Initiative 108

Legislative Council Staff

Nonpartisan Services for Colorado's Legislature

Preliminary Fiscal Summary

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LCS TITLE: VALUATION FOR ASSESSMENTS

Fiscal Summary of Initiative 108

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**. The estimates in this fiscal summary are preliminary and may be revised with additional time for property tax modeling and/or new information from state and local government agencies. 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 governments by an estimated $3 billion in property tax year 2025, for which taxes are paid in 2026, and by larger amounts in later years.

Most of the lost property tax revenue, about $2.25 billion, will be reimbursed by the state government. About $800 million in lost school district revenue will be made up through state aid for total program funding for school finance as required under current law, and the measure requires that about $1.45 billion be paid by the state to fully reimburse local governments other than school districts. The remaining $750 million reduction is estimated to occur in school district revenue streams other than total program revenue and will not be reimbursed, as discussed below.

The measure does not specify how reimbursement amounts will be calculated; however, the reimbursement requirement is expected to increase local expenditures for administration.

State expenditures. The measure increases state expenditures by an estimated $2.25 billion in FY 2025-26, and by larger amounts in later years. Of this amount, $1.45 billion is a General Fund expenditure to fully reimburse local governments other than school districts for their property tax revenue reduction as a result of the measure. The remaining $800 million is an expenditure for the increased state aid obligation for school finance as required under current law.

This preliminary fiscal summary 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. If the measure is interpreted to require that complete reimbursements be paid to school districts, then the measure will increase state expenditures by a total of $3 billion in FY 2025-26, and by larger amounts in later years.

The measure does not specify how reimbursement amounts will be calculated; however, the reimbursement requirement is expected to increase state expenditures for administration.

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 will decrease revenue collected by school districts under mill levy overrides and bond approvals, lowering the amount of funds available for school services. The measure also obligates a significant portion of the state General Fund to reimburse lost property tax revenue to local governments, estimated at about 13 percent of the amount forecast to be collected in FY 2025-26 that the state is permitted to retain and spend under TABOR. This amount will be unavailable for other state 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.

Technical note. 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.