SB 23B-001

Legislative Council Staff

Nonpartisan Services for Colorado's Legislature

Revised Fiscal Note

(replaces fiscal note dated November 17, 2023)

Drafting Number:	LLS 23B-0025	**Date:**	November 18, 2023
Prime Sponsors:	Sen. Fenberg; Hansen Rep. McCluskie; deGruy Kennedy	**Bill Status:**	Senate Third Reading
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Bill Topic: **2023 PROPERTY TAX RELIEF**

Summary of Fiscal Impact:

☐ State Revenue
☒ State Expenditure
☒ State Transfer
☐ TABOR Refund
☒ Local Government
☐ Statutory Public Entity

The bill makes reductions in valuations for residential property in tax year 2023 only, establishes a new local government property tax reimbursement mechanism, and adjusts property tax related dates and deadlines. The bill increases state expenditures, makes a state transfer, and decreases local government revenue.

Appropriation Summary: For the current FY 2023-24, the bill requires an appropriation of $34,659, and may require an additional appropriation of up to $145.4 million. See State Appropriations Section.

Fiscal Note Status: This revised fiscal note reflects the engrossed bill.

Table 1. State Fiscal Impacts Under SB 23B-001

		Current Year FY 2023-24	Budget Year FY 2024-25	Out Year FY 2025-26
Revenue		-	-	-
Expenditures	General Fund	$50,662,019	-	-
	School Finance[1]	$145,399,799	-	-
	Centrally Appropriated	$8,450	-	-
	Total Expenditures	**$196,070,268**	**-**	**-**
	Total FTE	**0.5 FTE**	**-**	**-**
Transfers	General Fund	-	($146,000,000)	-
	State Education Fund	-	$146,000,000	-
	Net Transfer	**-**	**$0**	**-**
Other Budget Impacts	General Fund Reserve	$5,199	-	-

[1] *This amount may be paid from the General Fund, the State Education Fund, the State Public School Fund, or a combination of these. See State Appropriations Section.*

Summary of Legislation

Property tax assessment. For the 2023 property tax year only, the bill makes assessment rate reductions and expands reductions in valuations for residential property. The bill excludes property tax savings under this bill from the calculation of the aggregate reduction of local government property tax revenue under Senate Bill 22-238. Table 2 shows the changes to property tax assessment rates and subtractions under the bill.

Table 2
Property Assessment Under SB 23B-001

Property Class	Current Law	Under Bill
Residential *Single & multifamily*	6.765% after a $15,000 subtraction	6.7% after a $55,000 subtraction

Local government reimbursements. The bill requires that county assessors calculate the total property tax revenue reduction for each local government entity, excluding school districts, as a result of the assessment changes in this bill and excluding changes as a result of Senate Bill 22-238. No later than April 15, 2024, the State Treasurer is required to reimburse local governments as follows, up to $54 million total, paid from the General Fund:

- For counties with a population of 300,000 or less:
  - 100 percent of the property tax revenue reduction for local governments within a county that had assessed value growth of less than 10 percent from 2022 to 2023;
  - 90 percent of the property tax revenue reduction for local governments within a county that that had assessed value growth of between 10 and 15 percent from 2022 to 2023; and
  - 100 percent of the property tax revenue reduction for all ambulance districts, health districts, and fire districts, and for the share of the revenue reductions to other local governments in proportion to the amount they spend to provide fire protection services.

- For counties with a population of more than 300,000:
  - 100 percent of the property tax revenue reduction for each library, sanitation, water district ("select special districts"), or municipality, that had assessed value growth of less than 10 percent from 2022 to 2023;
  - 90 percent of the property tax revenue reduction for each select special district, or municipality, that had assessed value growth of between 10 and 15 percent from 2022 to 2023;
  - 100 percent of the property tax revenue reduction for all ambulance districts, health districts, and fire districts, and for the share of the revenue reductions to other local governments in proportion to the amount they spend to provide fire protection services; and
  - 65 percent for all other local governments, excluding those districts included in the prior categories, that had assessed value growth of less than 15 percent.

The bill requires that the state property tax administrator and the Department of Local Affairs calculate the share of revenue reductions to local governments in proportion to the amount they spend on fire protection services.

If the total of all reimbursements exceeds $54 million, fire districts are fully reimbursed first, followed by any local governments for which assessed values decreased or did not change between the 2022 and 2023 property tax years. Following these reimbursements, all other reimbursement amounts are proportionally reduced so that the total reimbursements remain below $54 million. For both the backfill mechanism under Senate Bill 232-238 and the new one in this bill, the bill:

- specifies that reimbursements are calculated using the local government's mill levy for the 2022 property tax year, excluding bond or contractual mills;
- specifies how to handle local governments that are in multiple counties; and
- requires the State Treasurer to reduce a local government's reimbursement if necessary to prevent them from exceeding their local TABOR limit.

School district backfill. On July 1, 2024, the bill transfers $146 million from the General Fund to the State Education Fund to be used to offset reductions in school district property tax revenue.

Delinquent interest. The bill specifies that for 2023 property tax year, delinquent interest does not accrue if the first payment of property taxes is made after the last day of February, but within 10 days after the mailing of the tax statement or notification of an electronic statement.

Property tax and budget deadlines. For the 2023 tax year, the bill extends various certification, reporting, and budgeting deadlines for school districts and local officials based on the changes to property valuations.

Contingency in case of legal action. If a lawsuit is filed before payment of reimbursements to local governments for property tax revenue losses under Senate Bill 22-238, the bill conditionally directs the state treasurer not to issue the reimbursements. If a final judicial decision requires the state to refund an amount equal to reimbursements paid to local governments for lost property tax revenue, then the bill conditionally requires local governments to return the reimbursement amount received to the state treasurer.

Background

Property assessment. Property valuations ("actual values") are usually determined by county assessors. Valuation methods depend on the property class. For example, residential and commercial property is valued biennially in each odd-numbered year based on market conditions as of June 30 of the preceding even-numbered year.

Actual values are multiplied by assessment rates, set by the state, to determine assessed values. Assessment rates may vary across property classes. Assessed values are multiplied by mill levies, set by local governments, to determine the amount of tax due. The same mill levies are applied to assessed values in all property classes.

Property taxes are paid in arrears. For example, a residential property's valuation for the 2023 tax year is based on market conditions as of June 30, 2022, and taxes for the 2023 tax year are paid to local governments in the first half of 2024.

Reimbursements to local governments for reduced property taxes. Under current law, the state is required to pay reimbursements to local governments for a portion of reduced property taxes for property tax year 2023 under Senate Bill 22-238. The reimbursement requirement is estimated at $244.0 million in the current FY 2023-24 only. Current law designates the first $240.0 million as a mechanism for refunding part of the TABOR refund obligation for excess revenue collected during FY 2022-23. The remaining $4.0 million reimbursement will be paid from the General Fund.

Reimbursements to local governments for their reduced revenue under SB 22-238 are calculated as presented below. School districts are not reimbursed using this mechanism, as they are reimbursed through the school finance act (see below).

In counties with populations under 300,000:

- 100 percent to local governments in counties where assessed values grow by less than 10 percent between 2022 and 2023; and
- 90 percent to local governments in counties where assessed values grow by more than 10 percent between 2022 and 2023.

In counties with populations over 300,000:

- 100 percent to municipalities, fire districts, health service districts, water districts, sanitation districts, and library districts ("select special districts") where assessed values grow by less than 10 percent between 2022 and 2023;
- 90 percent to municipalities and select special districts where assessed values grow by more than 10 percent between 2022 and 2023; and
- 65 percent to county governments, consolidated city-county governments, and all special district types not listed above.

School finance. Public schools in Colorado are funded through a combination of state and local government revenue. A formula in state law determines the amount of total program funding that each district should receive. District property taxes and specific ownership taxes make up the local share of funding, and a state aid requirement is set to equal the difference between the local share and the total program funding amount. Changes to property taxes affect the local share of school finance. Reductions (or increases) in the local share of total program funding require an equivalent increase (or decrease) in the state aid requirement.

Assumptions

Assessed value impacts. The bill is expected to reduce assessed values by the amounts shown in Table 3. Assessed value for 2023 under current law is based on preliminary abstract data from the Division of Property Taxation.

Table 3
Forecast of Statewide Assessed Values
Millions of Dollars

	Current Law		SB 23B-XXX	
Year	Assessed Value	Percent Change	Assessed Value	Percent Change
2022	$150,166		$150,166	
2023*f*	$195,956	30.5%	$189,732	26.3%

Source: Colorado Legislative Council Staff. f=forecast

Property tax revenue impacts. The bill affects property tax revenue through reduced assessed values. Reduced assessed values are assumed to reduce property tax revenue for local governments that levy fixed mills, including most counties, municipalities, and special districts. School districts are assumed to experience reductions in revenue generated from their total program mills, as well as from override mills in districts where voters have approved fixed mill overrides.

Some levies are not expected to generate less revenue from reduced assessed values. These include bond indebtedness and school district override mill levies if a district is already at its override revenue cap or where voters have approved overrides to generate fixed dollar amounts or inflation-adjusted dollar amounts. Districts that are constrained by revenue limitations under TABOR, the 5.5 percent property tax growth limit in current law, or other local policy are also not expected to generate less revenue under the bill. Districts that experienced a reduction in mill levies from the 2020 to 2021 property tax year, adjusted to exclude general mill levies from school districts, are assumed to be unaffected under the bill. Actual levies that will be impacted by the bill depend on local policy constraints and decisions and could vary from the estimate in the analysis.

The estimates assume weighted average mill levies by county for the 2022 property tax year from the Division of Property Taxation, except that school district total program mills are adjusted where required under current law enacted in House Bill 21-1164.

Local government reimbursements. The bill requires the state treasurer to reduce local government reimbursements as necessary to prevent a local governmental entity from exceeding its TABOR revenue limit. The analysis assumes local governments will modify mill levies in order to receive the entire reimbursement. If the treasurer must reduce reimbursements, the amount of reimbursements will be lower than estimated in this analysis.

The analysis assumes current law reimbursement requirements under Senate Bill 22-238 are also based on the bill's provisions that require lost property tax revenue be calculated on 2022 mill levies, less mills for bonds and contractual obligations.

State Transfers

In FY 2024-25, the bill transfers $146 million from the General Fund to the State Education Fund.

State Expenditures

The bill increases state expenditures by $196.1 million in the current FY 2023-24. Costs are for the state share of school finance and local government reimbursements. The bill also increases workload for the Department of Local Affairs and Department of Treasury. Expenditures are shown in Table 4 and detailed below.

Table 4
Expenditures Under SB 23B-001

	FY 2023-24	FY 2024-25
Department of Education		
State Share of School Finance	$145,399,799	-
Department of Local Affairs		
Personal Services	$27,349	-
Operating Expenses	$640	-
Capital Outlay	$6,670	-
Centrally Appropriated Costs	$8,450	-
FTE – Personal Services	0.5 FTE	-
DOLA Subtotal	**$43,109**	**-**
Department of the Treasury		
Local Government Reimbursements	$50,627,360	-
Total	**$196,070,268**	**-**
Total FTE	**0.5 FTE**	**-**

School finance. The bill decreases property tax collections from school district total program mills, requiring an equivalent increase in the state share of total program funding for school finance. The state aid obligation is expected to increase by $145.4 million in FY 2023-24. The state aid obligation may be paid from the General Fund, the State Education Fund, the State Public School Fund, or a combination of these.

Local government reimbursements. The bill increases state expenditures by an estimated $50.6 million in FY 2023-24 to reimburse local governments for lost property tax revenue, which will be paid from the state General Fund. The bill increases backfill expenditures both by reducing assessed values and establishing a new mechanism to partially backfilling the lost revenue as a result of the property tax changes in this bill. The bill caps this amount at $54 million. These reimbursements are paid via a warrant issued by the State Treasurer and do not require an appropriation.

Department of Local Affairs. The bill increases workload in the current FY 2023-24 for the Division of Property Taxation in the Department of Local Affairs to review and update procedures, forms, manuals, and to provide technical assistance to local governments. For FY 2023-24 only, the bill requires the addition of temporary staff, estimated at 0.5 FTE, to calculate reimbursement amounts for local governments other than fire districts that provide fire protection services. Table 4 shows expenditures for these staff and standard operating and capital outlay costs.

Department of the Treasury. The bill is expected to minimally increase department workload to administer reimbursements to local governments. No change in appropriations is required.

Centrally appropriated costs. Pursuant to a Joint Budget Committee policy, certain costs associated with this bill are addressed through the annual budget process and centrally appropriated in the Long Bill or supplemental appropriations bill, rather than in this bill. These costs, which include employee insurance and supplemental employee retirement payments, are estimated in Table 4.

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. Based on this fiscal note, the bill is expected to increase the amount of General Fund held in reserve by $5,199, which will decrease the amount of General Fund available for other purposes.

Local Government

The bill is expected to reduce local property tax revenue by a net amount of $237.7 million for property tax year 2023. Total loss in property tax from the impact of reduced property values will be partially offset by increased state aid to school districts and local government reimbursements. These components are summarized in Table 5.

Table 5
Local Government Revenue Impacts of Assessment Provisions in SB 23B-001

	FY 2023-24 *Property Tax Year 2023* *Collected in 2024*
Property Tax Revenue	($433.7 million)
School Districts – State Aid	$145.4 million
State Backfill to Local Govt's*	$50.6 million
Net Revenue Impact	**($237.7 million)**

** Reimbursements to counties, municipalities, and special districts only, excludes mill levies for bonds and contractual obligations.*

Property tax revenue. Changes to assessment rates and property values under the bill are expected to reduce local property taxes by $433.7 million for the 2023 property tax year.

State aid to school districts. The bill is expected to increase the required amount of state aid to school districts by $145.4 million for property tax year 2023 as a result of reduced property tax revenue from total program levies.

State reimbursements to local governments. The bill requires the state to reimburse county treasurers for revenue reductions in 2023 as a result of changes in the bill, using the reimbursement mechanism specified in the bill. Estimated reimbursements to local governments, except school districts, are expected to total by an estimated $50.6 million for property tax year 2023, paid from the General Fund.

Local workload and expenditures. The bill increases expenditures for county treasurers and assessors to implement the property tax changes in the bill. County assessors may need more staff and personnel to administer the bill.

Effective Date

The bill takes effect upon signature of the Governor, or upon becoming law without his signature.

State Appropriations

For the current FY 2023-24, the bill requires a General Fund appropriation of $34,659 to the Department of Local Affairs, and 0.5 FTE.

For the current FY 2023-24, the bill increases the required state aid appropriation for school finance by $145,399,799 relative to current law. However, based on updated local share data, the current FY 2023-24 appropriation for state aid is estimated to exceed the current law requirement by $262,081,945. Therefore, the bill may not require that the state aid appropriation in current law be increased.

State and Local Government Contacts

Counties
Local Affairs
Treasury
County Assessors
Property Tax Division
Information Technology
Revenue