

## **Proposition HH: Implications for Home Rule Cities**

*A resident of Loveland who attended the October 9 LWVLC presentation on Ballot Issues contacted the Colorado General Assembly's Legislative Council to get more information about how Proposition HH would be applied in home rule cities and towns. LWVLC thanks this resident for sharing the response. The 3 clarifying questions posed and the responses received are copied below. **The response was provided by the Legislative Council's Anna Gerstle, Senior Fiscal Analyst & School Finance Analyst.***

### **Question 1: If every "Home Rule" city opted out, how much would that change the numbers of what you are trying to achieve by this Proposition?**

Response: There are two components of Prop HH that will reduce property taxes. Reductions in assessed value will impact all property owners, regardless of whether they're located in a home rule city. The local government property tax limit would limit growth in property tax revenue in any local jurisdiction that chooses to abide by the limit and which is projected to collect property tax revenue above the limit; however, this limit does not apply to home rule jurisdictions or school districts.

Our office has estimated that Prop HH will reduce property taxes owed statewide by \$400 million in 2024, \$960 million in 2025 and \$1.09 billion in 2026 as a result of assessed value changes. This reduction would occur regardless of how many local governments abide by the property tax limit.

Depending on how many local governments waive the limit, the local property tax limit is estimated to reduce property taxes by an additional \$510 million in 2024, \$470 million in 2025, and \$520 million in 2026. Home rule jurisdictions and school districts are not subject to the limit, so they are not included in these estimates. All other local governments can choose to waive the limit or abide by it.

### **Question 2: If the city I live in opts out, how would that affect the property taxes for those in my city?**

Response: If you live in a home rule city or in a local government that opts out of the local property tax limit, you will still receive the property tax reductions that result from Prop HH lowering a property's assessed values, but will not receive an additional reduction from the local property tax limit. It is possible that some local governments in your area will abide by the limit, and others will opt out or are not subject to it. For example, your county could opt out, your school district/home rule city is not subject to it, and special districts in your area could abide by it. If any of the local governments in your area abide by it, you would see additional property tax savings.

**Question 3: Also, how would that affect the distribution of school funding?**

Response: The local government property tax limit does not apply to school districts and thus, does not impact school funding. The provisions of Prop HH that result in lower assessed values, and thus lower property taxes, will reduce local revenue to school districts; however, the state will reimburse school districts for lost property tax revenue through the school finance formula, using money retained from the TABOR provisions of Prop HH. If your school district has additional property taxes for education that are structured in a way where the tax rate (mill levy) is fixed, the district may have a property tax revenue reduction as a result of Prop HH, but this will vary significantly by district.