

THE BELL POLICY CENTER

2023 BALLOT GUIDE

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Welcome to the Bell Policy Center's 2023 Ballot Guide!

For each measure we're analyzing this year, you'll see there are three values the proposals are scored on: tax fairness, racial equity, and economic mobility. We chose these three as all are closely aligned with the Bell's work and our organizational mission. Each value receives a rating (very bad, bad, slightly bad, neutral, slightly good, good, very good) based on how the ballot measure in question will affect these values.

RECOMMENDATION

YES NO



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Proposition HH

Property Tax Changes and Revenue Change Measure

RECOMMENDATION

YES



NO



Summary:

Proposition HH, referred to voters by the Colorado legislature, would reduce property taxes for homeowners and businesses through 2032; allow the state to retain additional revenue to backfill revenue losses to local governments, fund school districts, and assist renters; and establish a new limit on property tax revenue growth for some local governments. In 2023 only, it would make TABOR rebates equal for all taxpayers.

Recommendation:

The Bell Policy Center recommends a YES vote on Proposition HH. This measure would provide property tax relief to struggling homeowners and businesses while maintaining funding for the crucial public services these taxes support. The relief is progressively targeted toward low- and middle-value homeowners. Further, Colorado's chronically underfunded schools will benefit, receiving most of the retained revenue and bringing the state to the middle of the pack nationally. The additional funding to the State Education Fund will provide a buffer against K-12 cuts in case of a future recession. Homeowners and renters alike benefit from well-funded services, especially the public education system.

Key Facts

1. Housing prices and rents surged during the pandemic, with Colorado's already hot property values spiking. In Colorado, properties are assessed for their value every two years. The latest valuations were taken in June 2022 – the height of the housing market bubble. In much of the state, values increased by 40 percent. This hit homeowners especially hard as they were no longer insulated from these spikes after the 2020 repeal of the Gallagher Amendment.
2. Property taxes are vital sources of revenue for local communities. They pay for local transportation and water infrastructure, public safety, schools, local parks, mental health services, and many other functions of local government.
3. Proposition HH seeks to assist homeowners and businesses by lowering the amount of their property that can be taxed – through value subtractions – and how much that property is taxed through lowered assessment rates.
4. For homeowners, the value subtractions are progressive as lower-value households would see a greater proportion of their home's value untaxed. Older adult homeowners who qualify for the Senior Homestead Exemption (a benefit that reduces property taxes) would be able to carry the benefit with them if they move to a new home.
5. Starting in 2025, an additional tax break would extend to those in their primary residences. Coloradans owning more than one home would pay higher rates on these vacation or investment properties.
6. For businesses, the property tax breaks for commercial properties come gradually over time, with the reductions increasing each assessment cycle through 2032.

7. The measure would create a new TABOR cap for money retained by the state. This would be 1 percent of the previous year’s General Fund expenditures. The percentage point compounds, and is thus cumulative: It would generate \$170 million in 2023, and by 2032, it could amount to a projected \$2.2 billion per year. Along with backfilling losses in some local districts, the funds would shore up the State Education Fund, and provide some funds for a rental assistance program.
8. If Proposition HH passes, the 2023 TABOR refund mechanism will assure equal refunds for all, with single filers receiving around \$833 and joint filers receiving \$1,666. This will be an increase for those making less than \$100,000 a year (62 percent of the state.)
9. A property tax limit would also be imposed for local districts, limiting annual property tax revenue growth to the rate of inflation. This cap does not apply to school districts or other voter-approved taxes. Local governments can exceed this soft cap by conducting a public hearing and gaining approval from the elected board governing the entity or by utilizing temporary mill levy credits to lower mills in years of high assessment values.

For a more detailed explanation of Proposition HH, [consult our explainer](#).

Proposition HH

Residential Property Tax Rate Reductions & Value Subtraction

Property Type	2023	2024	2025-2032	2033 and later
Primary Residence	6.7% after \$50,000 reduction	6.7% after \$40,000 reduction	6.7% after \$40,000 reduction	7.15%
Qualified Older Adult Owner Residence	6.7% after \$50,000 reduction	6.7% after \$40,000 reduction	6.7% after \$140,000 reduction	7.15%

Proposition HH

Non-Residential Property Tax Rate Reductions & Value Subtraction

Property Type	2023	2024-2026	2027-2028	2029-2030	2031-2032
Lodging	27.85% after \$30,000 reduction	27.85%	27.65%	26.90%	26.9% or 25.9%
Commercial	27.85%	27.85%	27.65%	26.90%	26.9% or 25.9%
Renewable Energy	26.40%	21.90%	21.90%	21.90%	21.90%

Proposition HH

2023 Statewide Average Residential Property Tax Savings

House	Prop HH Annual Savings	% savings of expected increase
\$ 400,000	\$ 401	48%
\$ 650,000	\$ 540	38%
\$ 800,000	\$ 624	36%
\$ 1,200,000	\$ 848	32%
\$ 1,600,000	\$ 1,071	30%
\$ 2,000,000	\$ 1,295	29%

*assumes 43% growth in value with state average of 83 mills

Scorecard

Tax Fairness Neutral



This measure increases the cap on existing revenue retained by the state, directing these funds to backfill public services and K-12 education. Property tax relief is also progressively targeted to low- and middle-income households. In the first year, flat TABOR rebates increase the progressivity of the measure, particularly for renters, who generally have less wealth than home-owning households and will not see direct property tax relief.

Racial Equity Neutral



BIPOC Coloradans compromise a disproportionate number of the state's low- and middle-income households and will benefit from progressive property tax relief. (BIPOC is an acronym for Black, Indigenous and People of Color.) Similarly, these families comprise a large share of the renter population and will help finance property tax relief for homeowners, who are more likely to be white due to the racial home ownership gap in our state. Nevertheless, BIPOC Coloradans – whether renters or homeowners – benefit from the services this measure attempts to backfill.

Economic Mobility Good



By directing funds to the State Education Fund and alleviating years of school underfunding, per-pupil funding will increase. Per-pupil funding and the accompanying improved educational results are leading indicators of economic mobility. It also stabilizes funding for important local district services that are key to economic mobility.



Arguments For

- Colorado needs comprehensive property tax reform. Prop HH is one of a few balanced and responsible ways to respond to property values increasing too much. Passing Prop HH builds a responsible foundation for future reform.
- Colorado is the ninth least affordable state for housing, contributing to recent inflationary pressures residents are experiencing. With property tax assessments taken at the peak of the housing market bubble, homeowners are hard-pressed to pay for this spike in taxes. Renters will also struggle to afford this increase as landlords pass on the tax burden. Proposition HH alleviates those price pressures when Coloradans need it most.
- Property tax relief is targeted to lower- and middle-value households. They will be taxed proportionally less through the value subtraction.
- Following the first two years, property tax backfill needs for local governments will subsidize and funding will be directed to the State Education Fund. By FY 2031-2032, as much as \$2.2 billion annually is expected to flow into the State Education Fund. This amount reflects the massive needs of our schools, which are still grappling with nearly \$10 billion in cumulative underfunding over the past decade. This additional funding will ensure schools begin to dig out of this hole and return to adequate funding levels.
- The distribution of TABOR refunds in 2023 is progressive. Households making less than \$100,000 per year will receive higher refunds, whereas those above this threshold will see a reduction in their refund. Given our state's flat income tax rate, this is a shrewd way to make tax burdens more progressive.
- The measure creates a new owner-occupied assessment category for residential properties and awards them lower tax rates than secondary or investment homes. This is an equitable way to ensure that homes functioning as businesses are taxed at a higher rate.

Supporters: Gov. Jared Polis (D), Senate President Steve Fenberg (D), Great Education Colorado, Colorado School Finance Project, Colorado Concern, Bell Policy Center, Colorado Education Association, Education Reform Now Advocacy, Colorado Democratic Party, AARP Colorado



Arguments Against

- Colorado homeowners already pay the third lowest property tax rate in the country and our public services suffer as a result. The recent increase in property taxes is large, however, and establishes a new baseline.
- This measure is complicated and not temporary. The property tax relief needed now is due to a market peak. This measure would extend these lower rates until 2032, with the potential for legislators to extend them indefinitely. Property taxes are not a statewide tax in Colorado. If local districts have excess revenue, they can reduce their mill levies temporarily to assist struggling homeowners.
- The tax burden of this measure falls more heavily on renters – income tax revenue will backfill property taxpayers. Without continued flattening of the TABOR rebate, renters will receive less in TABOR refunds so that homeowners can pay less in property taxes. There is no mechanism requiring landlords to pass on property tax savings to their tenants. At most, renters will receive \$20 million in rental assistance per year; this is not enough as renters comprise 40 percent of the state population.
- This measure uses limited tools to solve a complicated problem. Given our state prohibition on real estate transfer taxes, property taxes are the only tool we have for taxing this asset class.

Opponents: Advance Colorado Action, Independence Institute, Americans for Prosperity - Colorado, The TABOR Foundation, Sen. Barbara Kirkmeyer (R), Colorado Association of Realtors, Colorado Republican Party, Colorado Counties Inc., Colorado Municipal League, Special District Association of Colorado

Proposition II

Retain Nicotine Tax Revenue in Excess of Blue Book Estimate

RECOMMENDATION

YES



NO



Summary:

Proposition II, referred to voters by the Colorado legislature, asks voters whether the state can keep additional revenue generated from Proposition EE. This measure passed in 2020 and increased cigarette, nicotine, and tobacco taxes to primarily fund preschool programs. Although the taxes were previously passed by voters, TABOR requires voter approval to retain funding that exceeds initial projections. Proposition EE's ballot language stated that the measure would raise \$186.5 million in the first year. Actual revenue that was brought in was \$208 million. If Proposition II is adopted, the state would retain \$23.5 million, including interest, of already-collected Proposition EE funding to support Universal Preschool (UPK). If rejected, the already-collected revenue will be refunded to the wholesalers and distributors of cigarette, nicotine, and tobacco products. Additionally, if Proposition II is rejected, the Colorado Department of Revenue will lower existing and future cigarette, nicotine, and tobacco tax rates by 11.53 percent.

Recommendation:

UPK is crucial to a community's wellbeing and current programming needs more funding to be more impactful. Additional sustainable and equitable funding streams should continue to be considered by the state. However, retaining the additional revenue generated by Proposition EE will help the state achieve its goals to support as many children as possible in accessing high quality universal preschool. The Bell Policy Center recommends a YES vote.

Key Facts

1. Proposition EE provided funding for UPK. Starting in the fall of 2023, every 4-year-old, and 3-year-old with qualifying factors, can receive at least 15 hours of free preschool. In addition, 4-year-olds can receive up to 30 hours of UPK if they have two or more qualifying factors. Several examples of qualifying factors include being from a family with low income or experiencing homelessness, or being a dual language learner.
2. Due to funding constraints, the state reduced the number of children who qualify for 30 hours of UPK.
3. The early childhood education (ECE) ecosystem, of which preschool is a part, is underfunded. To fund ECE adequately and pay early childhood educators a wage that meets their basic needs would require an additional \$1.2 billion in fiscal year 2023.
4. ECE remains unaffordable for many Colorado families, who are spending between 13 to 30 percent of their household income on ECE. UPK is projected to save families an average of \$6,000 a year.
5. As of early August 2023, nearly 37,000 children have been matched with a UPK provider, just over 33,000 of whom have enrolled, representing 52.4 percent of the eligible population. This is just slightly above the expected participation rate of 50 percent.

- 6. Only 12 percent of the adult population are smokers. In 2021, Colorado households with incomes at or below 250 percent of the federal poverty level (FPL) had a higher prevalence of smokers than those with incomes greater than 250 percent FPL.
- 7. In Colorado, Black and Latino communities have the highest percentage of smokers compared to white and Asian Coloradans.

Scorecard

Tax Fairness Neutral/ Slightly bad



The tobacco industry has historically targeted low income and communities of color in their marketing and there is a larger prevalence of smoking in these communities. Therefore, a sin tax on nicotine and tobacco products disproportionately taxes low-income and communities of color. However, the tax revenue is invested in a universal preschool program and tobacco education programs set to benefit these communities.

Racial Equity Neutral



As mentioned above, a tax on nicotine and tobacco products disproportionately taxes Coloradans of color and low-income households. Given that Black, Latino, and Indigenous populations are overrepresented in lower-income households, they stand to be disproportionately impacted. However, the funds are used for the expansion of preschool programs. Although initial UPK data is limited, additional funds from Proposition II may support additional preschool hours for those with qualifying factors.

Economic Mobility Very Good



Funding universal preschool is crucial for the economic mobility of future generations. Access to universal preschool is correlated with higher academic outcomes, a higher likelihood of graduating high school, and higher earnings in the workforce, all of which impact a person's upward economic mobility. Public investments in UPK are necessary to ensure families and children can access high quality care, especially considering that Colorado's funding for ECE largely falls short.



Arguments For

- Passing Proposition II allows the state to retain revenue it has already collected at a tax rate voters approved in 2020, and for its intended use – preschool programs – rather than refund the money to tobacco, nicotine, and cigarette wholesalers and distributors.
- The additional revenue will support UPK, which is critical for a child’s development and future academic and earning potential. However, with current funding, most children receive 15 hours a week and only a limited number of Colorado children with qualifying factors are receiving additional hours. The excess revenue retained by passing Proposition II may help more children receive additional hours of UPK.

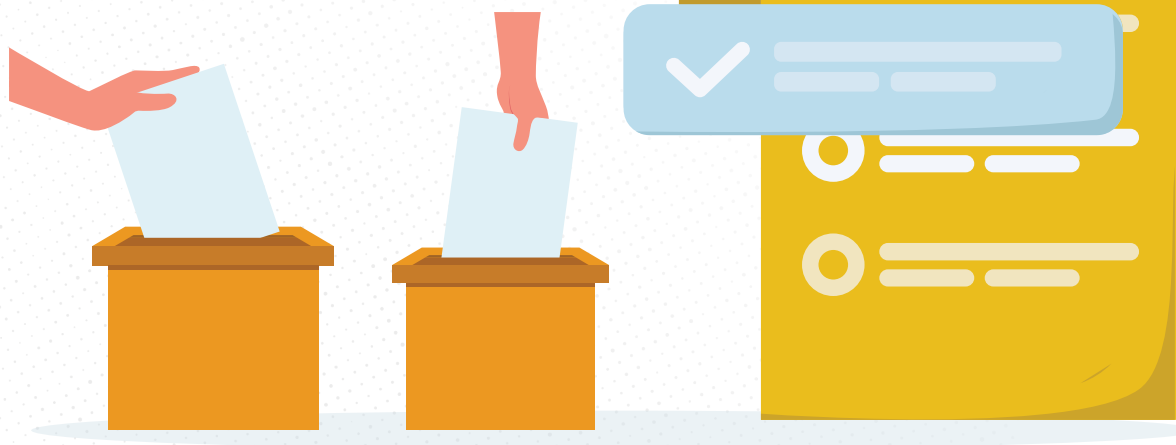
Gov. Jared Polis (D), Sen. Rhonda Fields (D) and former state Sen. Dominick Moreno (D), Colorado House Speaker Julie McCluskie (D) and Rep. Emily Sirota (D), Preschool for All Coloradans, Save the Children Action Network, Colorado Children’s Campaign, Bell Policy Center, Healthier Colorado, Children’s Hospital Colorado, Great Education Colorado



Arguments Against

- The tobacco industry has historically targeted low-income communities and communities of color. This has led to higher nicotine, tobacco, and cigarette use among those in these communities. As a result, the taxes imposed through Proposition EE and maintained through Proposition II disproportionately impact those from traditionally marginalized communities.

Opponents: None to date





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The Bell Policy Center is a nonprofit 501(c)(3) that advances policies supporting economic mobility for every Coloradan. The Bell produces this ballot guide to help voters make informed decisions. More information about the Bell Policy Center is available at www.bellpolicy.org.