

CCI Annual Winter Conference

Living in Interesting Times

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At the End of the First Decade

- ❑ Worst recession since the Great Depression of the 30s
 - ❑ Colorado's state fiscal system entangled in constitutional vise
 - ❑ Local governments dependent upon uncertain sales tax revenues and declining property values
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Three Proposed Initiatives

- ❑ Amendment 60 (Initiative #12) Local property taxes
 - ❑ Amendment 61 (Initiative #21) State and Local Government Debt
 - ❑ Proposition 101 (Initiative #10) Cuts state and local vehicle and telecommunication taxes, and reduces the state income tax rate – note – statutory change
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Amendment 60

- Constitutional amendment that:
 - Allows petitions in all districts for elections to lower property taxes
 - Requires enterprises and authorities to pay property taxes; offsets those revenues with lower tax rates
 - Prohibits enterprises and unelected boards from levying fees or taxes on property
 - Sets expiration dates for certain tax rate and revenue increases
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Amendment 60 (cont.)

- Restores TABOR tax limits “that have been violated, changed, or weakened” without state voter approval, or that were not approved by voters without certain ballot language. Essentially revokes “de-Brucing”.
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Amendment 60 (cont.)

- ❑ Allows for reductions in property taxes.
 - ❑ Applies a ten-year limit on future property tax increases.
 - ❑ Eliminates the ability to extend expiring property taxes without an election.
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Amendment 60 (cont.)

- ❑ Overturns previous local voter decisions to allow school districts, counties, municipalities and special districts to retain revenue above TABOR limits.
 - ❑ Sets limit of four years for future “de-Brucing” approved by the voters.
 - ❑ For school districts, cuts current mill levy rates in half over 10 years. Revenue to be replaced by state aid.
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Amendment 61

- Amends the constitution concerning:
 - Limits government borrowing
 - Prohibits future borrowing in any form by state government
 - Requires voter approval of future borrowing by local governmental entities
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Amendment 61 (cont.)

- Limits the form, terms and amount of total borrowing by each local governmental entity
 - Directs all current borrowing to be paid
 - Reduces tax rates after certain borrowing is fully repaid
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Amendment 61 (cont.)

- Colorado's constitution currently prohibits the state from issuing general obligation bonds. However, the state does issue revenue anticipation notes and issues certificates of participation at the new health sciences campus and for other capital projects at colleges and for some K-12 schools. These would not be allowed under #61.
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Amendment 61 (cont.)

- Requires local governments, including enterprises and other entities, to seek voter approval before borrowing money. All local borrowing would be considered bonded debt to be repaid within 10 years.
 - Requires local governments to cut their tax rates by the amount of their annual debt payments after the debt is paid, even if debt was not repaid by tax revenue.
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Amendment 61 (cont.)

- Example: Arapahoe County pays \$1.6 million in COP payments. Once the COPs are paid off in 2017, it would have to lower tax rates to reduce revenues by \$1.6 million annually. This, even though the COPs are paid with lease payments from the Arapahoe County Airport Authority.
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Amendment 61 (cont.)

- Under current law, counties and cities can borrow up to 3% of actual value. The amendment changes that to 10% of assessed value. Under current law the 3% limit would equal \$1.9 billion. If adopted, the debt limit would equal 10% of \$7.8 billion in total assessed value or \$780 million.
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Proposition 101

- Amends Colorado Revised Statutes:
 - Statutory changes can be altered by the General Assembly
 - Reduces vehicle ownership taxes over four years to “nominal” amounts
 - Ends taxes on vehicle rentals and leases
 - Phases in, over four years, a \$10,000 vehicle sales price tax exemption;
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Proposition 101 (cont.)

- Sets yearly registration, license and total charges at \$10 per vehicle
 - Repeals other specific vehicle charges
 - Lowers the state income tax rate to 4.5% and phases in a further reduction to 3.5%;
 - Ends state and local taxes and charges, except 911 charges, on telecommunication service customer accounts; states that any added charges on vehicles and telecommunication accounts shall be tax increases.
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Proposition 101 (cont.)

- Estimated State Government Impacts:
 - \$1.2 billion in income tax after 10 years
 - \$179 million in transportation by elimination of FASTER fees
 - \$164 million in transportation by cutting registration, license and title fees to \$10
 - \$100 million in sales taxes from exempting the first \$10,000 from sales taxes
 - \$22 million by eliminating sales taxes on rental vehicles
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Proposition 101 (cont.)

□ State Government Impacts

- \$4.5 million in telecommunication fees
 - Another \$72 million that is used to subsidize telecommunications in rural areas would be decreased

 - Preliminary total: \$1.7 billion
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Proposition 101 (cont.)

- Estimated Local Government Impacts:
 - \$500 million in specific ownership taxes with reduction to \$2 per new and \$1 per used vehicle
 - \$100 million in sales taxes from exempting \$10,000 in value from sales taxes
 - \$22 million by eliminating sales taxes on rental vehicles
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Proposition 101 (cont.)

- Estimated Local Government Impacts:
 - Projections do not include a variety of impacts such as leased vehicles and sales from independent dealers and private individuals.
 - Preliminary total for local governments: \$622 million
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Notes on Numbers

- ❑ The numbers in this analysis were produced by The Bell Policy Center. It is to be expected that these numbers will be revised as new information is gathered.
 - ❑ Other groups will be presenting estimates on possible impacts of these initiatives.
 - ❑ If these initiatives make the ballot, the Legislative Council will be presenting further fiscal analysis in the Blue Book.
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