Initiative 108

Legislative Council Staff

Nonpartisan Services for Colorado's Legislature

Fiscal Impact Statement

Date:	February 14, 2024	**Fiscal Analyst:**	David Hansen (303-866-2633)

LCS TITLE: VALUATION FOR ASSESSMENTS

Fiscal Impact Summary		**FY 2025-26**	**FY 2026-27**
Expenditures	General Fund	$1.17 - $1.43 billion	$1.18 - $1.44 billion
	School Finance	$0.82 billion	$0.83 billion
	Total	**$1.99 - $2.25 billion**	**$2.01 - $2.27 billion**

Disclaimer. *This initial fiscal impact statement has been prepared for an initiative approved for petition circulation by the Secretary of State. If the initiative is placed on the ballot, Legislative Council Staff may revise this estimate for the ballot information booklet (Blue Book) if new information becomes available.*

Summary of Measure

The measure reduces the assessment rate for most classes of nonresidential property from 29 percent to 24 percent beginning in property tax year 2025, excluding real property classified as producing mines and oil and gas. The measure also reduces the residential assessment rate from 7.15 percent to 5.7 percent.

The measure also requires the state to reimburse local districts from the General Fund for lost revenue as a result of the assessment rate changes.

Assumptions

Assessed value impacts. The measure is expected to reduce assessed values by the amounts shown in Table 2 based on the Legislative Council Staff December 2023 forecast for assessed values.

Table 2
Forecast of Statewide Assessed Values
Millions of Dollars

	Current Law		Initiative 108	
Tax Year	**Assessed Value**	**Percent Change from Prior Year**	**Assessed Value**	**Percent Change from Prior Year**
2024	$200,214	-	$200,214	-
2025	$203,846	1.8%	$168,571	-15.8%
2026	$205,495	0.8%	$169,858	0.8%

Source: Colorado Legislative Council Staff.

Property tax revenue impacts. The measure affects property tax revenue through reduced assessed values. The analysis assumes lower assessed value will impact property tax revenues in districts with fixed mill levies. Many districts with floating mill levies are also expected to be impacted depending on their ability to adjust levies upwards in response to lower valuations. Property tax impacts were estimated assuming 2022 weighted average mill levies from the Division of Property Taxation, except that school district total program mills are adjusted where required under current law enacted in House Bill 21-1164. The range of revenues impacted represents whether all mill levies are affected by the measure, or whether some bond, contractual, or override levies will rise as assessed values fall. The smaller impact reflects the assumption that bond, contractual, and override levies that changed during the 2020 to 2021 assessment cycle will rise to offset the reduction in assessed values. Actual property tax revenues that will be impacted by the bill depend on local policy constraints and decisions and could vary from the estimate in the analysis.

Taxpayer Impact

Property tax. Changes to assessment rates under the measure are expected to reduce local property taxes owed by taxpayers between $2.75 billion and $3.00 billion for the 2025 property tax year, and between $2.78 billion and $3.03 billion for the 2026 property tax year, and by larger amounts in later years assuming growth in property values. A forecast of assessed value is not available beyond the 2026 property tax year. Reducing assessment rates will increase the amount of after-tax income available for homeowners and business property owners to spend, save, or invest elsewhere in the economy.

State Expenditures

State expenditures will increase under the measure between $1.99 billion and $2.25 billion in FY 2025-26, and between $2.01 billion and $2.27 billion in FY 2026-27, and by larger amounts in later years assuming rising property values. Costs are primarily for the state share of school finance and local government reimbursements. The bill also increases workload for the Department of Local Affairs, Office of Information Technology, and Department of Treasury. Expenditures are shown in Table 3 and detailed below.

Table 3
Expenditures Under Initiative 108

	FY 2025-26	FY 2026-27
Department of Treasury		
Local Government Reimbursements	$1.17 - $1.43 billion	$1.18 -$1.44 billion
Department of Education		
State Share of School Finance	$0.82 billion	$0.83 billion
Department of Local Affairs		
Personal Services	$19,004	$19,004
Employee Insurance/Supplemental Retirement	$5,232	$5,232
FTE – Personal Services	0.3 FTE	0.3 FTE
DOLA Subtotal	**$24,236**	**$24,236**
Total Costs	**$1.99 - $2.25 billion**	**$2.01 - $2.27 billion**
Total FTE	**0.3 FTE**	**0.3 FTE**

Local government reimbursements. The measure increases state expenditures by an estimated $1.17 billion to $1.43 billion in FY 2025-26, $1.18 billion to $1.44 billion in FY 2026-27, and larger amounts in later years to reimburse local governments, other than school districts, for lost property tax revenue. Reimbursements will be paid from the state General Fund via a warrant issued by the State Treasurer. The fiscal impact assumes that the measure requires that complete reimbursements be paid only to local governments other than school districts, and that school districts will receive reimbursement only through the School Finance Act as described below. If the measure is interpreted to require that complete reimbursements be paid to school districts, then the measure will increase state expenditures for local reimbursements between $1.9 billion and $2.2 billion in FY 2025-26 and FY 2026-27, and larger amounts in later years.

School finance. The measure 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 $820 million in FY 2025-26, $830 million in FY 2026-27, and larger amounts in later years assuming growth in property values. Under current law, changes in 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 based on decisions made by the General Assembly.

Department of Local Affairs. General Fund expenditures in the Department of Local Affairs, Division of Property Taxation are expected to increase by $24,236 in FY 2025-26 and subsequent years, assuming costs for collecting and reporting information related to local government reimbursements under the measure are performed by the division and these costs are similar to administering reimbursements under Senate Bill 22-238 and Senate Bill 23B-001. Personnel costs are for temporary staff required each year.

Office of Information Technology. Ongoing reimbursements required by the measure will require the Office of Information Technology to update an online portal and reporting systems for county assessors to report data to the Division of Property Taxation.

Department of the Treasury. The measure is expected to minimally increase department workload to administer reimbursements to local governments. No change in appropriations is required.

Local Government

The bill is expected to reduce local government revenue, including school districts, by a net amount of $760 million in each of FY 2025-26 and FY 2026-27, as shown in Table 4. Total loss in property tax from the impact of reduced assessed values will be partially offset by increased state aid to school districts through the school finance formula and local government reimbursements to non-school districts. These components are summarized in Table 4. As noted in the State Expenditures section, the analysis assumes other school district revenue streams other than total program revenue, such as mill levy overrides and bond approvals, will not be reimbursed. If the measure is interpreted to require that complete reimbursements be paid to school districts, there is no impact to local governments estimated, although there may be situations in which revenues are impacted.

Table 4
Local Government Revenue Impacts of Initiative 108

	FY 2025-26 Property Tax Year 2025 Collected in 2026	**FY 2026-27** Property Tax Year 2026 Collected in 2027
Property tax revenue	($2.75 - $3.00 billion)	($2.78 - $3.03 billion)
School districts – state aid	$0.82 billion	$0.83 billion
Local reimbursements[1]	$1.17 - $1.43 billion	$1.18 - $1.44 billion
Net revenue impact	**($0.76 billion)**	**($0.76 billion)**

[1]Reimbursements to counties, municipalities, and special districts only.

Property tax revenue. Changes to assessment rates under the measure are expected to reduce local property taxes between $2.75 billion and $3.00 billion for property tax year 2025, and between $2.78 billion and $3.03 billion for property tax year 2026, and larger impacts in later years.

State aid to school districts. The measure is expected to increase the required amount of state aid to school districts by $820 million for property tax year 2025, $830 million for property tax year 2026, and larger impacts in later years, as a result of reduced property tax revenue from total program levies.

State reimbursements to local governments. The measure requires the state to reimburse local districts for revenue reductions as a result of the changes in assessment rates. Estimated reimbursements, except school districts, are expected to total between $1.17 billion and $1.43 billion for property tax year 2025, between $1.18 billion and $1.44 billion for property tax year 2026, and larger amounts in later years, paid from the General Fund.

Reimbursement-related workload. The measure does not specify how reimbursement amounts will be calculated, but the requirement is expected to increase local workload and expenditures for administration.

Reduced spending and saving. By reducing school district property tax revenue for mill levy overrides and bond approvals, the amount of revenue for districts available to spend or save is correspondingly reduced by $760 million per year statewide. Decisions on reductions in spending will be addressed at the local level. If the measure is interpreted as requiring reimbursements for override mills and other school district mills except total program mills, there is no impact to school districts estimated.

Technical Note

The measure repeals and reenacts subsection 7 of Section 39-3-210, C.R.S., and adds a new subsection 8. Section 39-3-210, C.R.S., was enacted with Senate Bill 22-238 and the entire section is currently set to be repealed July 1, 2025. This fiscal note assumes that the section will not be repealed and that the two subsections added by the measure will remain in law. Approval of the measure by voters may require the General Assembly to pass legislation to keep this section in law.

The measure repeals current law requiring a $146 million transfer to the State Education Fund in July 2024. Because the measure takes effect in January 2025, this transfer is expected to occur as scheduled in current law, and the repeal is assessed as having no fiscal impact.

Effective Date

If approved by voters at the 2024 general election, this measure takes effect upon proclamation of the Governor, no later than 30 days after the official canvass of the vote is completed.

State and Local Government Contacts

Counties	County Assessors	County Treasurers
Information Technology	Local Affairs	Municipalities
Property Tax Division	Special District Association	Treasury

Revisions from Fiscal Summary

The fiscal impact was revised to reflect new information on expenditures for state agencies. The fiscal impact was also revised to reflect updated data on the impact of Senate Bill 23B-001 through assessors' certification of values in January 2024.