



Legislative Council Staff

Nonpartisan Services for Colorado's Legislature

Fiscal Summary

Date: April 16, 2024 **Fiscal Analyst:** David Hansen (303-866-2633)

LCS TITLE: ADJUSTMENT TO NONRESIDENTIAL ASSESSMENT RATE FOR SCHOOL FUNDING

Fiscal Summary of Initiative 269

This fiscal summary, prepared by the nonpartisan Director of Research of the Legislative Council, contains a preliminary assessment of the measure's fiscal impact. A full fiscal impact statement for this initiative is or will be available at leg.colorado.gov/bluebook. This fiscal summary identifies the following impact.

Local government impact. Assuming the local share is less than 50 percent of total program funding for school finance, the measure is expected to increase property tax revenue by about \$300 million for property tax year 2026 by increasing nonresidential assessment rates for certain properties. The measure conditionally increases property tax revenue in future years when the local share is estimated to be less than 50 percent of school funding.

Due to the increased local share, the measure decreases state share of funding for school districts by about \$100 million in FY 2026-27. The analysis assumes the measure does not influence the number of school districts that are fully locally funded. If increased property tax revenue causes districts to become fully locally funded, the expected decrease in state funding will be less than estimated above.

The measure will require increased administrative costs, including for software upgrades and additional personnel, for county assessors to implement the classification of small business use for properties.

State expenditures. Because it increases property tax collections from school district total program mill levies, the measure allows an equivalent decrease in the state share of total program funding for school finance by about \$100 million in FY 2026-27. The analysis assumes the measure does not influence the number of school districts receiving funding, as noted in the local government impact section above. The measure will increase workload in the Department of Local Affairs to provide technical assistance to local governments and assessors and update manuals and procedures.

Economic impacts. Increasing nonresidential property tax revenue will decrease the amount of after-tax income available for business property owners to spend or save, decreasing their spending, saving, or investment elsewhere in the economy. The measure will increase revenue available for counties, municipalities, school districts, and special districts relative to current law and raise the amount of funds available for public services. Any overall change in economic activity will depend on the net economic impacts of lower after-tax business income and increased investment in public services.