

Colorado Proposition HH, Property Tax Changes and Revenue Change Measure

Adams 12 School Board Meeting

Colorado School Finance Project

August 16, 2023

COLORADO SCHOOL FINANCE PROJECT

Support Children - Support The Future

Who is CSFP?

- Non-profit, non-partisan
- Supported by school district contributions
- School finance analysis for local and state policy makers since 1995
- Governed by a board comprised of national and state experts on school finance

Our Mission: To compile, collect and distribute research-based, non-partisan information and data on topics related to school finance for state and local policymakers.

CSFP Conference



Registration here!

"Traveling the Fiscal Pathway to 2024"

Join us on September 20th in Crested Butte!

- Check in/Breakfast from 8:00-9:00
- 9:00 – 4:00
- Join us for Happy Hour After

State Economic Outlook & Prop HH



State Economic Conditions

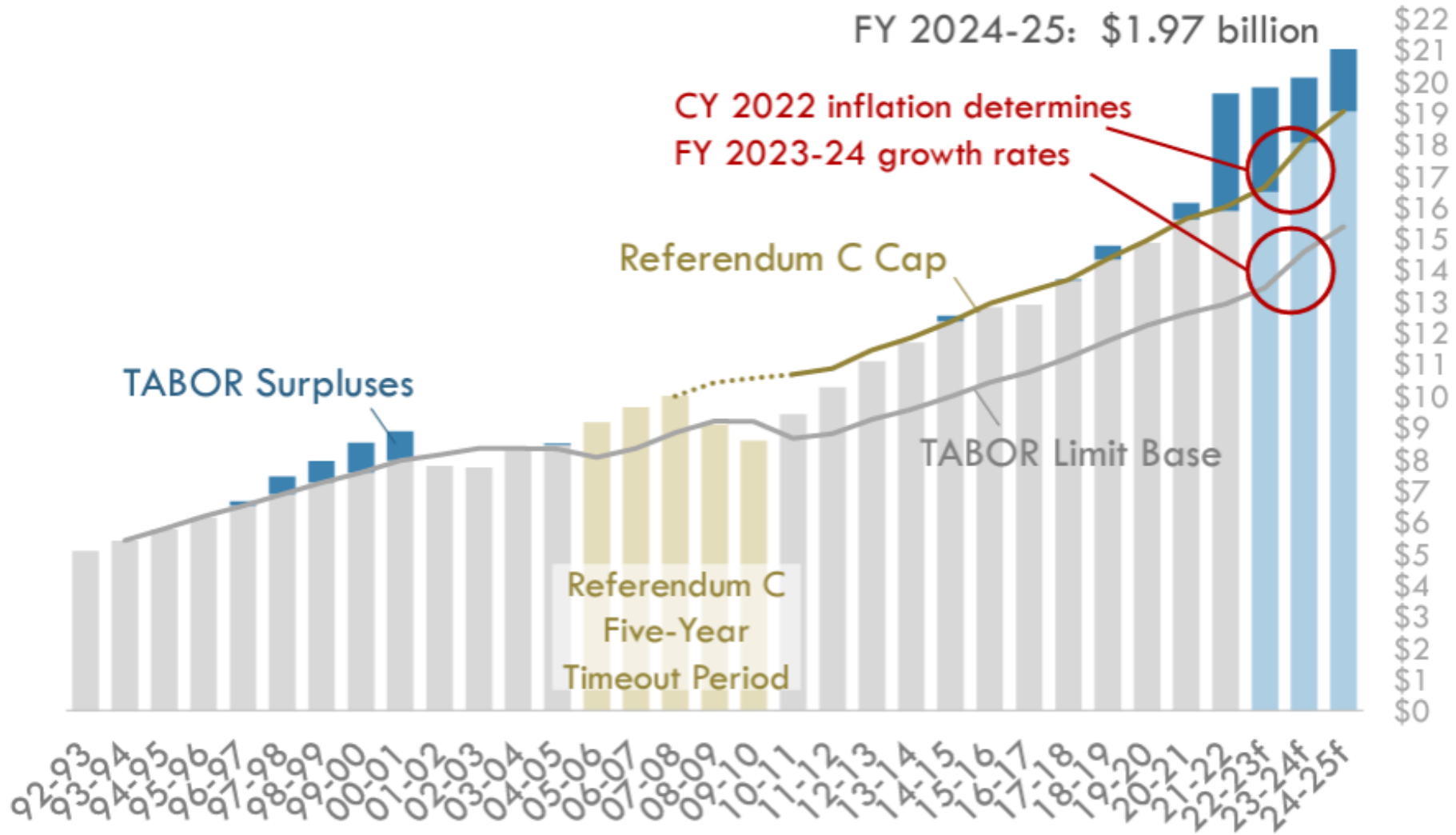
- Robust assessed valuation of residential property over the last 4 years.
- Gallagher formula removed from constitution
- Tabor Rebates have increased – while state continues to owe K-12 funding based on Amendment 23.
- Temporary legislative measures end in 2023-24 giving property tax relief.

TABOR Outlook

Revenue Subject to TABOR
Dollars in Billions

Revenue Above the Ref C Cap

FY 2021-22: \$3.73 billion
 FY 2022-23: \$3.31 billion
 FY 2023-24: \$2.06 billion
 FY 2024-25: \$1.97 billion



Source: Colorado Office of the State Controller and Legislative Council Staff June 2023 forecast.

HH Basics- Legislative Council

- Property tax assessment rates, and therefore Assessed Valuations and individual property tax bills, will be lower than they would have been without the measure; and
- Additional revenue will be retained by the state to backfill local governments and school districts due to a reduction in local share; and
- Any revenue retained above the requirements for backfill will go into the State Education Fund and can, long-term, result in additional funding for K-12.

More detail – HH – Legislative Council

- Creates a new cap on the amount of money the state may retain over its revenue limit that is higher than the current cap established by Referendum C in 2005.
- The state can retain additional revenue up to the new cap, which grows by population growth and inflation, plus 1 percentage point, each year.
- Allows the state to retain an estimated \$170 million in state budget year 2023-24 and \$360 million in state budget year 2024-25. The state is allowed to retain increasing amounts through at least 2032, depending on revenue collections

Arguments For: Legislative Council Blue Book

- 1) With Colorado facing a historic increase in residential property values. Proposition HH provides long-term property tax relief for homeowners and businesses. In doing so, the measure also limits the impact on local services, makes Colorado a more competitive environment for businesses, and allows seniors to downsize or move without losing the benefits of their homestead exemption.
- 2) The new property tax limit makes local taxing entities more accountable to their constituents. By requiring a public process to waive the limit, Proposition HH gives people a say in how much they are taxed while providing flexibility for local governments to retain revenue needed to provide important services.

Arguments for HH contd.

- 3) By allowing the state to retain additional revenue, the measure benefits public schools. The state's spending cap has limited Colorado's ability to fully fund education for years. Proposition HH provides a funding source for at least ten years, using money the state already collects.
- 4) Proposition HH benefits low- and middle-income people, many of whom are renters, by providing a more equitable distribution of TABOR refunds in 2023. With recent high inflation and housing costs, this puts more money in the pockets of those who need it most.

Arguments Against HH – Legislative Council Blue Book

- 1) Proposition HH essentially increases taxes by reducing or eliminating future TABOR refunds, potentially growing the state budget by up to \$2.2 billion per year by 2032. The measure removes important taxpayer protections and gives the state legislature the power to extend the new revenue cap forever without asking voters.
- 2) While the measure provides some limited property tax relief, the loss to taxpayers over the long term from the reduction or elimination of TABOR refunds is likely to exceed the property tax savings over time. The measure is also costly for renters, who do not directly benefit from property tax relief and will receive lower TABOR refunds in the future.

Arguments Against HH – contd.

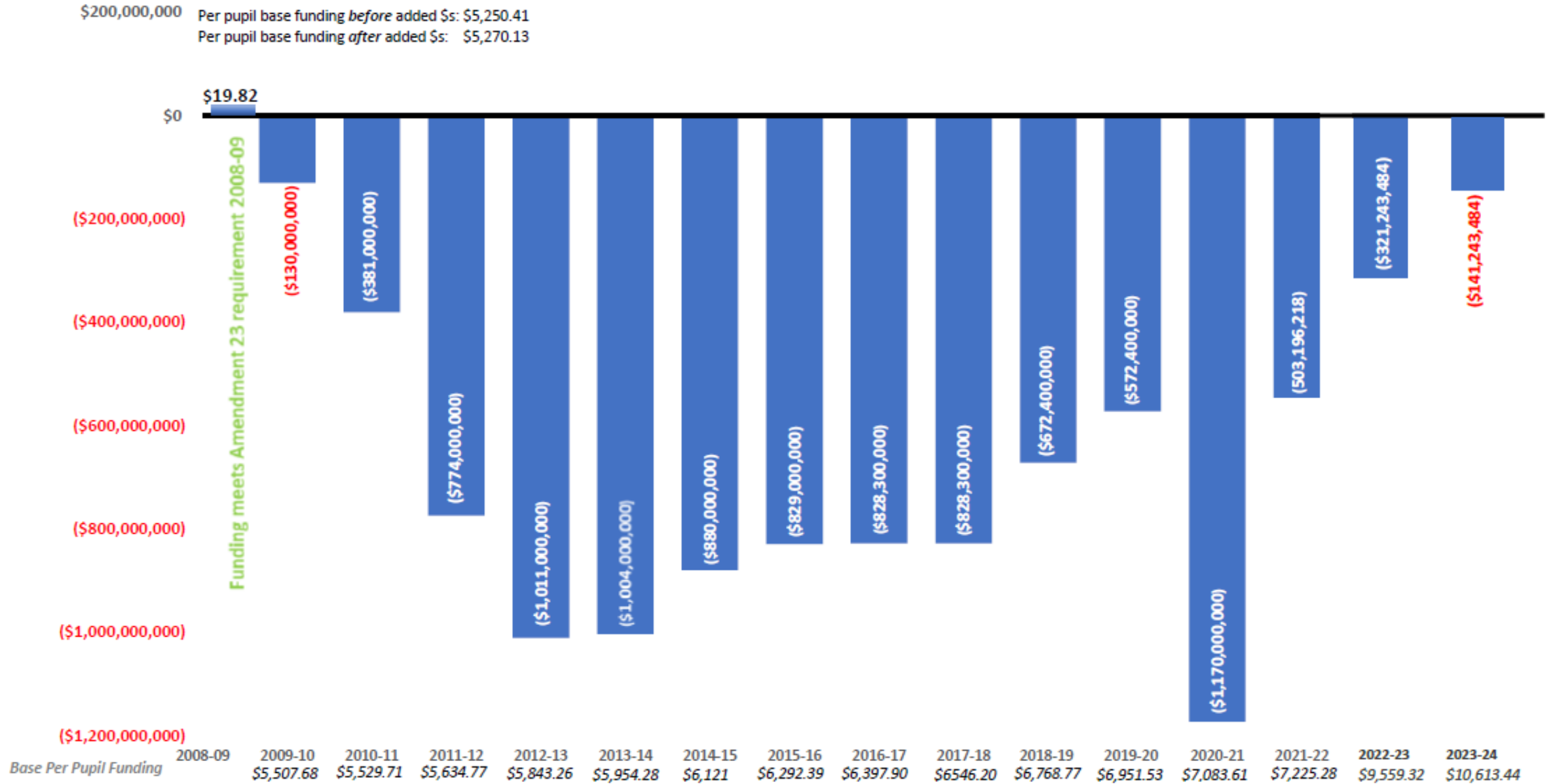
3) Property taxes are a local issue, best handled by local communities. Proposition HH pushes state priorities and an unnecessary new revenue limit onto local governments and their residents, rather than letting them find solutions that work locally.

4) Proposition HH adds unnecessary complexity to an increasingly confusing property tax system, with new classes of property and an additional administrative burden for homeowners, seniors, county assessors, and potential homebuyers. As a result, the measure makes it harder for people to access their tax benefits and navigate the housing market, opening the door to unintended consequences.

HH Impact for K-12

- The intent is that backfill will cover the loss of local revenue for total program funding for K-12
- The additional dollars collected after backfill will go into the state education fund.
- The additional dollars could begin to go toward the debt accumulated with B/S factor of over \$10 billion dollars over the last 15 years.

Budget Stabilization Factor Statewide Total: 2009-2010 to 2023-2024



	State Share as % of TP before BSF
AULT-HIGHLAND RE-9	0%
PRAIRIE RE-11	0%
ASPEN 1	0%
PLATTE VALLEY RE-7	0%
EAST GRAND 2	0%
WIGGINS RE-50(J)	0%
PAWNEE RE-12	0%
WELD COUNTY S/D RE-8	0%
WELD COUNTY RE-1	0%
WELD COUNTY SCHOOL DISTRICT RE-3J	0%
BRIGGSDALE RE-10	0%
EATON RE-2	0%
PARK COUNTY RE-2	0%
SUMMIT RE-1	2%
CRIPPLE CREEK-VICTOR RE-1	4%
LAKE COUNTY R-1	6%
ESTES PARK R-3	7%
NORTH PARK R-1	8%

	State Share as % of TP before BSF
ENGLEWOOD 1	16%
BOULDER VALLEY RE 2	17%
BUENA VISTA R-31	17%
CUSTER COUNTY SCHOOL DISTRICT C-1	19%
GUNNISON WATERSHED RE1J	20%
PLATEAU VALLEY 50	23%
WINDSOR RE-4	23%
DENVER COUNTY 1	25%
EAGLE COUNTY RE 50	25%

Questions?

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