The Bell Policy Center

DESTRUCTIVE PROPERTY TAX CUTS: INITIATIVES 50 AND 108

Initiative 50

Initiative 50 would institute a constitutional 4 percent annual cap on total statewide property tax revenues, and force a statewide vote for any local district that wishes to keep revenues above that cap. Initiative 50 has qualified for the 2024 November ballot and needs 55 percent of the vote to pass.

- Local property tax revenue would decrease by $115 million in the first year and lost property tax revenue would reach $1 billion by the third year of this initiative.
- Because the cap is on total statewide property tax revenue, local districts would be pitted against one another. If the metro area grows disproportionately faster than rural areas, rural areas could find themselves facing a cap even if their revenues did not grow more than 4 percent per year. There is no mechanism for backfill, so these losses would only be for local governments, school districts, and special districts leading to cuts to programs like K-12 education, mental and behavioral health services, parks and road maintenance, fire safety, and water infrastructure.
- Initiative 50 would decrease the local share of education funding by $121 million in the first year, reaching $1.38 billion by 2032. This would assuredly bring back the Budget Stabilization Factor, which was eliminated this year for the first time since it was first enacted in 2009.
- The 4 percent cap on revenue growth would quickly crowd out new development and require statewide votes for any new local bonding for infrastructure and new housing construction.
- The cap does not keep pace with inflation. In years of higher inflation, this cap would amount to a negative revenue growth mandate. In more normal times, a 4 percent cap after inflation becomes a 2 or even 1 percent cap. This hardly allows for governments to maintain existing services, let alone respond to public demands for new and/or increased services.

Initiative 108

Initiative 108 would cut residential property assessment rates from 5.7 percent and non-residential property assessment rates from 29 percent to 24 percent, and mandate that the General Fund backfill all local districts. This initiative is currently being circulated for signatures. It would only need 50 percent of votes at the ballot to pass.

- These rate changes would reduce local property tax revenue by $3 billion in the first year (with the loss increasing over time.)
- Because of the requirement that all lost revenue from local districts be backfilled, the state General Fund would have to send $3 billion – approximately 15 percent of the total budget - to local districts. This level of state budget cuts would be equivalent to the budget cuts made at the height of the Great Recession.
- $3 billion is equivalent to the combined general fund appropriations for the Departments of Agriculture, Early Childhood, Governor, Judicial, Labor and Employment, Law, Legislative, Local Affairs, Military and Veteran Affairs, Natural Resources, Personnel, Public Health and Environment, Public Safety, Regulatory Agencies, Revenue, State, Transportation, and Treasury.
- Appropriations to higher education, which currently amount to $1.6 billion from the State's General, are most likely to be severely cut.
- There is no assurance that the State would be able to fully backfill local services, and while they will be statutorily obligated to do this, it will become virtually impossible for the legislature to maintain current K-12 funding levels with even more severely cutting a number of important state and local services that schools themselves rely on to serve students.

Either of these measures would have a devastating impact on Colorado. The combined impact of both passing is unimaginable. The negative impact of these policies would be felt in every sector of our economy. Furthermore, the Colorado legislature already addressed property tax issues by passing bipartisan, responsible relief in the 2024 session in the form of SB24-233. It balanced multiple, important interests to simultaneously provide responsible rate reductions to property owners, ensure more predictability for homeowners and businesses, protect K-12 funding, and avoid deep cuts to the local governments that provide essential community services.

The Bell Policy Center will continue to analyze and share the consequences that Initiatives 50 and 108 would have on Coloradans.