Initiative 88

Legislative Council Staff

Nonpartisan Services for Colorado's Legislature

Fiscal Summary

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LCS TITLE: PROPERTY TAXES

Fiscal Summary of Initiative 88

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**. This fiscal summary identifies the following impact.

Local government impact. The measure reduces local property tax revenue beginning with property tax year 2026 for taxes payable in calendar year 2027. Local property tax will be reduced by at least $500 million in FY 2026-27 and at least $1,275 million in FY 2027-28 from reductions in residential assessment rates and residential value reductions under the measure. Larger reductions may be realized through FY 2034-35 from further reductions in nonresidential assessment rates. Local property tax revenue could be further reduced by the measure's local property tax revenue limit for affected jurisdictions; this impact will depend on future local decision and has not been estimated.

For school districts, a portion of lost revenue due to the measure's reduced assessment rates and value reductions under the measure will be offset by increased state contributions to school finance. The analysis assumes a portion of lost property tax revenue to local jurisdictions, excluding school districts, will be reimbursed under the measure beginning in FY 2026-27.

State expenditures. The measure increases state expenditures by $94.3 million in FY 2024-25, an amount specified in the measure. It is further expected to increase state expenditures by $0.2 million in FY 2025-26, $420 million in FY 2026-27, and $1,075 million in FY 2027-28, from the General Fund and cash funds. Expenditures in FY 2025-26 represent computer programming and personnel costs. Expenditures in FY 2026-27, FY 2027-28, and future years reflect ongoing personnel and computer system maintenance costs, along with spending for local government reimbursements and the state share of school finance.

State transfers. In FY 2024-25, General Fund transfers under the measure include $128 million to the Local Government Backfill Cash Fund, $20 million to the Housing Development Grant Fund, and an estimated $3.67 billion to the State Education Fund, assuming the measure requires the state to reallocate surplus revenue above the base TABOR limit and under the Referendum C cap for the measure's specified uses. In FY 2025-26, General Fund transfers under the measure include $72 million to the State Public School Fund, $20 million to the

Housing Development Grant Fund, and an estimated $3.83 billion to the State Education Fund. It is unclear how the measure would interact with current law spending requirements for revenue retained under Referendum C. If the measure is interpreted not to require the reallocation of revenue retained under Referendum C, the amounts transferred will be less than estimated above.

Economic impacts. Reduced property tax revenue will increase the amount of after-tax income available for property owners to spend or save, increasing their spending, saving, or investment elsewhere in the economy. The measure will decrease revenue available for counties, municipalities, school districts, and special districts relative to current law, lowering the amount of funds available for public 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.

The measure may also reallocate state surplus revenue retained under Referendum C. This reallocation would decrease state spending on health care, public safety retirement plans, transportation, and higher education, and increase state spending on K-12 education. The economic impact of reallocated state spending would occur on a long timeline, depending on the effects of changes in spending on educational outcomes, infrastructure construction and maintenance, and health care.