assessors, and
22 potential homebuyers. As a result, the measure makes it harder for people to
23 access their tax benefits and navigate the housing market, opening the door
24 to unintended consequences.

25 **Fiscal Impact of Proposition HH**

26 This measure decreases local government property tax revenue, creates new
27 state spending requirements, and reduces the amount refunded to taxpayers in
28 years when state revenue is over the Referendum C cap, which is then available
29 to increase state spending. These impacts are discussed below. The state
30 budget year runs from July 1 to June 30.

31 **Taxpayer impacts.** Proposition HH impacts taxpayers in two ways by changing
32 the amount of TABOR refunds and reducing the amount owed in property taxes.

33 *TABOR refund changes.* Proposition HH results in a change in how state
34 revenue is returned to taxpayers in state budget year 2023-24, then reduces the
35 amount potentially returned to taxpayers by larger amounts each year through at
36 least state budget year 2032-33, depending on how much state revenue is
37 collected over the Referendum C cap each year.

- 38 • For state budget year 2023-24, an estimated additional \$60 million will be
39 refunded to taxpayers through an existing property tax refund mechanism as
40 a result of this measure. The remaining money that would otherwise be
41 refunded through the six-tier sales tax refund mechanism is instead refunded
42 in equal amounts to qualifying taxpayers, as shown in Figure 5 and discussed
43 above.

- 1 • Beginning for state budget year 2024-25, the measure will reduce revenue
2 returned to taxpayers by an estimated \$170 million, with this reduction
3 increasing to \$360 million for the next state budget year.

4 *Property tax changes.* The measure will also reduce property taxes owed
5 compared with current law through changes in assessment rates and reductions
6 in value, and possibly through the local government revenue limit, as estimated
7 below.

- 8 • Lower assessment rates and value reductions are estimated to reduce
9 property taxes owed statewide by \$400 million in 2024, \$960 million in 2025,
10 and \$1,090 million in 2026. Decreases are larger in 2025 and 2026 due to
11 scheduled increases in assessment rates and the expiration of certain value
12 reductions that would occur if the measure does not pass.
- 13 • The local government revenue limit may decrease property taxes owed by an
14 additional \$510 million in 2024, \$470 million in 2025, and \$520 million in
15 2026, depending on how many local governments waive the limit.

16 **Local government impact.** After accounting for both the reduced property tax
17 collections and state reimbursements to school districts and other local tax
18 jurisdictions, Proposition HH is estimated to decrease revenue to local
19 governments statewide, on net, by at least \$240 million in 2024, \$510 million in
20 2025, and \$650 million in 2026.

21 The revenue decreases are larger in later years due to scheduled increases in
22 assessment rates and the expiration of certain property value reductions that
23 would occur if the measure does not pass, and smaller reimbursements paid to
24 local governments over time. Additionally, the local government revenue limit in
25 the measure may decrease revenue further, as noted above in the taxpayer
26 impacts section. Reduced revenue due to the limit is not reimbursed by the state.

27 The revenue impact will vary among local governments across the state, and the
28 specific impact on each local government will depend on several factors including
29 mill levies, local policy decisions, and the composition of properties in each local
30 area.

31 The measure increases local spending for county treasurers and assessors to
32 implement the property tax changes in the bill. County assessors will require
33 additional staff to administer the measure's provisions.

34 **State transfers.** Proposition HH transfers \$128 million from the state's General
35 Fund to a fund that will be used to reimburse local governments for lost property
36 tax revenue, and transfers \$72 million to the State Public School Fund. Further,
37 state revenue retained under the Proposition HH cap will be transferred, as
38 estimated below:

- 39 • *Funding for rental assistance.* In state budget year 2024-25, an estimated
40 \$8 million will be transferred to the Housing Development Grant Fund for
41 rental assistance programs. An estimated \$18 million will be transferred in FY
42 2025-26. Transfers to the fund are expected to grow, but are capped at \$20
43 million per year.
- 44 • *Education funding.* Transfers to the State Education Fund will reach an
45 estimated \$150 million in state budget year 2024-25, and \$270 million in state
46 budget year 2025-26. In future years, larger amounts are expected to be

1 transferred to the State Education Fund depending on revenue retained
2 under the Proposition HH cap.

3 **State spending.** The measure increases state spending to reimburse local
4 governments for a portion of their lost property tax revenue, replace lost property
5 tax revenue to school districts, and to pay for increased workload for the state to
6 administer the measure's provisions, as estimated below:

- 7 • *Reimbursements to local governments.* The measure increases state
8 spending by an estimated \$130 million in state budget year 2024-25 and
9 \$70 million in state budget year 2025-26 to reimburse local governments for
10 lost property tax revenue. Reimbursements are limited to a certain amount of
11 money retained under the Proposition HH cap, as well as by eligibility
12 requirements for local governments as described above.
- 13 • *School district funding.* The measure will increase the state aid obligation for
14 public schools by an estimated \$130 million in state budget year 2023-24,
15 \$310 million in state budget year 2024-25, \$360 million in state budget
16 year 2025-26, and larger amounts in future years as some nonresidential
17 assessment rates decrease.
- 18 • *Administrative costs.* The measure will increase General Fund spending in
19 the Department of Local Affairs by an estimated \$62,426 in state budget year
20 2023-24, \$195,498 in state budget year 2024-25, and \$159,779 in state
21 budget year 2025-26 for the Division of Property Taxation to develop software
22 systems, hire additional staff, and to update procedures, forms, manuals, and
23 technical assistance to local governments.