THANKS for your TIME today!

THANKS for your leadership in this community!
Where in the Colorado is THAT???
Where in the Colorado is THAT???
Where in the Colorado is THAT???
Where in the Colorado is THAT???
Where in the Colorado is THAT???
While our representative democracy may be the best form of government in the world, no form of government is perfect.

A democracy is only effective at representing the people’s will to the extent that the people:
• Are INFORMED about their choices, and
• PARTICIPATE in their elections.
Two realities that challenge our government’s ability to make good public policy...

1. Our representative democracy rewards the loudest voices in the public policy debate. .... And sometimes the loudest voices don’t represent the majority OR advocate for the best public policy.

2. Our 2-party system encourages political parties (and their elected representatives) to accentuate their DIFFERENCES rather than work together for the common good.
WHO is “Building a Better Colorado”?

BBCO is a non-partisan group of statewide civic leaders who believe that Colorado CAN be better, and that the pathway to a better Colorado lies in engaging citizens in a constructive conversation about what THEY want their state to be.
WHAT is BBCO doing?

• We’re engaging Coloradans in an honest, non-partisan conversation to learn what THEY want their state to be.

WHAT is BBCO NOT doing?

• We’re NOT advocating for any particular policy recommendation.
Who is funding the “Building a Better Colorado” project?

- The Anschutz Foundation
- Boettcher Foundation
- Bohemian Foundation
- Buell Foundation
- Caring for Colorado Foundation
- Gates Family Foundation
- Mile High United Way
- Piton Foundation
WHAT has BBCO done?  
(2015 effort)

- Engaged over 10,000 Coloradans.
  - 1500 community leaders participated in 30 meetings across the state
  - 7000 participants weighed in on our online survey
  - 3000 people participated in phone surveys

- Discussed over 50 ideas covering 3 policy areas:
  1. Ballot initiative process
  2. Election system
  3. Fiscal policy
WHAT has BBCO done? (2015 effort)

FIVE consensus policy recommendations grew out of BBCO's 2015 conversation:

1. INITIATIVE PROCESS: Make our initiative process more inclusive of the entire state and make it harder to amend our state constitution.

2015 Raise the Bar campaign: Voters adopted Amendment 71 by 56%.

2. ELECTION SYSTEM: Make it easier for Unaffiliated voters (the largest block of voters) to vote in the primary of their choice.

2016 Let Colorado Vote campaign: Voters adopted Prop 108 by 53%.

3. ELECTION SYSTEM: Reinstate a Presidential Primary for Colorado.

2016 Let Colorado Vote campaign: Voters adopted Prop 107 by 64%.

4. FISCAL POLICY: Exempt the Hospital Provider Fee from the TABOR revenue limit.

The Colorado legislature passed this in 2017 (SB17-267).

5. FISCAL POLICY: Set aside the TABOR revenue limit for 10 years and dedicate any additional funds to Transportation, Education, Senior Care, and Mental Health Services.

FIVE consensus policy recommendations grew out of BBCO's 2015 conversation:

4 out of the 5 consensus policy recommendations from 2015 were ultimately implemented as state policy!

Empowering community leaders to develop consensus policy solutions can influence others.

YOUR opinion here today MATTERS!
2019: Engaging Civic Leaders in 37 Communities across Colorado
TABLE COMPETITION!

How much do YOU know about Colorado’s fiscal facts?
Where does Colorado rank in terms of highest STATE tax burden?

A. 8\textsuperscript{th} highest
B. 19\textsuperscript{th} highest
C. 31\textsuperscript{st} highest
D. 39\textsuperscript{th} highest

D. 39\textsuperscript{th} highest
What percent of Colorado’s 178 school districts are using a 4-day school week?

A. 24%
B. 37%
C. 43%
D. 58%

D. 58%
In 1991, Colorado spent $125 per person on transportation infrastructure. How much did the State spend per person in 2018? (adjusted for inflation)

A. $69
B. $85
C. $112
D. $138

Correct answer: A. $69
In 2000, the State contributed 68% of the cost for in-state college tuition. What percent does the State contribute today?

A. 30%

√B. 35%

C. 52%

D. 62%
In 1982, when Coloradans adopted the “Gallagher Amendment” to our state constitution, 30% of each residential property was subject to property taxation.

What percent of each residential property is subject to property taxation today?

A. 7.2%
B. 16.3%
C. 23.8%
D. 30%

A. 7.2%
BBCO is NOT advocating for any particular policy outcome today.

We are only advocating for an honest conversation.
Colorado has Embedded Fiscal Policy into our Constitution

1876: Colorado’s first constitutional fiscal policy was the requirement to maintain a BALANCED BUDGET.

1982: Coloradans adopt the “Gallagher Amendment” which freezes the ratio of “Residential” and “Non-Residential” property value in the state.

1992: Coloradans adopt the “Taxpayers Bill of Rights (TABOR) Amendment” which limits revenues to state and local governments and requires voter approval to raise taxes.

2000: Coloradans adopt “Amendment 23” which requires the state to fund K-12 Education at a minimum level.
Though each was individually well-intended, "Gallagher", "TABOR" and "Amendment 23" are the Three Threads of the fiscal "Gordian Knot" in our State Constitution which have collectively created unintended consequences that have challenged our "Colorado" quality of life.

If we want to sustain our quality of life, we cannot continue on the current fiscal path which our constitution now mandates.
WHAT is the “Gallagher Amendment” and HOW does it challenge our “Colorado” quality of life?
What is property tax used for?

- Property taxes pay for local government services. 50% of property tax revenues were used to fund local K-12 school districts.

- Property tax revenues do NOT pay for any state services like highways, prisons, or higher education. Colorado hasn’t imposed a state level property tax since 1964.
How is my property tax calculated?

Property Tax Revenue = Assessed Property Value (The taxable value of property.) \times Base Property Value (market value) \times Assessment Rate \times Mill Levy (The rate of taxation approved by local voters.)

<table>
<thead>
<tr>
<th>Property Class</th>
<th>Assessment Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>Agricultural</td>
<td>29.0</td>
</tr>
<tr>
<td>Commercial</td>
<td>29.0</td>
</tr>
<tr>
<td>Industrial</td>
<td>29.0</td>
</tr>
<tr>
<td>Residential</td>
<td>Fluctuates, currently 7.2%</td>
</tr>
<tr>
<td>State Assessed</td>
<td>29.0</td>
</tr>
<tr>
<td>Vacant Land</td>
<td>29.0</td>
</tr>
</tbody>
</table>

1 Mil = $1 of tax for each $1,000 of a property’s “Assessed Value”
How is my property tax calculated?

<table>
<thead>
<tr>
<th>Property</th>
<th>Revenue</th>
</tr>
</thead>
<tbody>
<tr>
<td>Annual</td>
<td>$2,160</td>
</tr>
</tbody>
</table>

Assessed Property Value (The taxable value of property.)

<table>
<thead>
<tr>
<th>Base Property Value</th>
<th>Assessment Rate</th>
<th>Mill Levy</th>
</tr>
</thead>
<tbody>
<tr>
<td>$500k</td>
<td>7.2%</td>
<td>60 mils</td>
</tr>
</tbody>
</table>

$$\text{Annual Property Tax Revenue} = 1 \text{ Mil} = \frac{\$1}{1,000}$$

$$\text{Mill Levy} = \frac{\$2,160}{\$500k} \times 60 \text{ mils} = 7.2\%$$

1 Mil = $1 of tax for each $1,000 of a property’s “Assessed Value”
The Gallagher Amendment was part of a package of property tax changes in our state constitution which the Colorado legislature referred to voters as Amendment #1 on the 1982 ballot.

The Gallagher Amendment froze the ratio of the total value of Non-Residential and Residential property to 1982 levels, so that Residential property in Colorado would always constitute approximately 45% of the total property valuation.
Colorado’s robust population growth has resulted in the state’s total Residential property value significantly outpacing the growth of the state’s total Non-residential property value.
What prompted Amendment 1?

Amendment 1 was the culmination of a property tax revolt that began in Colorado in the late 1970’s.

- There was growing frustration among Colorado voters about the increasing property tax which they were paying as their property values grew.

- There was no statewide oversite to ensure that each county assessed property values in a consistent manner.
Gallagher: Why does it matter?

1. Gallagher is forcing down the Assessed Value of houses and this erosion of the Residential property tax base is jeopardizing local funding for essential community services like schools and fire protection.
Residential Property currently makes up about 80% of total property values in Colorado.

BUT... Gallagher limits Residential property value to represent only 45% of total property value.
If the Total Value of all Residential Property MUST STAY @ 45%,

\[
\text{Assessed Property Value} = \text{Base Property Value} \times \text{Assessment Rate}
\]

And Residential Property values are growing FASTER than Non-Residential values,

Then you HAVE to lower the Assessment Rate for Residential Property.
When the growth in value of Residential property in the state outpaces the growth in the value of Non-Residential property, the only way to maintain Gallagher’s forced “45:55” ratio is to reduce the Residential Assessment Rate.
**EXAMPLE:**
The property tax collected on a $300,000 house in a local taxing district that collects 60 mills (mill rate of 60/1000 = .06) would be:

<table>
<thead>
<tr>
<th></th>
<th>1981</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Market Value of house</td>
<td>$300,000</td>
<td>$300,000</td>
</tr>
<tr>
<td>X Assessment Rate</td>
<td>30%</td>
<td>7.2%</td>
</tr>
<tr>
<td>X Mill Levy rate (60 mills)</td>
<td>.06</td>
<td>.06</td>
</tr>
<tr>
<td>= Annual Property Tax collected</td>
<td>$5,400</td>
<td>$1,296</td>
</tr>
</tbody>
</table>

(a reduction of over $4,000 in property tax revenue annually)
2. The forced decline in the Residential Assessment Rate disproportionately and adversely impacts the poorest communities with the lowest rates of growth in Residential property values.
Rising Property Values in Some Communities Can Help Offset Declining Residential Property Tax Revenues

If the Residential Assessment Rate DECLINES by 10%...

... But property values INCREASE by 8%...

The result is a NET 2% DECREASE in taxable property value.
...But Communities with Slower Growth Realize a More Severe Reduction in Property Values

If the Residential Assessment Rate DECLINES by 10%...  
... And property values DECREASE by 5%...  
The result is a NET 15% DECREASE in taxable property value.
... And the state’s poorest communities are typically located in rural areas which have the slowest growth in Residential market.
3. Efforts by local taxing authorities to increase their mill levy to offset the erosion of their Residential tax base decline, shifts the property tax burden to Commercial/Business property owners which creates an unfriendly tax environment for growing and attracting businesses.

Gallagher: Why does it matter?
Commercial and Industrial properties bear over 4X the property tax burden of Residential property owners on property with the same market value.

<table>
<thead>
<tr>
<th>Property Tax on $1 Million Property at 100 Mills</th>
</tr>
</thead>
<tbody>
<tr>
<td>Commercial or Industrial</td>
</tr>
<tr>
<td>Residential</td>
</tr>
<tr>
<td>$35,000</td>
</tr>
<tr>
<td>$30,000</td>
</tr>
<tr>
<td>$25,000</td>
</tr>
<tr>
<td>$20,000</td>
</tr>
<tr>
<td>$15,000</td>
</tr>
<tr>
<td>$10,000</td>
</tr>
<tr>
<td>$5,000</td>
</tr>
<tr>
<td>$-</td>
</tr>
</tbody>
</table>
Gallagher: Why does it matter?

4. The Taxpayers Bill of Rights (TABOR) further complicates the property tax challenge created by the Gallagher Amendment.
TABOR Challenge #1: Ratcheting down of the Residential Assessment Rate

GALLAGHER says...
The Residential Assessment Rate has to AUTOMATICALLY DECLINE when the value of residential property rises faster than non-residential property.

TABOR says...
The Residential Assessment Rate CAN’T INCREASE without a vote of the people.
TABOR Challenge #2: Ratcheting down of the Mill Levy

Prior to TABOR, local Mill Levies used to be able to float up and down to maintain consistent funding for the services which voters have approved.

When Property Values ROSE...

...Taxing jurisdictions could choose to LOWER their Mill Levy.

When Property Values DECLINED...

...Taxing jurisdictions could RAISE their Mill Levy.

TABOR REQUIRES Mill Levies to DECREASE when property values rise.

TABOR PROHIBITS Mill Levies from INCREASING without a vote of the people when property values decline.
5. The declining ability of local school districts to adequately fund K-12 education has shifted the K-12 funding burden from local school districts to the State, leaving less funds available to support other state programs.

Gallagher: Why does it matter?
Potential “Gallagher” Policy Options
Gallagher Policy Option #1: Do nothing.

**PROS**

A. Easiest option.

B. Almost guarantees that our Residential property taxes will continue to decrease.

**CONS**

A. Will continue to reduce funding for local services, disproportionately adversely impact poorer communities, continue shift in tax burden to business sector, and continue to grow state’s share of K-12 funding.
Gallagher Policy Option #2:
Repeal Gallagher’s frozen ratio between Residential and Non-Residential property to stop the decline in the Residential Assessment Rate.

**PROS**

A. Stops erosion of funding for local services, disproportionate adverse impact on poorer communities, shift in tax burden to business sector, and growth of state’s share of K-12 funding.

B. By simply REPEALING language in the constitution, it only requires simple majority to pass.

**CONS**

A. Stops the continued decrease in the Residential property tax rate.

B. Possibly difficult to sell to voters.
Gallagher Policy Option #3:
Reclassify “non-primary residences” and/or “vacation rentals” at a higher assessment rate to slow the growth in value of Residential Property and slow the decline in the Residential Assessment Rate.

**PROS**

A. SLOWS erosion of funding for local services, shift in tax burden to business sector, and growth of state’s share of K-12 funding.

B. Would likely still allow Residential Assessment Rate to decrease.

C. Possibly easier to sell to voters. (Wouldn’t even need voter approval if legislature reclassified these properties as highest “non-residential” rate of 29%.)

**CONS**

A. Likely doesn’t stop erosion of funding for local services, disproportionate adverse impact on poorer communities, shift in tax burden to business sector, and growth of state’s share of K-12 funding.
Gallagher Policy Option #4:
Replace the STATEWIDE Residential assessment rate with a REGIONAL rate to prevent Hi-growth areas from driving down the Residential assessment rate in LO-growth areas.

**PROS**

A. Prevents growth in residential values on ONE area of the state (metro) from forcing down the Residential Assessment Rate in OTHER areas where values aren’t growing as fast, thus slowing or stopping erosion of residential property tax base to fund local services.

**CONS**

A. Creates inequities in Residential Assessment Rates for properties which are adjacent/near established regional boundaries.

B. Could create complexities for taxing districts which span multiple regions.
Gallagher Policy Option #5: Amend TABOR to allow taxing authorities to automatically increase/decrease their mill levies to sustain a constant revenue stream in response to decreases/increases in the Residential assessment rate.

**PROS**

A. Stops erosion of funding for local services and growth of state’s share of K-12 funding.

**CONS**

A. Potentially accelerates the shift of property tax burden from Residential to Non-residential which disproportionately adversely impacts rural communities with less commercial value.
Building a Better Colorado

Thanks for participating in this conversation!

Visit our website at www.betterco.org to learn more and view the results of this and other community meetings!