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Legislative Update: Jan. 18, 2017



Reduction in property tax revenue prompts \$110 million request to aid schools

Governor wants to cut homestead exemption, raise pot sales tax

Because a constitutionally mandated reduction in the statewide assessment rate will reduce local property tax funding for public schools by \$135.1 million, **Gov. John Hickenlooper** proposed two budget amendments to support K-12 education.

In a letter to the Joint Budget Committee on Tuesday, the governor's Office of State Planning and Budgeting (OSPB) proposes increasing the sales tax on recreational marijuana to 12 percent (raising an additional \$41.9 million) and cutting in half the Senior Homestead Exemption (freeing up \$68.1 million) to support school finance. Together, those total \$110 million.

In November, the governor's budget request increased the negative factor to \$876.1 million for 2017-18. Now, with the reduction in local property taxes, and factoring in changes in enrollment and projected inflation, the state estimates it will fall \$106.2 million short of maintaining that figure. Put another way, without the amendments, the negative factor would increase to almost \$1 billion.

Adding the Senior Homestead Exemption and marijuana sales taxes to the mix adds more layers of complexity to the 2017 school finance debate. OSPB said both amendments require legislative but not voter approval.

The reduction in the statewide assessment rate is caused by the Gallagher Amendment. It says that revenue from residential property taxes cannot exceed 45 percent of total state revenue from property taxes. When home values rise faster than those for commercial properties, as has happened in recent years, it triggers a reduction in rate for residential tax assessments.

Henry Sobanet, director of the OSPB, summarized the impact on school financing: "One part of the Constitution lowers property taxes for schools and shifts the burden to the State, and another part of the Constitution says the K-12 school budget has to grow.

This is a prime example of why we call our budget rules a 'fiscal thicket.' "

The school finance portion of the OSPB letter concludes: "While these proposals can help us in the short term, we believe that structural reforms to the rules that control school finance are an imperative for the State and this work should begin during this legislative session. Members of the OSPB and I are available to meet with you and any members of the General Assembly who are interested in addressing this issue."

[Press release](#)

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