

# Proposition HH: Reduce Property Taxes and Retain State Revenue

*Placed on the ballot by the legislature • Passes with a majority of the vote*

1 **Proposition HH, if approved, would:**

- 2 • lower property taxes owed for homes and businesses for at least ten years,  
3 compared to what would be owed under current law;
- 4 • allow the state to retain money that would otherwise be refunded to taxpayers  
5 through at least 2032, with the money spent on education, reimbursements to  
6 local governments for some of their reduced property tax revenue, and rental  
7 assistance programs;
- 8 • authorize the state legislature to retain revenue after 2032 without further  
9 voter approval, if property tax decreases equivalent to those in the measure  
10 are maintained;
- 11 • distribute Taxpayer’s Bill of Rights (TABOR) refunds to taxpayers in equal  
12 amounts for tax year 2023 only; and
- 13 • create a new limit on the growth of property tax revenue for most local  
14 governments.

15 **What Your Vote Means**

**YES** 16 A “yes” vote on  
17 Proposition HH lowers  
18 property taxes owed, allows the state  
19 to keep additional revenue that would  
20 otherwise be refunded to taxpayers,  
21 temporarily changes how taxpayer  
22 TABOR refunds are distributed, and  
23 creates a new property tax limit for  
24 most local governments.

**NO** A “no” vote on  
Proposition HH maintains  
current law for property taxes, TABOR  
refunds, and state and local  
government revenue limits.

25 **For more information on these provisions, see the following:**

- 26 • Overview of Proposition HH.....Page 2
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1 **Summary and Analysis of Proposition HH**

2 **Overview of Proposition HH**

3 **What does Proposition HH do?**

4 Proposition HH reduces property taxes owed, resulting in smaller increases in  
 5 property taxes beginning in 2023, while allowing the state to keep additional  
 6 revenue that would otherwise be refunded to taxpayers.

7 The measure lowers property taxes by reducing the portion of a property’s  
 8 market value that is subject to taxes, allowing seniors who have qualified for the  
 9 existing homestead exemption to receive the same benefit at a new home, and  
 10 creating a new limit on property tax revenue for most local governments. It  
 11 requires that local governments exceeding the limit either go through a public  
 12 process to waive the limit or lower tax rates to stay below the limit.

13 The measure creates a new cap on state revenue that grows by the same rate as  
 14 the existing cap, plus an additional 1 percentage point each year. The revenue  
 15 retained from the new cap is used to fund education, reimburse local  
 16 governments for a portion of the lost property tax revenue, and provide rental  
 17 assistance.

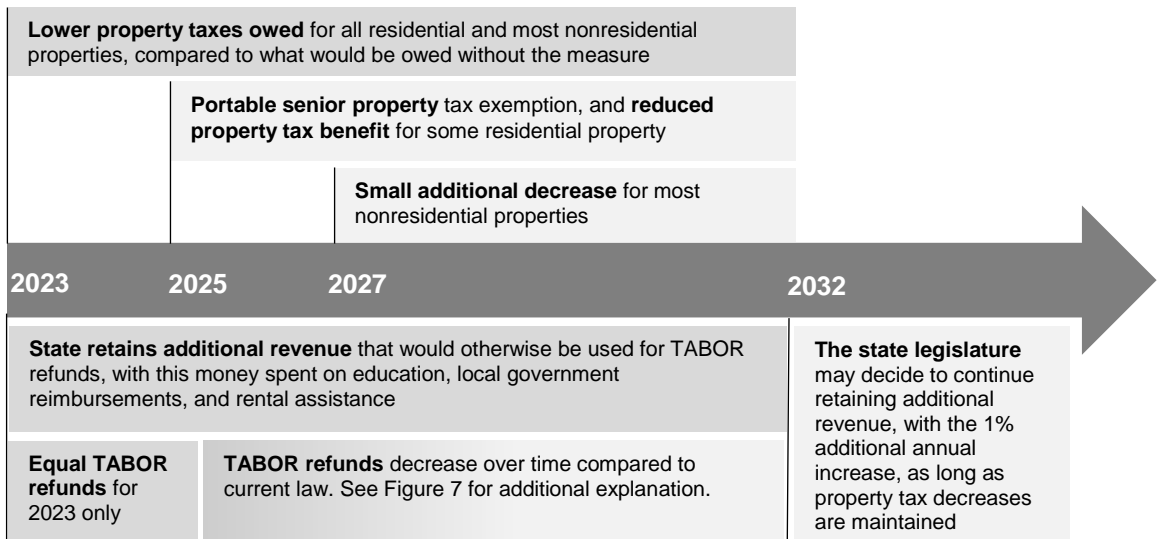
18 **How long will the changes under the measure last?**

19 Most changes under Proposition HH remain in effect through state budget year  
 20 2031-32, and may be extended by the state legislature for subsequent budget  
 21 years without further voter approval. If extended, the state may continue to retain  
 22 additional revenue in subsequent years, as long as the state legislature extends  
 23 property tax reductions equal to or greater than those in the measure. The  
 24 amount the state is allowed to retain grows each year, and continues to grow if  
 25 the measure is extended.

26 In addition, if Proposition HH passes, another state law distributes refunds under  
 27 the Taxpayer’s Bill of Rights (TABOR) in equal amounts in tax year 2023 only.  
 28 Figure 1 shows the measure’s changes through at least 2032.

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**Figure 1  
 Proposition HH Timeline**



1 Impacts on Taxpayers

2 **How does Proposition HH impact taxpayers?**

3 The measure primarily impacts taxpayers in two ways: by reducing the amount  
 4 owed in property taxes and by changing the amount of TABOR refunds. Figure 2  
 5 summarizes the impacts of Proposition HH on various taxpayers, compared to  
 6 what would happen if Proposition HH does not pass. Each of these impacts is  
 7 described in more detail later in this analysis.

8 In 2023, providing equal TABOR refunds to all taxpayers will increase refunds for  
 9 low-income and middle-income taxpayers, while higher-income taxpayers will  
 10 receive a lower refund than under current law. Property taxes for all property  
 11 owners will be smaller than they would be if Proposition HH is not approved. For  
 12 some higher-income homeowners, the reduction in TABOR refunds in 2023 may  
 13 offset the savings from lower property taxes.

14 In 2024 and through at least 2032, TABOR refunds will decrease or be  
 15 eliminated for taxpayers at all income levels, depending on state revenue  
 16 collections each year. These future decreases in TABOR refunds may offset or  
 17 exceed property tax savings under Proposition HH for property owners,  
 18 depending on the value of their property.

19 **Figure 2**  
 20 **Summary of Taxpayer Impacts**  
 21 *Compared to current law*

All Taxpayers – TABOR Refunds	
2023	
<ul style="list-style-type: none"> <li>- Income less than \$100,000: TABOR refunds increase</li> <li>- Income greater than \$100,000: TABOR refunds decrease</li> </ul>	
2024 through 2032	
<ul style="list-style-type: none"> <li>- TABOR refunds decrease, and could be eliminated, for all taxpayers.</li> <li>- To see how state revenue affects the amount of the decrease, see Figure 7.</li> </ul>	
Property Owners – all changes are for 2023 through 2032 unless otherwise noted	
Primary residence, multifamily property	<ul style="list-style-type: none"> <li>- Reduction in property taxes compared to what would be paid otherwise</li> </ul>
Seniors	<ul style="list-style-type: none"> <li>- Same reduction in property taxes as for primary residences</li> <li>- Beginning in 2025: Seniors who have qualified for the homestead exemption can receive the same benefit if they purchase and move to a new home.</li> </ul>
Other single-family residential properties (second homes, rental properties, etc.)	<ul style="list-style-type: none"> <li>- 2023 and 2024: Same reduction in property taxes as primary residences</li> <li>- Beginning in 2025: Smaller property tax reduction than primary residences</li> </ul>
Nonresidential properties	<ul style="list-style-type: none"> <li>- Reduction in property taxes, compared to what would be paid otherwise, for most property types</li> <li>- Amount of reduction depends on type of property</li> </ul>
Renters	
<ul style="list-style-type: none"> <li>- Do not directly benefit from property tax decreases</li> <li>- Additional funding for rental assistance to qualifying renters</li> </ul>	

## Changes to Property Taxes

1 **How does Proposition HH change property**  
 2 **taxes?**

3 Proposition HH lowers the property taxes owed  
 4 by property owners, compared to what would be  
 5 owed without the measure. Property values have  
 6 increased significantly in most areas of the state,  
 7 resulting in higher property taxes owed. The  
 8 measure results in a smaller increase in property  
 9 taxes than under current law.

10 In Colorado, there is no state property tax. Only  
 11 local governments collect property tax. Property  
 12 taxes are paid on a portion of a property’s  
 13 market value. This portion is known as the  
 14 taxable value or assessed value, and is  
 15 calculated by multiplying the market value by the  
 16 assessment rate. To lower property taxes, the  
 17 measure:

- 18 • lowers assessment rates for residential property and most nonresidential  
 19 property and subtracts a set amount from most properties’ values before  
 20 applying the new assessment rates;
- 21 • allows a senior aged 65 and older who has previously qualified for the senior  
 22 homestead exemption to receive the same property tax benefit in any home  
 23 they purchase and live in as their primary residence, beginning in 2025;
- 24 • distinguishes owner-occupied primary residences and multifamily properties  
 25 from other residential properties, resulting in a larger subtraction for primary  
 26 residences and multifamily properties than other properties, beginning in  
 27 2025; and
- 28 • establishes a limit on local government property tax revenue growth,  
 29 including methods to lower tax rates to comply with the limit or to waive the  
 30 limit. This limit is discussed further below.

31 Figure 3 shows the impact of these changes on different property types and  
 32 values in 2023. These changes continue through 2032 unless otherwise noted.  
 33 The impact on an individual property owner depends on the type and value of the  
 34 property and the tax rates for the local governments where the property is  
 35 located. Tables with the exact assessment rates and subtractions for different  
 36 property classes are available in [the fiscal impact statement](#).

**Online Calculation Tool:**

To see how the combination of the property tax changes and TABOR refund changes impact a taxpayer in your area, please scan the QR code below:



*Please note that the online calculation tool included in this third draft is preliminary.*

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**Figure 3**  
**Average Property Tax Impacts Under Proposition HH\***

<b>Type of Property</b>	<b>Property Value</b>	<b>Average Change in 2023 Property Tax**</b>	<b>2024-2032</b>
<b><u>Residential Property</u></b>			
Primary residences and multifamily properties	\$100,000	-\$166 to -\$172	Further reductions in 2024 and 2025. Beginning in 2025, there is a smaller reduction for non-primary residences and a larger reduction for qualifying seniors.
	\$350,000	-\$177 to -\$212	
	\$500,000	-\$184 to -\$236	
	\$700,000	-\$193 to -\$268	
	\$1,000,000	-\$206 to -\$317	
<b><u>Nonresidential Property</u></b>			
Lodging and commercial	\$1,000,000	-\$34 to -\$503	Further reductions in 2024, 2027, 2029, 2031
Industrial, natural resources, state-assessed properties	\$1,000,000	-\$35 to -\$518	Further reductions in 2024, 2027, 2029, 2031
Agriculture and renewable energy	\$1,000,000	-\$0 to -\$459	Further reduction in 2031. Beginning in 2024, there is also a larger reduction for renewable energy agricultural land.
Vacant land	\$1,000,000	-\$35 to -\$518	Change in 2023 only.
Oil and gas and mines	\$1,000,000	No change	

3 \* This example shows the estimated reduction in property taxes owed for a hypothetical property, based  
 4 on 2022 statewide average mill levy of 69.120 mill levies, which excludes mill levies for bonds and  
 5 contractual obligations. For properties located in areas where local mill levies will decrease from 2022 to  
 6 2023 even if Proposition HH does not pass, the property tax reduction will be smaller than estimated.  
 7 The actual change in property tax will depend on local tax rates, changes in property values, and local  
 8 government property tax policy.

9 \*\* Property tax savings will depend on whether or not local governments waive the new revenue limits  
 10 created by Proposition HH. The high end of the range reflects the savings if local governments do not  
 11 waive the limit. The low end of the range reflects the savings if local governments waive the limit.

12 **Retained State Revenue**

13 **What is the state’s revenue limit, known as the TABOR limit?**

14 The Colorado Constitution includes a section, “The Taxpayer’s Bill of Rights,”  
 15 commonly known as TABOR, that limits the amount of money that the state  
 16 government can collect and spend or save each year. Voter approval is required  
 17 to retain money above the TABOR limit. If money is collected above the limit, the  
 18 excess must be refunded to taxpayers. This is called a TABOR refund.

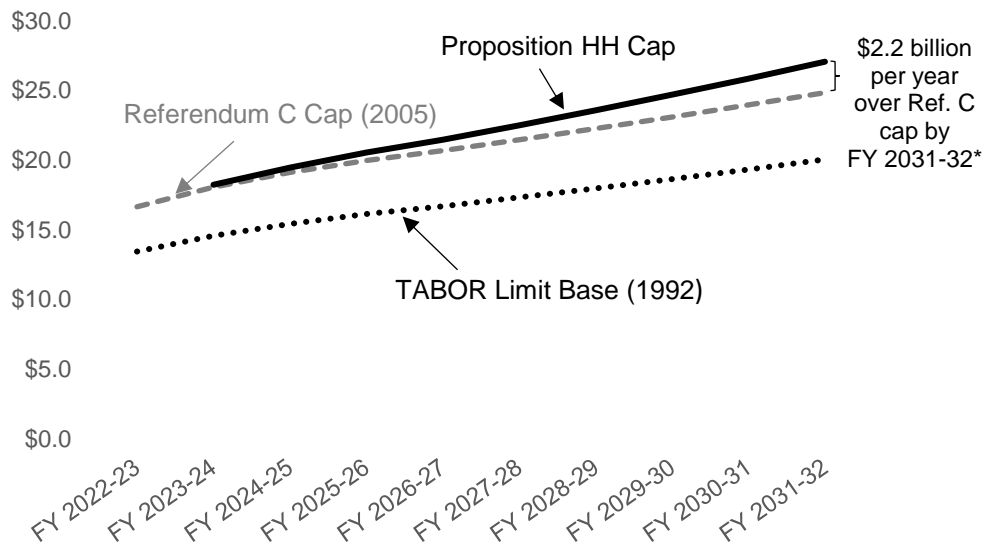
19 Currently, a portion of this money is refunded through property tax reductions,  
 20 including those for seniors, veterans with a disability, and Gold Star surviving  
 21 spouses, and the remainder is distributed as a tiered sales tax refund using the

1 state income tax return. For last year only, part of the TABOR refund was  
 2 distributed to taxpayers through checks in the amount of \$750 for a single filer  
 3 and \$1,500 for a joint filer, rather than through the tiered system. Flat refunds  
 4 provide larger amounts for lower-income taxpayers and smaller refunds for  
 5 higher-income taxpayers when compared with the tiered refund system.

6 **What happens to the state revenue limit if Proposition HH passes?**

7 Proposition HH creates a new cap on the amount of money the state may retain  
 8 over its revenue limit that is higher than the current cap established by  
 9 Referendum C in 2005. Proposition HH allows the state to retain additional  
 10 revenue up to the new cap, which grows by population growth and inflation, plus  
 11 1 percentage point, each year. The measure allows the state to retain an  
 12 estimated \$170 million in state budget year 2023-24 and \$360 million in state  
 13 budget year 2024-25. The state is allowed to retain increasing amounts through  
 14 at least 2032, depending on revenue collections (see Figure 7 for more  
 15 information). Figure 4 shows the new cap over the next ten years.

16 **Figure 4**  
 17 **Proposition HH Cap on State Revenue**  
 18 *Dollars in Billions*



19 *\*Assumes inflation through 2025 from the June 2023 Legislative Council Staff forecast and*  
 20 *2.5 percent annual inflation for 2025 to 2031. Population growth projections from the Colorado*  
 21 *State Demography Office.*

22 **How will the retained revenue be spent?**

23 The retained money will be used for the following purposes:

- 24 • up to 20 percent to reimburse local governments for lost property tax
- 25 revenue;
- 26 • up to \$20 million for rental assistance; and
- 27 • the remaining funds to reimburse school districts for reduced property tax
- 28 revenue as a result of the measure, and for education-related programs,

1 estimated at \$125 million in state budget year 2024-25, and up to  
 2 \$2.16 billion in state budget year 2031-32.

3 Over ten years, local reimbursements are expected to decrease, rental  
 4 assistance will reach its \$20 million limit, and the amount retained by the state  
 5 will increase. As a result, the amount allocated to education funding will increase,  
 6 assuming consistent revenue growth. The new education funding cannot replace  
 7 current General Fund spending for public school finance.

8 **Changes to TABOR Refunds**

9 **How does the measure impact TABOR refunds in the short term?**

10 **2023 TABOR refunds.** A separate state law changes the way that refunds are  
 11 distributed for tax year 2023 only if Proposition HH passes.

12 Under current law, TABOR refunds to taxpayers are typically distributed through  
 13 the state income tax, based on the taxpayer’s adjusted gross income. Under  
 14 Proposition HH, the refunds are distributed in an equal amount for each taxpayer,  
 15 estimated at \$820 for single filers and \$1,640 for joint filers. Figure 5 shows the  
 16 change in the refund amount projected for tax year 2023 under Proposition HH.  
 17 The actual amounts refunded will depend on the final state revenue amount for  
 18 the 2022-23 budget year.

19 **Figure 5**  
 20 **2023 TABOR Refunds Under Proposition HH**  
 21 *For a single filer; amounts double for joint filers*

Adjusted Gross Income	Percent of Taxpayers*	Refund Amount		Change in Refund
		Current Law	Under Prop. HH	
Up to \$50,000	35%	\$587	\$820	+\$233
\$50,001 to \$99,000	27%	\$783	\$820	+\$37
\$99,001 to \$157,000	18%	\$901	\$820	-\$81
\$157,001 to \$218,000	9%	\$1,071	\$820	-\$251
\$218,001 to \$278,000	4%	\$1,152	\$820	-\$332
\$278,001 and up	7%	\$1,854	\$820	-\$1,034

22 *\*Totals may not sum due to rounding.*

23 **2024 and 2025 TABOR refunds.** In 2024 and 2025, TABOR refunds are  
 24 expected to decrease, compared to what would be distributed under current law.  
 25 Refunds will be distributed based on a taxpayer’s adjusted gross income.  
 26 Figure 6 shows the change in the refund amount forecasted for tax year 2024  
 27 and 2025 under Proposition HH. The actual amounts refunded will depend on  
 28 state revenue collections in future budget years.

**Figure 6**  
**Projected Change in TABOR Refunds for 2024 and 2025**  
**Under Proposition HH**  
*For a single filer; amounts double for joint filers*

Adjusted Gross Income	Percent of Taxpayers*	Refund Amount		Change in Refund
		Current Law	Under Prop. HH	
<b><u>2024 Refunds</u></b>				
Up to \$52,000	35%	\$357	\$326	-\$31
\$52,001 to \$103,000	27%	\$476	\$434	-\$42
\$103,001 to \$163,000	17%	\$548	\$500	-\$48
\$163,001 to \$226,000	9%	\$651	\$594	-\$57
\$226,001 to \$289,000	4%	\$701	\$639	-\$62
\$289,001 and up	7%	\$1,128	\$1,028	-\$100
<b><u>2025 Refunds</u></b>				
Up to \$53,000	35%	\$336	\$269	-\$67
\$53,001 to \$105,000	27%	\$448	\$358	-\$90
\$105,001 to \$167,000	17%	\$515	\$412	-\$103
\$167,001 to \$231,000	9%	\$612	\$490	-\$122
\$231,001 to \$297,000	4%	\$659	\$527	-\$132
\$297,001 and up	7%	\$1,060	\$848	-\$212

\*Totals may not sum due to rounding.

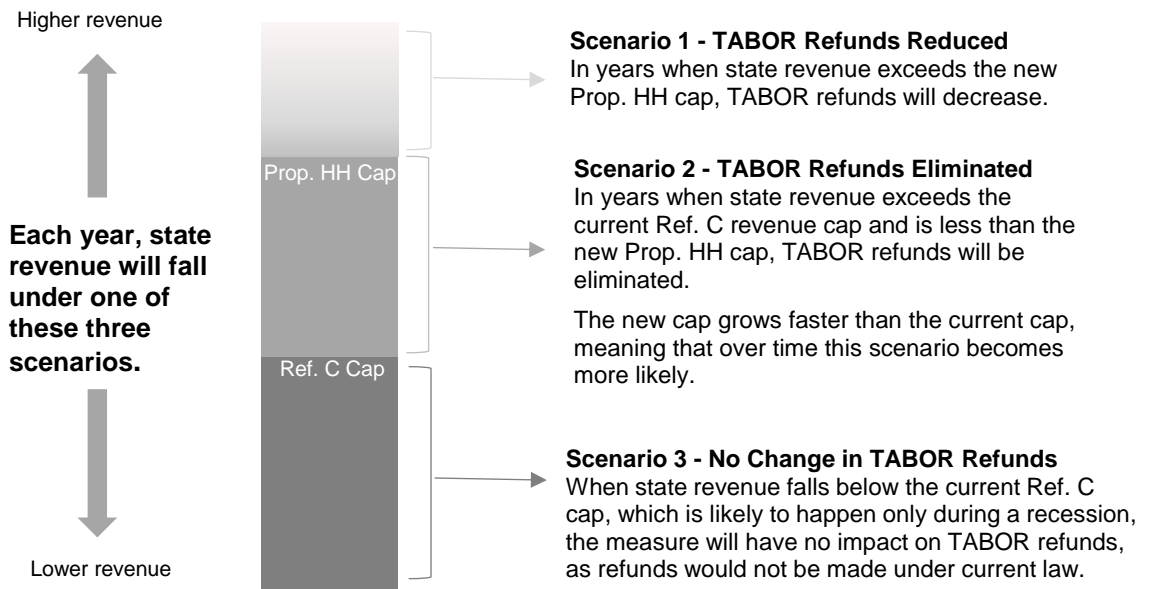
**6 How does the measure impact TABOR refunds in the long term?**

The measure's impact on TABOR refunds over the long term depends on population growth, inflation, and state revenue collections. Absent future policy changes, state revenue collections are largely driven by economic activity. Figure 7 shows scenarios for state revenue collection and the impact on TABOR refunds. The changes in Proposition HH are in place until 2032, but the measure allows the state legislature to extend them without additional voter approval.



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**Figure 7**  
**Scenarios for TABOR Refund Changes**



*Note: Figure 7 is not to scale.*

### 3 Changes for Local Governments

#### 4 How does the measure impact local governments?

5 Revenue growth for local governments will slow due to a new property tax  
6 revenue limit and reduced property taxes. Some reductions will be partially offset  
7 by reimbursements from the state. Cities, counties, school districts, and special  
8 districts collect property taxes to fund public schools and local services such as  
9 road maintenance, police departments, fire protection, water and sewer  
10 infrastructure, parks, and libraries. Not all local governments that collect property  
11 taxes are treated the same by Proposition HH, as explained below.

12 **Property tax revenue limit.** Under Proposition HH, many local governments that  
13 are not currently subject to other local revenue limits cannot collect property tax  
14 revenue above the amount they collected in the prior year plus inflation. If a local  
15 government would exceed this limit, it may waive the limit by annually notifying  
16 the public, holding a meeting for public comment, and adopting an ordinance or  
17 resolution. Otherwise, it must lower its tax rate (mill levy) for one year or refund to  
18 taxpayers any property tax revenue collected above the limit. School districts and  
19 home-rule jurisdictions are not subject to this limit.

20 **Reimbursements.** Under Proposition HH, the state reimburses local  
21 governments for some of the revenue lost due to property tax reductions. This is  
22 paid from the revenue that the state retains under the new revenue cap, and  
23 other state funds, with some limitations. Reimbursements depend on available  
24 funds, and may be reduced in years when state revenue collections fall below the  
25 Proposition HH cap.

1 Reimbursements range from 65 percent to 100 percent of lost revenue, based on  
2 the type of local government, the population of the county in which the local  
3 government is located, and growth of property values in the jurisdiction. Smaller  
4 counties and those with slower property value growth generally receive higher  
5 reimbursement rates.

6 Most counties, cities, and special districts are initially eligible for reimbursement;  
7 however, most local governments are not reimbursed if their assessed value  
8 exceeds 2022 levels by 20 percent, which is expected to happen at some point  
9 between 2023 and 2031 for most local governments. School districts are fully  
10 reimbursed through the public school funding formula, using money retained by  
11 the state.

*For information on those issue committees that support or oppose the measures on the ballot at the November 7, 2023, election, go to the Colorado Secretary of State's elections center web site hyperlink for ballot and initiative information:*

<https://www.sos.state.co.us/pubs/elections/Initiatives/ballot/contacts/2023.html>

## 12 **Arguments For Proposition HH**

- 13 1) With Colorado facing a historic increase in residential property values,  
14 Proposition HH provides long-term property tax relief for homeowners and  
15 businesses. In doing so, the measure also limits the impact on local services,  
16 makes Colorado a more competitive environment for businesses, and allows  
17 seniors to downsize or move without losing the benefits of their homestead  
18 exemption.
- 19 2) The new property tax limit makes local taxing entities more accountable to  
20 their constituents. By requiring a public process to waive the limit,  
21 Proposition HH gives people a say in how much they are taxed while  
22 providing flexibility for local governments to retain revenue needed to provide  
23 important services.
- 24 3) By allowing the state to retain additional revenue, the measure benefits public  
25 schools. The state's spending cap has limited Colorado's ability to fully fund  
26 education for years. Proposition HH provides a funding source for at least ten  
27 years, using money the state already collects.
- 28 4) Proposition HH benefits low- and middle-income people, many of whom are  
29 renters, by providing a more equitable distribution of TABOR refunds in 2023.  
30 With recent high inflation and housing costs, this puts more money in the  
31 pockets of those who need it most.

## 32 **Arguments Against Proposition HH**

- 33 1) Proposition HH essentially increases taxes by reducing or eliminating future  
34 TABOR refunds, potentially growing the state budget by up to \$2.2 billion per  
35 year by 2032. The measure removes important taxpayer protections and  
36 gives the state legislature the power to extend the new revenue cap forever  
37 without asking voters.

- 1 2) Property tax relief should not come at the expense of TABOR refunds. While  
 2 the measure provides some limited property tax relief, the loss to taxpayers  
 3 over the long term from the reduction or elimination of TABOR refunds is  
 4 likely to exceed the property tax savings over time. The measure is also  
 5 costly for renters, who do not directly benefit from property tax relief and will  
 6 receive lower TABOR refunds in the future.
- 7 3) Property taxes are a local issue, best handled by local communities.  
 8 Proposition HH pushes state priorities and an unnecessary new revenue limit  
 9 onto local governments and their residents, rather than letting them find  
 10 solutions that work locally.
- 11 4) Proposition HH adds unnecessary complexity to an increasingly confusing  
 12 property tax system, with new classes of property and an additional  
 13 administrative burden for homeowners, seniors, county assessors, and  
 14 potential homebuyers. As a result, the measure makes it harder for people to  
 15 access their tax benefits and navigate the housing market, opening the door  
 16 to unintended consequences.

17 **Fiscal Impact of Proposition HH**

18 This measure decreases local government property tax revenue, creates new  
 19 state spending requirements, and reduces the amount refunded to taxpayers in  
 20 years when state revenue is over the Referendum C cap, which is then available  
 21 to increase state spending. These impacts are discussed below. The state  
 22 budget year runs from July 1 to June 30.

23 **Taxpayer impacts.** Proposition HH impacts taxpayers in two ways by changing  
 24 the amount of TABOR refunds and reducing the amount owed in property taxes.

25 *TABOR refund changes.* Proposition HH results in a change in how state  
 26 revenue is returned to taxpayers in state budget year 2023-24, then reduces the  
 27 amount potentially returned to taxpayers by larger amounts each year through at  
 28 least state budget year 2032-33, depending on how much state revenue is  
 29 collected over the Referendum C cap each year.

- 30 • For state budget year 2023-24, an estimated additional \$120 million will be  
 31 refunded to taxpayers through an existing property tax refund mechanism as  
 32 a result of this measure. The remaining money that would otherwise be  
 33 refunded through the six-tier sales tax refund mechanism is instead refunded  
 34 in equal amounts to qualifying taxpayers, as shown in Figure 5 and discussed  
 35 above.
- 36 • Beginning for state budget year 2024-25, the measure will reduce revenue  
 37 returned to taxpayers by an estimated \$170 million, with this reduction  
 38 increasing to \$360 million for the next state budget year.

39 *Property tax changes.* The measure will also reduce property taxes owed  
 40 compared with current law through changes in assessment rates and reductions  
 41 in value, and possibly through the local government revenue limit, as estimated  
 42 below.

- 43 • Lower assessment rates and value reductions are estimated to reduce  
 44 property taxes owed statewide by \$350 million in 2024, \$790 million in 2025,  
 45 and \$970 million in 2026. Decreases are larger in 2025 and 2026 due to

1 scheduled increases in assessment rates and the expiration of certain value  
2 reductions that would occur if the measure does not pass.

- 3 • The local government revenue limit may decrease property taxes owed by an  
4 additional \$280 million in 2024, \$250 million in 2025, and \$320 million in  
5 2026, depending on how many local governments waive the limit.

6 **Local government impact.** After accounting for both the reduced property tax  
7 collections and state reimbursements to school districts and other local tax  
8 jurisdictions, Proposition HH is estimated to decrease revenue to local  
9 governments statewide, on net, by at least \$100 million in 2024, \$350 million in  
10 2025, and \$550 million in 2026.

11 The revenue decreases are larger in later years due to scheduled increases in  
12 assessment rates and the expiration of certain property value reductions that  
13 would occur if the measure does not pass, and smaller reimbursements paid to  
14 local governments over time. Additionally, the local government revenue limit in  
15 the measure may decrease revenue further, as noted above in the taxpayer  
16 impacts section. Reduced revenue due to the limit is not reimbursed by the state.

17 The revenue impact will vary among local governments across the state, and the  
18 specific impact on each city, county, school district, or special district will depend  
19 on several factors including mill levies, local policy decisions, and the  
20 composition of properties in each local area.

21 The measure increases local spending for county treasurers and assessors to  
22 implement the property tax changes in the bill. County assessors will require  
23 additional staff to administer the measure's provisions.

24 **State transfers.** Proposition HH transfers \$128 million from the state's General  
25 Fund to a fund that will be used to reimburse local governments for lost property  
26 tax revenue, and transfers \$72 million to the State Public School Fund. Further,  
27 state revenue retained under the Proposition HH cap will be transferred, as  
28 estimated below:

- 29 • *Funding for rental assistance.* In state budget year 2024-25, an estimated  
30 \$8 million will be transferred to the Housing Development Grant Fund for  
31 rental assistance programs. An estimated \$18 million will be transferred in  
32 FY 2025-26. Transfers to the fund are expected to grow, but are capped at  
33 \$20 million per year.
- 34 • *Education funding.* Transfers to the State Education Fund will reach an  
35 estimated \$125 million in state budget year 2024-25, and \$270 million in state  
36 budget year 2025-26. In future years, larger amounts are expected to be  
37 transferred to the State Education Fund depending on revenue retained  
38 under the Proposition HH cap.

39 **State spending.** The measure increases state spending to reimburse local  
40 governments for a portion of their lost property tax revenue, replace lost property  
41 tax revenue to school districts, and to pay for increased workload for the state to  
42 administer the measure's provisions, as estimated below:

- 43 • *Reimbursements to local governments.* The measure increases state  
44 spending by an estimated \$160 million in state budget year 2024-25 and  
45 \$70 million in state budget year 2025-26 to reimburse local governments for  
46 lost property tax revenue. Reimbursements are limited to a certain amount of

1 money retained under the Proposition HH cap, as well as by eligibility  
2 requirements for local governments as described above.

3 • *School district funding.* The measure will increase the state aid obligation for  
4 public schools by an estimated \$120 million in state budget year 2023-24,  
5 \$280 million in state budget year 2024-25, \$350 million in state budget  
6 year 2025-26, and larger amounts in future years as some nonresidential  
7 assessment rates decrease.

8 • *Administrative costs.* The measure will increase General Fund spending in  
9 the Department of Local Affairs by an estimated \$62,426 in state budget year  
10 2023-24, \$195,498 in state budget year 2024-25, and \$159,779 in state  
11 budget year 2025-26 for the Division of Property Taxation to develop software  
12 systems, hire additional staff, and to update procedures, forms, manuals, and  
13 technical assistance to local governments.