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Final Fiscal Note

Drafting Number: LLS 24B-0009 Date: September 3, 2024
Prime Sponsors: Sen. Baisley; Van Winkle Bill Status: Postponed Indefinitely
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Bill Topic: CALCULATION OF PROPERTY TAX FOR SPECIAL DISTRICTS

Summary of Fiscal Impact:
State Revenue [ ] State Transfer [ ] Local Government [x]
State Expenditure [x] TABOR Refund [ ] Statutory Public Entity [ ]

The resolution would have referred a constitutional amendment to voters at the 2024 general election. Conditional on voter approval, the resolution would have limited the amount of property tax revenue that a special district may collect each year, and changed how the special district's tax is assessed among properties. It conditionally would have decreased special district revenue and conditionally increases state, county, and special district expenditures.

Appropriation Summary: No appropriation is required.

Fiscal Note Status: The fiscal note reflects the introduced resolution. The resolution was postponed indefinitely by the Senate Finance Committee on August 26, 2024. This bill was not enacted into law; therefore, the impacts identified in this analysis do not take effect.

Table 1
State Fiscal Impacts Under SCR 24B-002

Table with 4 columns: Category, Current Year FY 2024-25, Budget Year FY 2025-26, Out Year FY 2026-27. Rows include Revenue, Expenditures (General Fund, Total FTE), Transfers, and Other Budget Impacts (General Fund Reserve).

## **Summary of Legislation**

The concurrent resolution refers a constitutional amendment to voters at the 2024 general election that, if approved by voters, changes how special district property taxes are levied and calculated. It requires calculation of a special district budget amount, equal to the special district's 2021 property tax revenue adjusted for subsequent inflation and population growth. The special district collects the budget amount in property taxes each year.

It also apportions special district property taxes among real properties and schedules of personal property in the district according to their actual value, such that higher value properties, regardless of the type of property (i.e. residential, nonresidential, etc.), pay larger shares of the overall tax.

The resolution does not affect property taxes levied by local governments other than special districts.

## **Background**

**Referred constitutional amendment.** The General Assembly may refer constitutional amendments to voters. Referred constitutional amendments require a two-thirds majority vote on Third Reading in each chamber. This amendment adds new text to the Colorado Constitution and therefore requires 55 percent of the vote at the November 2024 election to take effect.

**Special districts.** Special districts are local governments other than counties, municipalities, and school districts. These include, among others, ambulance districts, fire protection districts, health service districts, metropolitan districts, parks and recreation districts, and water districts. There are approximately 3,050 special districts in Colorado that levy property taxes.

## **Assumptions**

**Conditional impacts.** All fiscal impacts of the resolution are conditional upon voter approval of the referred constitutional amendment.

**Special district revenue under current law.** The Division of Property Taxation (DPT) in the Department of Local Affairs (DOLA) reports that special districts collected \$3.34 billion in property tax revenue for tax year 2023. This fiscal note assumes that special district revenue will grow in line with statewide assessed values anticipated under current law with Senate Bill 24-233. Based on this assumption, special district property tax revenue is estimated to reach \$3.38 billion in property tax year 2025 and \$3.37 billion in property tax year 2026 under current law. Actual revenue will depend on both assessed values and special district mill levies; however, this fiscal note does not estimate the effect of mill levy changes as these depend on local government and voter decisions that cannot be known in advance.

**Special district budgets under the resolution.** If approved by voters, the resolution limits special district property tax budgets to their property tax year 2021 level, grown thereafter by inflation in the Denver-Aurora-Lakewood consumer price index and by the special district's

population. This analysis uses aggregate figures for 2021 budgets and statewide population growth. The DPT reports that special districts collected \$2.37 billion in total property tax revenue for tax year 2021. Applying inflation and population growth, the resolution conditionally sets special district property tax revenue at about \$2.93 billion in tax year 2025 and \$3.05 billion in tax year 2026. Actual budget calculations will apply at the level of each special district, such that the total amount may be greater or less than estimated.

## **Local Government**

The resolution conditionally decreases property tax revenue collected by special districts and increases expenditures for special districts and county assessors, as discussed below.

**Special district revenue.** The resolution conditionally decreases special district revenue by \$445 million for property tax year 2025 (FY 2025-26) and \$320 million for property tax year 2026 (FY 2026-27). Decreases in later years depend on special district assessed values and mill levies that would apply under current law, and inflation and population growth that would determine special district budgets under the resolution. Revenue impacts are based on the assumptions stated above and are shown in Table 2.

**Table 2**  
**Special District Property Tax Revenue Impacts Under SCR 24B-002**

|  | <b>Tax Year 2025</b>  | <b>Tax Year 2026</b>  |
|--|-----------------------|-----------------------|
| Estimated Property Tax Revenue Under Current Law | \$3.38 billion        | \$3.37 billion        |
| Estimated Property Tax Revenue Under SCR 24B-002 | \$2.93 billion        | \$3.05 billion        |
| <b>Conditional Revenue Decrease</b>              | <b>-\$445 million</b> | <b>-\$320 million</b> |

Relative to current law, the resolution changes the way that each special district's tax burden is apportioned among properties in the district according to their proportional share of actual property value throughout the district. Relative to the current law system where assessment rates are much higher for nonresidential property than residential property, the resolution conditionally decreases nonresidential tax burdens and increases residential tax burdens.

**Special district expenditures.** The resolution conditionally decreases revenue available for special district budgets as shown in Table 2. Certain special district costs are anticipated to conditionally increase under the resolution, including legal costs related to potential impairment of debt service payments and contractual obligations.

**County expenditures.** The resolution conditionally increases expenditures in county assessors' offices. The resolution requires that assessors determine unique mill levies for every property located in one or more special districts, for every special district in which that property is located. This will require procurement of new software systems, as current software used by assessors does not have this capability, and additional workload for the assignment of mill levies. Costs will vary by county but are expected to total at least \$3 million, statewide.

**State Expenditures**

The resolution conditionally increases General Fund expenditures in DOLA by about \$200,000 in the current FY 2024-25, and by about \$330,000 in FY 2025-26 and later years. Expenditures are summarized in Table 3 and detailed below. These costs will be addressed through the annual or supplemental budget process if the referred measure is approved by voters.

**Table 3  
Expenditures Under SCR 24-002**

|  | <b>FY 2024-25</b> | <b>FY 2025-26</b> | <b>FY 2026-27</b> |
|--|-------------------|-------------------|-------------------|
| <b>Department of Local Affairs</b>           |                   |                   |                   |
| Personal Services                            | \$136,794         | \$258,388         | \$258,388         |
| Operating Expenses                           | \$2,304           | \$4,352           | \$4,352           |
| Capital Outlay Costs                         | \$26,680          | -                 | -                 |
| Employee Insurance / Supplemental Retirement | \$35,193          | \$66,476          | \$66,476          |
| <b>Total Cost</b>                            | <b>\$200,971</b>  | <b>\$329,216</b>  | <b>\$329,216</b>  |
| <b>Total FTE</b>                             | <b>1.8 FTE</b>    | <b>3.4 FTE</b>    | <b>3.4 FTE</b>    |

**Department of Local Affairs.** The resolution conditionally requires the addition of 3.4 FTE, including statistical analysts and geographic information systems (GIS) specialists, in the State Demography Office (SDO). Staff will be required to estimate the population of each of Colorado’s approximately 3,050 special districts annually in order to calculate the special district budget amount for each district. The SDO currently estimates populations for 378 local governments, including counties, municipalities, and select special districts. Workload estimates are based on the SDO’s current workload for the local government population estimates it conducts annually under current law. The fiscal note assumes a January 1, 2025, start date. Standard costs for these personnel, including personal services, operating, and capital expenses, as well as employee insurance and supplemental PERA payments, are shown in Table 3 above.

The resolution also conditionally increases workload in the Division of Local Government and the Division of Property Taxation to provide guidance to local government entities and update procedures and manuals. These workload increases can be accomplished within existing appropriations.

**Election expenditure impact — existing appropriations.** This resolution includes a referred measure that will appear before voters at the November 2024 general election. While no additional appropriation is required, certain election costs are incurred by the state when ballot measures are referred. These include reimbursing counties for certain election costs; publishing the text and title of the measure in newspapers across the state; and preparing and mailing the ballot information booklet.

## **Other Budget Impacts**

**General Fund reserve.** Under current law, an amount equal to 15 percent of General Fund appropriations must be set aside in the General Fund statutory reserve. The resolution conditionally increases the amount of General Fund held in reserve, decreasing the amount of General Fund available for other purposes, as shown in Table 1.

## **Effective Date**

If approved by 55 percent of voters at the November 2024 election, the constitutional amendment in the resolution takes effect upon proclamation of the Governor.

## **State and Local Government Contacts**

County Assessors  
Property Tax Division - Local Affairs

Local Affairs  
Special District Association

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The revenue and expenditure impacts in this fiscal note represent changes from current law under the bill for each fiscal year. For additional information about fiscal notes, please visit the [General Assembly website](#).