SCR06-001

Colorado Legislative Council Staff

STATE and LOCAL REVISED FISCAL IMPACT

(replaces fiscal impact dated January 18, 2006)

Drafting Number:	LLS 06-0582	**Date:**	April 27, 2006
Prime Sponsor(s):	Sen. Evans Rep. Gallegos	**Bill Status:**	House Appropriations
		Fiscal Analyst:	Josh Harwood (303-866-4796)

TITLE: SUBMITTING TO THE REGISTERED ELECTORS OF THE STATE OF COLORADO AN AMENDMENT TO SECTION 3.5 OF ARTICLE X OF THE CONSTITUTION OF THE STATE OF COLORADO, CONCERNING THE EXTENSION OF THE EXISTING PROPERTY TAX EXEMPTION FOR QUALIFYING SENIORS TO ANY UNITED STATES MILITARY VETERAN WHO IS ONE HUNDRED PERCENT PERMANENTLY DISABLED DUE TO A SERVICE-CONNECTED DISABILITY, AND, IN CONNECTION THEREWITH, EXCLUDING PAYMENTS MADE TO COMPENSATE LOCAL GOVERNMENTAL ENTITIES FOR PROPERTY TAX REVENUES LOST AS A RESULT OF THE EXTENSION OF THE EXEMPTION FROM STATE FISCAL YEAR SPENDING.

Fiscal Impact Summary	FY 2006/07	FY 2007/08
State Revenues General Fund		
State Expenditures General Fund Cash Funds - HUTF Transfer through SB 97-1		 up to $1,040,000 (up to $1,040,000)
FTE Position Change	0.0 FTE	0.0 FTE
Effective Date: Upon voter approval at the November 2006 general election. Applies to property tax years beginning January 1, 2007.		
Appropriation Summary for FY 2006/07: None Required.		
Local Government Impact: There would be minimal administrative cost increases associated with additional mailings and application processing.		

Summary of Legislation

The resolution, if approved by voters in the November 2006 general election, will allow for the senior homestead exemption to be extended to veterans who are 100 percent permanently disabled due to a service-connected disability. The exemption would apply to half of the first $200,000 in market value for a given qualifying homeowner. The resolution makes the cost associated with the backfill of revenue to local governments for lost property taxes to be a voter-approved revenue change, thereby allowing the state to retain the revenue necessary to backfill local governments out of surplus revenue. However, given the passage of Referendum C, the state is already retaining all available revenue through FY 2009-10, so no additional revenue would be retained. Furthermore, following the five year period, it appears as though the resolution, as currently structured, would not allow the state to retain revenue above that which is allowed under Referendum C.

Background. The original homestead legislation submitted a question to the registered electors of the State of Colorado at the general election in November 2000 to amend the State Constitution. Specifically, the resolution required that for property tax years commencing on or after January 1, 2002, 50 percent of the first $200,000 of actual value of residential real property would be exempt from property taxation for property owners who meet the following criteria:

- the owner-occupier is 65 years of age or older, and has owned and occupied the residence as his or her primary residence for the ten years immediately preceding the assessment date; or
- the property is the primary residence of the spouse or surviving spouse of a qualified owner-occupier.

For property tax years commencing on or after January 1, 2003, the resolution authorized the General Assembly to raise or lower the exemption. During the 2003 session, the General Assembly lowered the amount of value exempted to zero for the 2003, 2004, and 2005 property tax years, effectively suspending the exemption for three years. The exemption is scheduled to return for the 2006 property tax year.

The General Assembly would compensate local governments for the net amount of property tax revenue lost as a result of the property tax homestead exemption. This “backfill” would constitute a voter-approved revenue change and would not be included in state or local government fiscal year spending, and would not be subject to any statutory limitation on General Fund appropriations.

State Revenues and Expenditures

The senior homestead exemption is administered by the Department of Treasury. The department reimburses counties for the property tax loss associated with the exemption. Based on figures provided by the federal Veterans Administration and the Department of Military and Veterans Affairs, staff estimates that extending the exemption to disabled veterans would result in an additional 2,237 program participants. The average exemption for the 2007 property tax year is estimated to be $466. Assuming all eligible homeowners apply for the exemption, this would result in a $1,040,000 increase in funds necessary to reimburse counties for the exemption in FY 2007-08.

For those income taxpayers that itemize deductions, the decreased level of property taxes paid would result in a decreased deduction on their income taxes. The result would be a minimal increase in state revenues. Though a figure has not been estimated due to data limitations, staff expects that this number would be less than $40,000.

Based on the March 2006 Legislative Council Staff revenue forecast, there is enough revenue to fund a partial diversion to the Highway Users Tax Fund (HUTF) under the provisions of Senate Bill 97-1 beginning in FY 2006-07. The Senior Homestead Exemption Program is funded outside the 6 percent appropriations growth limit. Therefore, the increased expenditure needed to fund the bill would serve to reduce moneys available for transfer to the HUTF by the amount of expenditures needed to fund the increased program.

Local Government Impact

Local governments could see minimal cost increases associated with mailings and the processing of additional exemption applicants. They would be reimbursed for any additional property tax revenue loss associated with an increase in the number of exemptions awarded.

Election Expenditure Impacts (For Informational Purposes Only)

The bill refers a measure to the voters at the November 2006 general election. This measure will be published in newspapers and an analysis of the measure will be included in the Blue Book mailed to all registered voter households prior to the election. Under current law, costs for these functions will be paid through a General Fund line item in the Long Appropriations Bill. The estimated costs for the 2006 Blue Book are outlined in Table 1.

Table 1. Estimated Costs of Producing the 2006 Blue Book and Distributing to All Registered Voter Households	
Printing	$275,000
Postage	$325,000
Translation	$20,000
Newspaper Publication (English & Spanish)	$600,000
Total Expenses (for an estimated 12 issues)	**$1,220,000**
Average Expense Per Issue	**$101,667**

State Appropriations

The fiscal note implies that no additional appropriation is necessary for FY 2006-07 to implement the bill. However, an estimated $1,040,000 General Fund appropriation would be required to fund the expanded exemption beginning in FY 2007-08.

Departments Contacted

Local Affairs   Military & Veterans Affairs   Treasury