

**JBC STAFF FISCAL ANALYSIS  
SENATE APPROPRIATIONS COMMITTEE**

CONCERNING A REDUCTION IN PROPERTY TAXES, AND, IN CONNECTION THEREWITH, CREATING A LIMIT ON ANNUAL PROPERTY TAX INCREASES FOR CERTAIN LOCAL GOVERNMENTS; TEMPORARILY REDUCING THE VALUATION FOR ASSESSMENT OF CERTAIN RESIDENTIAL AND NONRESIDENTIAL PROPERTY; CREATING NEW SUBCLASSES OF PROPERTY; PERMITTING THE STATE TO RETAIN AND SPEND REVENUE UP TO THE PROPOSITION HH CAP; REQUIRING THE RETAINED REVENUE TO BE USED TO REIMBURSE CERTAIN LOCAL GOVERNMENTS FOR LOST PROPERTY TAX REVENUE AND TO BE DEPOSITED IN THE STATE EDUCATION FUND TO BACKFILL THE REDUCTION IN SCHOOL DISTRICT PROPERTY TAX REVENUE; TRANSFERRING GENERAL FUND MONEY TO A CASH FUND TO ALSO BE USED FOR THE REIMBURSEMENTS; ELIMINATING THE CAP ON THE AMOUNT OF EXCESS STATE REVENUES THAT MAY BE USED FOR THE REIMBURSEMENTS FOR THE 2023 PROPERTY TAX YEAR; AND REFERRING A BALLOT ISSUE.

Prime Sponsors: Sens. Fenberg and Hansen	JBC Analyst: Craig Harper
Reps. deGruy Kennedy and Weissman	Phone: 303-866-3481
	Date Prepared: May 1, 2023

**Appropriation Items of Note**

**Appropriation Required, Amendment in Packet**

**General Fund/TABOR Impact**

**Significant Cost Increase in Second Year**

**Fiscal Impact of Bill as Amended to Date**

The most recent Legislative Council Staff Fiscal Note (attached) reflects the fiscal impact of the bill as of 05/01/23.

XXX	<b>No Change:</b> Attached LCS Fiscal Note accurately reflects the fiscal impact of the bill
	<b>Update:</b> Fiscal impact has changed due to <i>new information or technical issues</i>
	<b>Update:</b> Fiscal impact has changed due to <i>amendment adopted</i> after LCS Fiscal Note was prepared
	<b>Non-Concurrence:</b> JBC Staff and Legislative Council Staff disagree about the fiscal impact of the bill

**Amendments in This Packet for Consideration by Appropriations Committee**

Amendment	Description
J.001	Staff-prepared appropriation amendment

**Current Appropriations Clause in Bill**

The bill requires but does not contain an appropriation clause.

**Description of Amendments in This Packet**

**J.001** Staff has prepared amendment **J.001** (attached) to add a provision appropriating a total of \$94,369,939 for FY 2023-24, including (1) \$207,717 General Fund appropriated to the Department of Local Affairs (all of which is then reappropriated to the Office of Information Technology in the Office of the Governor) and (2) \$94,162,222 cash funds from the State Education Fund to the Department of Education. All of the appropriations in amendment **J.001** are contingent upon the voters' approval of Proposition HH in the November 2023 elections.

As noted in the Legislative Council Staff Fiscal Note, appropriations for the State Share of Districts' Total Program Funding line item may be from the General Fund, the State Education Fund, or the State Public School Fund. This (JBC Staff) analysis assumes that the entire FY 2023-24 appropriation required by this bill for that purpose (\$94,162,222) will be from the State Education Fund. However, the Committee may also choose to make a portion of that appropriation from the General Fund rather than the State Education Fund (e.g., through a conceptual amendment).

**Points to Consider**

*General Fund Impact*

The Joint Budget Committee has proposed a budget package for FY 2023-24 based on the March 2023 Office of State Planning and Budgeting (OSPB) revenue forecast. The budget package includes two set-asides for legislation outside of the package: (1) \$30.0 million General Fund for bills that create ongoing obligations; and (2) \$469.0 million for bills that create one-time obligations for FY 2023-24 (see table below).

General Fund Appropriation Placeholders for Other 2023 Legislation	
Description	FY 2023-24
Legislation with Ongoing Fiscal Impacts	\$30,000,000
Legislation with One-time Fiscal Impacts	
Workforce-related legislation, including free credentials, math scholarships, adult education, and concurrent enrollment	103,000,000
Housing-related legislation, including property tax relief, land use, and public-private partnerships	221,000,000
Legislation related to topics other than workforce and housing, including rural opportunity, line of duty loss, and Proposition 122 implementation	145,000,000
Subtotal	\$469,000,000
<b>TOTAL Placeholders for Other 2023 Legislation</b>	<b>\$499,000,000</b>

## SB23-303

## JBC Staff Analysis

The budget package accounts for the 15.0 percent reserve associated with the above placeholders (a total of \$74.9 million).

Contingent on voter approval of Proposition HH, this bill creates an ongoing obligation and requires a General Fund appropriation of \$207,717 for FY 2023-24, reducing the \$30.0 million set aside by the same amount. In addition, the bill requires a transfer of \$128.0 million from the General Fund to the Local Government Backfill Cash Fund for FY 2023-24. Since the latter amount is made available through a transfer rather than an appropriation, \$19.2 million of the reserve associated with the set aside for one-time purposes is not needed.

As discussed above, this analysis and amendment **J.001** assume that the entire FY 2023-24 appropriation related to school finance (\$94.2 million) is from the State Education Fund. However, the Committee could also choose to make a portion of that appropriation from the General Fund using a portion of the \$469.0 million set aside for one-time purposes.

### *Future Fiscal Impact/State Education Fund*

As discussed in the Fiscal Note, the bill requires the State to backfill decreases in local school finance revenues as a result of the assessment rate changes in the bill. Beginning in FY 2024-25, the bill is also expected to require transfers to the State Education Fund from the additional state revenues retained as a result of the bill. As shown in the following table, the Fiscal Note assumes that the bill will increase State appropriations for school finance by a total of \$702.8 million for FY 2023-24 through FY 2025-26. These appropriations are anticipated to be partially offset by transfers to the State Education Fund totaling \$114.0 million over that period. As a result, necessary appropriations exceed the additional revenues by \$588.8 million over that three year period. The Fiscal Note anticipates that the transfers to the State Education Fund may exceed the additional required appropriations prior to FY 2032-33.

School Finance/State Education Fund Impacts for Initial Three Fiscal Years (\$ in millions)				
Description	FY 2023-24	FY 2024-25	FY 2025-26	Total
Additional State School Finance Appropriations	\$94.2	\$278.2	\$330.4	\$702.8
Less: Transfers to the State Education Fund	0.0	(10.4)	(103.6)	(114.0)
<b>Net Change in State Education Fund Expenditures</b>	<b>\$94.2</b>	<b>\$267.8</b>	<b>\$226.8</b>	<b>\$588.8</b>