Initiative 294

Legislative Council Staff
Nonpartisan Services for Colorado's Legislature

Fiscal Summary

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LCS TITLE: VALUATION FOR ASSESSMENTS

Fiscal Summary of Initiative 294

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. By reducing residential and nonresidential assessment rates, the measure reduces property tax revenue to local government by an estimated $670 million for property tax year 2025, $1.3 billion for property tax year 2026, and by larger amounts in later years.

The measure requires the state to reimburse local governmental entities, excluding school districts, for lost revenue as a result of the measure to the maximum extent the state deems practicable. Reimbursements to local government entities could total up to $300 million in FY 2025-26, up to $600 million in FY 2026-27, and larger amounts in later years depending on the amount of reimbursement provided by the state.

In addition, an estimated $190 million in FY 2025-26 and $390 million in FY 2026-27 will be paid through state aid for total program funding for school finance as required under current law. The remaining revenue loss is estimated to occur in school district revenue streams other than total program revenue and will not be reimbursed. Overall, the measure is expected to reduce revenue for local governments and school districts between $180 million and $490 million in FY 2025-26, between $350 million and $990 million in FY 2026-27, and larger amounts in later years.

State expenditures. The measure will increase state expenditures up to $490 million in FY 2025-26, up to $990 million in FY 2026-27, and by larger amounts in later years.

Local reimbursements. The measure increases General Fund expenditures for local reimbursements up to $300 million in FY 2025-26, up to $600 million in FY 2026-27, and larger amounts in later years. This estimate reflects the amount required to fully reimburse local governments, other than school districts, for the reduction in revenue described in the Local Government Impact section above. The analysis assumes the expenditures will be paid from the General Fund as the measure does not specify the source of the reimbursements. The exact amount of reimbursements to local governments will be determined by the General Assembly based on available funding.

School finance. The measure increases expenditures for the state aid obligation for school finance by an estimated $190 million in FY 2025-26 and $390 million in FY 2026-27.

Department of Local Affairs. The measure increases General Fund expenditures in the Department of Local Affairs, Division of Property Taxation by about $24,700 each year for personnel costs to process information for local reimbursements.

Office of Information Technology. Ongoing annual reimbursements required by the measure will require programming costs for the Governor's Office of Information Technology to upgrade the Division of Property Taxation's online portal estimated at about $155,000.

Economic impacts. 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. The measure obligates a significant portion of the state budget to reimburse lost property tax revenue to local governments, which will reduce available funding for other state services. The measure will decrease revenue collected by school districts and may also decrease local government revenue relative to the amount that would otherwise be collected, reducing available funding for local services. Any overall change in economic activity will depend on the net economic impacts of higher after-tax household and business income and reduced investment in public services.