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# **OSPBF Presentation on the Budget impacts of SB 24-233 and the Potential impact on Initiative 108 and Amend 50**

**Mark Ferrandino - Director**

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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 for property owners and smooth out big spikes in AV
- Ensure local governments can continue to provide critical services while not needing ongoing state backfill

# The law before the passage of SB 24-233

Tax year 2024 -

- Residential Assessment Rate - 7.06
- Non Residential Assessment Rate - 29.0 (26.4 for Agricultural land)

Tax year 2025 and after -

- Residential Assessment Rate - 7.15
- Non Residential Assessment Rate - 29.0

# Summary of SB 24-233

|  | 2024          | 2025                         | 2026  | 2027  | 2028  |
|--|---------------|------------------------------|---|---|---|
| <b>Local District Cap</b>                    |               | 5.5%                         | 5.5%  | 5.5%  | 5.5%  |
| <b>School district regulator</b>             |               | Reduction if 60% local share | Reduction if 60% local share  | Reduction if 60% local share  | Reduction if 60% local share  |
| <b>Local Gov Residential Assessment Rate</b> | 6.7% - \$55K  | 6.4%                         | 6.95% - (10% of first \$700K, adjusted by CPI, 0 if negative)<br><br><i>Combined Effective Assessment = 6.5% for homes up to \$700k</i> | 6.95% - (10% of first \$700K, adjusted by CPI, 0 if negative)<br><br><i>Combined Effective Assessment = 6.5% for homes up to \$700k</i> | 6.95% - (10% of first \$700K, adjusted by CPI, 0 if negative)<br><br><i>Combined Effective Assessment = 6.5% for homes up to \$700k</i> |
| <b>Local Gov Commercial and Ag</b>           | 27.9%, -\$30K | 27%                          | 25%   | 25%   | 25%   |
| <b>School District Residential</b>           | n/a           | 7.15%                        | 7.15%   | 7.15%   | 7.15%   |
| <b>School District Commercial and Ag</b>     | n/a           | 27%                          | 25%   | 25%   | 25%   |
| <b>Loss of Revenue (Locals and Schools)</b>  | \$1,283M      | \$929M                       | \$1,254M  | \$1,281M  | \$1,299M  |

# Summary of 108 and 50

|  | 2024   | 2025                   | 2026 and beyond       |
|--|--------|------------------------|-----------------------|
| <b>Local and School District Cap (including bonds)</b> |        | 4% (Amend 50)          | 4% (Amend 50)         |
| <b>School district regulator</b>                       |        | including in above cap | included in above cap |
| <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%                   |
| <b>Loss of Revenue (Locals and Schools)</b>            | \$0.0M | \$2.25-3.0B            | \$2.3-3.1B            |

# Initiative 108

The following changes occur in 2025 and after

- Residential Assessment Rate - 5.7
- Non Residential Assessment Rate - 24.0
- Backfill - State must backfill all local and special district revenue loss, as well as, school finance loss and potentially overrides and bond levies
- Growth Cap - none, but Amend 50 has a 4% annual cap statewide

Impact ([according to LCS fiscal analyst](#))

- In FY 24-25 - between \$3B and \$2.25B depending on what part of school funding has to be backfilled

# Colorado State Budget

FY 25-26 Projected Revenue under TABOR Cap - \$16.7B (March OSPB Forecast):

- If \$3B Backfill - 18% in cuts
- If \$2.25B Backfill - 13.5% in cuts

FY 24-25 Budget (Long Bill Narrative - \$16.26B) Big 5:

- Health Care Policy and Financing (Medicaid) - \$4.98B
- Education (K-12) - \$4.70B
- Higher Education - \$1.66B
- Human Services \$1.28B
- Corrections - \$1.08B
- All others - \$2.56B

# 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 3.4%, meaning only \$650M available to cover caseload increases, salary increases, and other operating needs.
- JBC staff highlighted on [April 29 General Fund Overview](#) that over \$400M in last years budget was funded from one time funds or transfers.
- Ballot initiatives that increase expenses would make this budget picture even tighter. ***The following two slides show what the impact could be of 108. These slides are not decisions by the Administration, but are to show potential size and type of impacts on the budget.***



# Potential Impact of Initiative 108 on Budget

Across the Board Reduction\* - this takes a proportional cut to all General Fund regardless of if it is either legal or feasible. Items in **red (or with #)** are ones where the magnitude of the cuts likely would not be achievable.

|   | FY 24-25 Approp  | \$3B (18%)       | \$2.25B (13.5%)  |
|---|------------------|------------------|------------------|
| <b>Health Care Policy and Financing (#)</b> | \$4,979,162,925  | -\$896,249,327   | -\$672,186,995   |
| <b>Education</b>                            | \$4,701,537,536  | -\$846,276,756   | -\$634,707,567   |
| <b>Higher Education</b>                     | \$1,661,820,817  | -\$299,127,747   | -\$224,345,810   |
| <b>Human Services (#)</b>                   | \$1,279,351,761  | -\$230,283,317   | -\$172,712,488   |
| <b>Corrections (#)</b>                      | \$1,075,804,841  | -\$193,644,871   | -\$145,233,654   |
| <b>Judicial (#)</b>                         | \$835,914,215    | -\$150,464,559   | -\$112,848,419   |
| <b>Treasury (#)</b>                         | \$466,724,057    | -\$84,010,330    | -\$63,007,748    |
| <b>Early Childhood</b>                      | \$292,987,841    | -\$52,737,811    | -\$39,553,359    |
| <b>Regulatory Agencies</b>                  | \$277,826,028    | -\$50,008,685    | -\$37,506,514    |
| <b>All other</b>                            | \$757,965,050    | -\$136,433,709   | -\$102,325,282   |
| <b>Total</b>                                | \$16,329,095,071 | -\$2,939,237,113 | -\$2,204,427,835 |

\*note: doesn't add to 3B and 2.25B because cuts based on 24-25 Approp not 25-26. Also some of these cuts may not be able to be implemented due to constitutional requirements, federal laws, court decrees, or public safety concerns.

# Potential Impact of Initiative 108 on Budget

Targeted Cuts - this provides some of the big levers the state would likely need to use to balance the budget and meet the requirement of 108.

| Targeted Cuts  |                         |         |                         |         |   |
|--|-------------------------|---------|-------------------------|---------|---|
| Potential Cuts/Balancing Proposals:                      | \$3B Scenario           | Percent | \$2.25B Scenario        | Percent | Comment   |
| Sweep Local Severance Funding to Backfill                | -\$100,000,000          | -100%   | -\$100,000,000          | -100%   | Assumes all Local Severance repurposed, and is dependent on revenue                                     |
| Adjust HUTF Revenue to free up funds under the TABOR cap | -\$450,000,000          | -100%   | -\$450,000,000          | -100%   | This would assume all local HUTF be adjusted to be allocated through GF without restrictions            |
| Reduce Higher Education                                  | -\$1,100,000,000        | -66%    | -\$800,000,000          | -48%    | This would likely lead to campus closures and consolidation. This also would jeopardize federal funding |
| Reinstitute Budget Stabilization Factor                  | -\$950,000,000          | -20%    | -\$500,000,000          | -11%    |   |
| Provider rate cuts of 10%                                | -\$300,000,000          | -6%     | -\$300,000,000          | -6%     | This would require federal approval   |
| All other  | -\$100,000,000          | -2%     | -\$100,000,000          | -2%     | This is the equivalent of roughly a 2% cut to all other agencies not impacted by the above options      |
| <b>Total</b>   | <b>-\$3,000,000,000</b> |         | <b>-\$2,250,000,000</b> |         |   |