



Legislative Council Staff

Nonpartisan Services for Colorado's Legislature

Fiscal Summary

Date: April 15, 2024 **Fiscal Analyst:** David Hansen (303-866-2633)

LCS TITLE: PROPERTY TAX REVENUE

Fiscal Summary of Initiative 302

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 \$3.0 billion for property tax year 2025, \$3.1 billion for property tax year 2026, and by larger amounts in later years.

In years when statewide property tax revenue for certain property classes is projected to grow more than 4 percent over the prior year, the measure conditionally decreases property tax revenue further, unless voters approve a ballot measure allowing for the additional revenue to be retained. Based on the December 2023 Legislative Council Staff forecast for assessed values, statewide assessed value is not expected to grow by more than 4 percent in property tax year 2026. Therefore, property tax revenue growth for 2026 will be less than the limit in the measure if revenue growth is proportional to growth in assessed values. A forecast of assessed value is not available beyond property tax year 2026.

The measure requires the state to reimburse local districts for lost revenue as a result of the measure to the maximum extent the state deems practicable. Additionally, an estimated \$870 million in FY 2025-26 and \$890 million in FY 2026-27 will be made up through state aid for total program funding for school finance as required under current law. Overall, the measure is expected to reduce for revenue for local governments and school districts by up to \$2.2 billion each year, and larger amounts in later years depending on the amount of reimbursements as determined in future budgets.

State expenditures. The measure is estimated to increase state expenditures by up to \$3.0 billion in FY 2025-26 and \$3.1 billion in FY 2026-27, and by larger amounts in later years.

Local reimbursements. The measure increases General Fund expenditures for local reimbursements up to \$2.2 billion in FY 2025-26 and 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 \$870 million in FY 2025-26 and \$890 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 and conditionally limiting property tax revenue growth 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. It may also decrease local government revenue relative to the amount that would otherwise be collected and retained, 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.