

Amendment 60 Property Taxes

1 **Amendment 60 proposes amending the Colorado Constitution to:**

- 2 ♦ repeal the current voter-approved authority of local governments to
3 keep property taxes above their constitutional limits;
- 4 ♦ establish expiration dates for future voter-approved property tax
5 increases;
- 6 ♦ cut local property tax rates for public schools' operating expenses in half
7 over ten years and replace this money with state funding each year;
- 8 ♦ require publicly owned enterprises to pay property taxes and reduce
9 local property tax rates to offset the new revenue; and
- 10 ♦ provide new voting rights to certain property owners in Colorado and
11 permit citizens to petition all local governments to reduce property
12 taxes.

13 **Summary and Analysis**

14 Amendment 60 changes several aspects of Colorado's property tax system to
15 reduce the amount of property taxes paid by individuals and businesses to school
16 districts, counties, special districts, cities, and towns. The measure phases in a
17 reduction in school district property taxes over ten years and requires that the reduced
18 property taxes be replaced with state funding. Table 1 shows the projected impact of
19 the amendment in today's dollars on an average homeowner and commercial
20 business, school districts, and state government, in both the first year and when the
21 measure is fully implemented. The fully implemented impacts provide the best
22 projections of the measure's final effects.

23 In the first year, property taxes for school districts are expected to fall by
24 \$337 million, which the measure requires the state to replace. This represents a
25 property tax reduction of the same amount for individuals and businesses. An
26 average homeowner's property tax bill is projected to fall by \$87 and the property
27 taxes for an average commercial business are estimated to fall by \$1,181.

28 When the measure is fully implemented, the property tax reduction for school
29 districts is estimated to increase the state's obligation for kindergarten through twelfth
30 grade education (K-12) by \$1.5 billion, which represents a property tax decrease of the
31 same amount for individuals and businesses. An average homeowner will pay
32 \$376 less and an average commercial business will pay \$5,106 less in property taxes
33 annually. In future years, the actual amounts will differ as inflation and growth
34 increase the size of the economy, but the comparable budget impacts on taxpayers
35 and governments are expected to remain consistent over time. Cities, towns,

1 counties, and special districts will also lose property taxes, but the amount will vary by
 2 locality.

3 **Table 1. Selected Impacts of Amendment 60**

Impacted Group	Current Law	Amendment 60		Difference	
		First Year	Fully Implemented	First Year	Fully Implemented
Impacts on Average Taxpayers					
Property Tax Payment for Average Homeowner (\$295,000 home)	\$1,638	\$1,551	\$1,262	-\$87	-\$376
Property Tax Payment for Average Commercial Business Owner with a Value of \$1.1 million	\$22,254	\$21,073	\$17,148	-\$1,181	-\$5,106
K-12 Education Funding Shift					
Property Tax Collections for School Districts	\$3.3 billion	\$3.0 billion	\$1.8 billion	-\$0.3 billion	-\$1.5 billion
State Expenditures for K-12 Education	\$3.7 billion	\$4.0 billion	\$5.2 billion	\$0.3 billion	\$1.5 billion

20 **Background and current law.** Property taxes are based primarily on the value of
 21 land, houses, other buildings, and business equipment. Individuals and businesses
 22 pay property taxes to various local governments, such as cities, counties, school
 23 districts, and special districts, each of which imposes its own tax rate on property.
 24 School districts and counties receive approximately 77 percent of all property taxes
 25 collected. Publicly owned enterprises, such as city water and sewer systems,
 26 municipal airports, and most state universities, are exempt from paying property tax.

27 Property taxes are spent on a variety of local government services, including public
 28 education, police and fire services, roads and bridges, public water and sewer
 29 systems, parks and recreation facilities, hospitals, and libraries. The degree to which
 30 local governments rely on property taxes to pay for services varies. Some special
 31 districts, such as fire protection districts, get almost all of their revenue from property
 32 taxes, while many city governments get less than 5 percent of their funding from
 33 property taxes.

34 **Constitutional limits on property taxes.** The state constitution currently restricts
 35 both the amount of total revenue and property tax revenue that a local government
 36 can collect each year. Annual increases for each are capped at the rate of inflation
 37 plus a measure of local growth, such as student enrollment in the case of a school
 38 district. The constitution also requires voter approval for a local government to

1 increase property tax rates or to keep and spend total revenue or property tax revenue
2 above the government's constitutional limit.

3 ***How does Amendment 60 change how public schools are funded?*** Public
4 schools in Colorado are funded from a combination of federal, state, and local
5 sources. Voters in some school districts have approved additional property taxes to
6 repay loans used to build schools or other buildings. In these districts, there is a
7 property tax for operating schools and a separate property tax to repay loans.
8 Amendment 60 requires all districts to cut their 2011 property tax rates for operating
9 schools in half by 2020. Property tax rates for repaying loans are unchanged. The
10 required reduction in tax rates must be done in equal yearly amounts over ten years.
11 Amendment 60 requires the local school district funding eliminated by this rate
12 reduction to be replaced each year with state funding.

13 ***How does Amendment 60 affect the state budget?*** Currently, the state spends
14 most of its general operating budget on: preschool through higher education; health
15 care; prisons; the courts; and programs that help low-income, elderly, and disabled
16 people. K-12 education funding accounts for 46 percent of this budget, which is
17 primarily funded by sales and income taxes. Because Amendment 60 requires that
18 the reduction in local property tax revenue be replaced with state funding, the
19 obligation for public schools will increase to an estimated 67 percent of the state's
20 general operating budget, once the measure is fully implemented. To meet this
21 increased obligation to schools, the state will have to decrease spending and services
22 in other areas, increase fees for services, or some combination of both.

23 ***How does Amendment 60 affect property taxes for all local governments?***
24 Like school districts, cities, counties, and special districts are also funded from a
25 combination of federal, state, and local sources. Under current law, taxpayers in many
26 communities have voted to broadly exempt their local governments from the
27 constitutional limit related to total revenue and spending. Currently, voters in
28 76 percent of municipalities, 81 percent of counties, and 98 percent of school districts
29 have voted to allow government to keep and spend revenue above the constitutional
30 limit, either temporarily or permanently. This measure would reimpose a property tax
31 limit for those governments, leaving the broader revenue exemption unchanged.

32 Beginning in 2011, Amendment 60 repeals the current voter-approved authority of
33 local governments to permanently keep property taxes above their constitutional limits.
34 Local governments are not required to refund the property taxes that were retained in
35 the past. However, local governments that collect property taxes above their property
36 tax limit in the future will have to refund money. A new election must be held to allow
37 a local government to keep future property taxes above its constitutional limit for up to
38 four years at a time. The measure will also reduce the property tax collections of most
39 local governments by reducing property tax rates, and limiting the duration of future
40 property tax increases.

41 ***How does Amendment 60 affect publicly owned enterprises?*** Amendment 60
42 requires publicly owned enterprises to pay property taxes. Under current law, state
43 enterprises, such as most public universities, do not pay property taxes on campus

1 buildings or equipment. Similarly, local enterprises, such as Denver International
2 Airport, pay no property taxes. The new property taxes collected from these publicly
3 owned enterprises must be offset by lower property tax rates for homeowners,
4 businesses, and other property taxpayers. For example, if the University of Colorado
5 had to pay property taxes in Boulder County, its property tax bill is estimated to range
6 from \$11 million to \$20 million per year, depending on how the property is valued.
7 This new revenue would be offset by lower tax rates in Boulder County, providing
8 property owners in the county with tax reductions in the same amount. The
9 amendment prohibits publicly owned enterprises from charging either a mandatory fee
10 or a tax on property.

11 ***How does Amendment 60 change property tax elections?*** Amendment 60
12 proposes changing several aspects of the way property tax issues are addressed in
13 local elections. Under current law, a property owner who is a registered Colorado
14 voter may vote on ballot questions in his or her primary place of residence and in
15 special district elections wherever he or she owns property in Colorado.
16 Amendment 60 allows Colorado property owners to vote on city, county, and school
17 district property tax issues in any Colorado location where they own property,
18 regardless of their primary place of residence in the state.

19 Under current law, citizens may petition cities to increase or decrease property
20 taxes, but may not petition counties, schools, or special districts. Under this measure,
21 all local governments must permit petitions to lower property taxes.

22 Typically, when a local community has voted to permanently exempt its local
23 government from the constitutional limit on property tax collections, that
24 voter-approved decision is not automatically repealed at a future date. Under
25 Amendment 60, any future vote to allow a local government to retain revenue above
26 its constitutional limit is repealed within four years after passage. Any future vote to
27 increase property tax rates is repealed within ten years. Any extension of an expiring
28 property tax is considered to be a tax increase under the measure, and as such, must
29 be presented as a tax increase on the ballot.

30 Currently, a single ballot question may ask voters if a local government may
31 borrow money, and if property tax rates may be increased to repay that loan. Under
32 this measure, ballot questions that allow a government to borrow money must be
33 separate from ballot questions that raise property taxes.

34 ***How is Amendment 60 enforced?*** The amendment requires the state to
35 annually audit all cities, counties, school districts, and other types of local
36 governments to ensure compliance with all requirements of the amendment. Citizens
37 are also allowed to file lawsuits to enforce compliance.

38 ***How does Amendment 60 interact with two other measures on the ballot?***
39 Amendment 60 along with Amendment 61 (see page x) and Proposition 101
40 (see page x) contain provisions that affect state and local government finances by
41 decreasing taxes paid by households and businesses and restricting government

1 borrowing. How these measures work together may require clarification from the state
2 legislature or the courts.

3 Amendment 60 reduces local property taxes, while requiring state expenditures for
4 K-12 education to increase by an amount that offsets the property tax loss for school
5 districts. Amendment 61 requires state and local governments to decrease tax rates
6 when debt is repaid, which is assumed in this analysis to apply to the existing debt of
7 state and local governments, and it prohibits any borrowing by state government.
8 Proposition 101 reduces state and local government taxes and fees.

9 Since portions of these measures are phased in over time, the actual impacts to
10 taxpayers and governments will be less in the initial years of implementation and grow
11 over time. Assuming that all three measures are approved by voters, the first-year
12 impact will be to reduce state taxes and fees by \$744 million and increase state
13 spending for K-12 education by \$385 million. Once fully implemented, the measures
14 are estimated to reduce state taxes and fees by \$2.1 billion and increase state
15 spending for K-12 education by \$1.6 billion in today's dollars. This would commit
16 almost all of the state's general operating budget to paying for the constitutional and
17 statutory requirements of K-12 education, leaving little for other government services.
18 In addition, the prohibition on borrowing will increase budget pressures for the state if
19 it chooses to pay for capital projects from its general operating budget. This would
20 further reduce the amount of money available for other government services.

21 Tax and fee collections for local governments are expected to fall by at least
22 \$966 million in the first year of implementation and by \$4.7 billion when the measures
23 are fully implemented. However, the net impact on local government budgets would
24 be at least \$581 million in the first year and \$3.1 billion when fully implemented after
25 the state reimburses school districts.

26 Total taxes and fees paid by households and businesses are estimated to
27 decrease by \$1.7 billion in the first year and \$6.8 billion per year in today's dollars
28 when the measures are fully implemented. The measures reduce the taxes and fees
29 owed by an average household making \$55,000 per year that owns a \$295,000 house
30 by an estimated \$400 in the first year and \$1,660 per year when fully implemented.

31 **Arguments For**

32 1) Amendment 60 provides property tax relief for Coloradans in a tough economic
33 climate without reducing K-12 education funding. For example, the measure will
34 provide seniors who recently lost a property tax exemption with additional tax relief.
35 Allowing business owners to keep more of their income may spur investment and help
36 the economy recover more quickly. School funding is unchanged because the state is
37 required to replace the local property taxes phased out by the amendment with state
38 funding.

39 2) Amendment 60 strengthens citizen control over local government taxes by
40 setting tax expiration dates and requiring that an extension of an expiring tax be

1 presented to the voters as a tax increase. The amendment also allows citizens to
2 petition local governments to lower taxes, and it prevents unelected boards, such as
3 the Denver Water Board, from imposing mandatory fees or taxes on property. In
4 addition, limiting votes on property taxes to November elections, when voter turnout is
5 typically higher, may lead to greater citizen awareness and participation.

6 3) Amendment 60 removes a competitive advantage that publicly owned
7 enterprises have over private businesses. Unlike private facilities, publicly owned
8 enterprises, such as parking lots and golf courses, do not currently pay property taxes.
9 The additional revenue will lower the local property tax rate, providing further relief for
10 property owners in the district.

11 **Arguments Against**

12 1) Amendment 60 overturns nearly two decades of voter-approved tax decisions
13 that fund important services provided by counties, cities, school districts, and special
14 districts. The amendment enables voters statewide, in this election, to reverse
15 hundreds of decisions of local voters to fund services like fire and police protection,
16 roads, parks and recreational facilities, water and sewer systems, and libraries. Local
17 voters are best equipped to choose the level and type of services needed in their
18 communities and the means to pay for those services.

19 2) Amendment 60 will require the state to cut funding for many important services,
20 which may result in job losses throughout Colorado. Because the state constitution
21 requires that the state have a balanced budget and limits the ability of the legislature
22 to raise taxes, every new dollar spent on education will be taken away from other
23 services. The \$1.5 billion increase in state K-12 education spending nearly equals the
24 amount the state currently spends on courts, prisons, and human services. This
25 amendment requires the state to spend so much more on public schools that these or
26 other state functions will have to be cut or eliminated in order to keep the state budget
27 balanced.

28 3) Amendment 60 may leave many citizens worse off financially, depending on
29 where they live. People who live in areas with few publicly owned enterprises, such as
30 the eastern plains, will receive some property tax reductions, but may pay more in fees
31 to use the services of public enterprises located elsewhere. For example, if the
32 University of Colorado must pay property taxes, students statewide may pay more in
33 tuition, but property owners in Boulder County will get most of the tax savings.
34 Similarly, if Denver International Airport must pay property taxes, airline customers
35 statewide may pay more in fees, but only property owners in Denver will get the
36 property tax reduction.

37 **Estimate of Fiscal Impact**

38 **Local revenue.** Amendment 60 reduces property taxes for individuals and
39 business in several ways. This reduces the amount of tax revenue that cities,

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1 counties, school districts, and special districts will receive. The measure phases in a
2 reduction in school district property taxes over ten years. In the first year, school
3 district property taxes are projected to fall by \$337 million, reducing property taxes
4 paid by an average homeowner and an average business owner by \$87 and \$1,181,
5 respectively. Once the measure is fully implemented, property taxes are estimated to
6 fall by \$1.5 billion annually in today's dollars, reducing property taxes paid by an
7 average homeowner and an average business owner by approximately \$376 per year
8 and \$5,106 per year, respectively. Additionally, local governments currently
9 authorized to keep property tax revenue in excess of the constitutional limit, will have
10 their property tax revenue reduced by an indeterminate amount.

11 **State expenditures.** By reducing the amount of local property taxes collected for
12 school districts, statewide expenditures for public schools will increase by an
13 estimated \$337 million in the first year of implementation and by \$1.5 billion per year in
14 today's dollars once the measure is fully implemented. To meet this increased
15 obligation to schools, the state will have to decrease spending and services in other
16 areas, increase fees for services, or enact some combination of both.

17 The state must make a yearly audit of compliance with the property tax provisions
18 and strictly enforce all requirements in the amendment. The Office of the State
19 Auditor is responsible for reporting the financial and operational performance of
20 agencies of state government; however, the office does not have a process for
21 auditing local government compliance with property tax laws. Amendment 60 expands
22 the obligations of the State Auditor's Office. It is estimated that this provision will
23 require the addition of 1.5 new staff to coordinate year-round auditing of local
24 government and to manage contracting with independent certified public accounting
25 (CPA) firms. The cost for these new staff and CPA contracts is estimated to be
26 \$800,000 each year.

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5 increases;
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7 over ten years and replace this money with state AID funding each year;
- 8 ♦ require publicly owned enterprises to pay property taxes and reduce
9 local property tax rates to offset the new revenue; and
- 10 ♦ provide new voting rights to certain property owners in Colorado,
11 RESTRICT CERTAIN EXISTING VOTING RIGHTS OF COLORADO VOTERS, and
12 permit citizens to petition all local governments to reduce property
13 taxes.

14 **Summary and Analysis**

15 Amendment 60 changes several aspects of Colorado's property tax system to
16 reduce the amount of property taxes paid by individuals and businesses to school
17 districts, counties, special districts, cities, AND towns. The measure phases in a
18 reduction in school district property taxes over ten years and requires that the reduced
19 property taxes be replaced with state AID funding. Table 1 shows the projected impact
20 of the amendment in today's dollars on an average homeowner and commercial
21 business, school districts, and state government, in both the first year and when the
22 measure is fully implemented. The fully implemented impacts provide the best
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30 districts is estimated to increase the state's obligation for kindergarten through twelfth
31 grade education (K-12) by \$1.5 billion, which represents a property tax decrease of the
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34 annually. In future years, the actual amounts will differ as inflation and growth
35 increase the size of the economy, but the comparable budget impacts on taxpayers

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1 and governments are expected to remain consistent over time. Cities, towns,
 2 counties, and special districts will also lose property taxes, but the amount will vary by
 3 locality.

4 **Table 1. Selected Impacts of Amendment 60**

Impacted Group	Current Law	Amendment 60		Difference	
		First Year	Fully Implemented	First Year	Fully Implemented
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21 **Background and current law.** Property taxes are based primarily on the value of
 22 land, houses, other buildings, and business equipment. Individuals and businesses
 23 pay property taxes to various local governments, such as cities, counties, school
 24 districts, and special districts, each of which imposes its own tax rate on property.
 25 School districts and counties receive approximately 77 percent of all property taxes
 26 collected. Publicly owned enterprises, such as city water and sewer systems,
 27 municipal airports, and most state universities, are exempt from paying property tax.

28 Property taxes are spent on a variety of local government services, including public
 29 education, police and fire services, roads and bridges, public water and sewer
 30 systems, parks and recreation facilities, hospitals, and libraries. The degree to which
 31 local governments rely on property taxes to pay for services varies. Some special
 32 districts, such as fire protection districts, get almost all of their revenue from property
 33 taxes, while many city governments get less than 5 percent of their funding from
 34 property taxes.

35 **Constitutional limits on property taxes.** The state constitution currently restricts
 36 both the amount of total revenue and property tax revenue that a local government
 37 can collect each year. Annual increases for each are capped at the rate of inflation
 38 plus a measure of local growth, such as student enrollment in the case of a school
 39 district. The constitution also requires voter approval for a local government to

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1 increase property tax rates or to keep and spend total revenue or property tax revenue
2 above the government's constitutional limit.

3 **How does Amendment 60 change how public schools are funded?** Public
4 schools in Colorado are funded from a combination of federal, state, and local
5 sources. Voters in some school districts have approved additional property taxes to
6 repay loans used to build schools or other buildings. In these districts, there is a
7 property tax for operating schools and a separate property tax to repay loans.
8 Amendment 60 requires all districts to cut their 2011 property tax rates for operating
9 schools in half by 2020. Property tax rates for repaying loans are unchanged. The
10 required reduction in tax rates must be done in equal yearly amounts over ten years.
11 Amendment 60 requires the local school district funding eliminated by this rate
12 reduction to be replaced each year with state AID funding.

13 **How does Amendment 60 affect the state budget?** Currently, the state spends
14 most of its general operating budget on: preschool through higher education; health
15 care; prisons; the courts; and programs that help low-income, elderly, and disabled
16 people. K-12 education funding accounts for 46 percent of this budget, which is
17 primarily funded by sales and income taxes. Because Amendment 60 requires that
18 the reduction in local property tax revenue be replaced with state AID funding, the
19 obligation for public schools will increase to an estimated 67 percent of the state's
20 general operating budget, once the measure is fully implemented, ONLY IF AMENDMENT
21 60 PASSES. ALMOST ALL OF THE STATE'S OPERATING BUDGET WILL GO TO K-12 SCHOOLS IF
22 AMENDMENT 60 IS APPROVED BY THE VOTERS, ALONG WITH AMENDMENT 61 AND
23 PROPOSITION 101. To meet this increased obligation to schools, the state will have to
24 decrease spending and services in other areas, increase TAXES OR FEES for services,
25 or some combination of both.

26 **How does Amendment 60 affect property taxes for all local governments?**
27 Like school districts, cities, counties, and special districts are also funded from a
28 combination of federal, state, and local sources. Under current law, taxpayers in many
29 communities have voted to broadly exempt their local governments from the
30 constitutional limit related to total revenue and spending. Currently, voters in
31 76 percent of municipalities, 81 percent of counties, and 98 percent of school districts
32 have voted to allow government to keep and spend revenue above the constitutional
33 limit, either temporarily or permanently. This measure would reimpose a property tax
34 limit for those governments, leaving the broader revenue exemption unchanged.

35 Beginning in 2011, Amendment 60 repeals the current voter-approved authority of
36 local governments to permanently keep property taxes above their constitutional limits.
37 Local governments are not required to refund the property taxes that were retained in
38 the past. However, local governments that collect property taxes above their property
39 tax limit in the future will have to refund money. A new election must be held to allow
40 a local government to TEMPORARILY keep future property taxes above its constitutional
41 limit for up to four years at a time. The measure will also reduce the property tax
42 collections of most local governments by reducing property tax rates, and limiting the
43 duration of future property tax increases.

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1 **How does Amendment 60 affect publicly owned enterprises?** Amendment 60
2 requires publicly owned enterprises to pay property taxes. Under current law, state
3 enterprises, such as most public universities, do not pay property taxes on campus
4 buildings or equipment. Similarly, local enterprises, such as Denver International
5 Airport, pay no property taxes. The new property taxes collected from these publicly
6 owned enterprises must be offset by lower property tax rates for homeowners,
7 businesses, and other property taxpayers. For example, if the University of Colorado
8 had to pay property taxes in Boulder County, its property tax bill is estimated to range
9 from \$11 million to \$20 million per year, depending on how the property is valued.
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11 property owners in the county with tax reductions in the same amount. The
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13 or a tax on property.

14 **How does Amendment 60 change property tax elections?** Amendment 60
15 proposes changing several aspects of the way property tax issues are addressed in
16 local elections. Under current law, a property owner who is a registered Colorado
17 voter may vote on ballot questions in his or her primary place of residence and in
18 special district elections wherever he or she owns property in Colorado.
19 Amendment 60 allows Colorado property owners to vote on city, county, and school
20 district property tax issues in any Colorado location where they own property,
21 regardless of their primary place of residence in the state.

22 Under current law, citizens may petition cities to increase or decrease property
23 taxes, but may not petition counties, schools, or special districts. Under this measure,
24 all local governments must permit petitions to lower property taxes.

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26 government from the constitutional limit on property tax collections, that
27 voter-approved decision is not automatically repealed at a future date. Under
28 Amendment 60, any future vote to allow a local government to retain revenue above
29 its constitutional limit is repealed within four years after passage. Any future vote to
30 increase property tax rates is repealed within ten years. Any extension of an expiring
31 property tax is considered to be a tax increase under the measure, and as such, must
32 be presented as a tax increase on the ballot.

33 Currently, a single ballot question may ask voters if a local government may
34 borrow money, and if property tax rates may be increased to repay that loan. Under
35 this measure, ballot questions that allow a government to borrow money must be
36 separate from ballot questions that raise property taxes.

37 **[Comment:** *The Amendment restricts Colorado voters' existing right to vote for*
38 *permanent broad form deBrucing (affirmed by the Co Sup Ct in the two Havens*
39 *cases), restricting that right to voting for only a four year deBrucing, property tax*
40 *increases limited to 10 years (currently unlimited with local voter approval), debt and*
41 *property taxes must be voted separately (currently local voters may approve in one*
42 *question if they so choose), property tax elections only in November (currently voters*
43 *can vote either in November or at a regular biennial election), certain local voter*
44 *approved tax increases listed in section (c) are "expired."*

Michael Johnson, Kutak Rock

1 *You should find a home for this list somewhere in this summary - voters should be*
2 *clearly informed re what they are giving up by voting yes on this Amendment.]*

3 **How is Amendment 60 enforced?** The amendment requires the state to
4 annually audit all cities, counties, school districts, and other types of local
5 governments to ensure compliance with all requirements of the amendment. Citizens
6 are also allowed to file lawsuits to enforce compliance.

7 **How does Amendment 60 interact with two other measures on the ballot?**
8 Amendment 60 along with Amendment 61 (see page x) and Proposition 101
9 (see page x) contain provisions that affect state and local government finances by
10 decreasing taxes paid by households and businesses and restricting government
11 borrowing. How these measures work together may require clarification from the state
12 legislature or the courts.

13 Amendment 60 reduces local property taxes, while requiring state expenditures for
14 K-12 education to increase by an amount that offsets the property tax loss for school
15 districts. Amendment 61 requires state and local governments to decrease tax rates
16 when debt is repaid, which is assumed in this analysis to apply to the existing debt of
17 state and local governments, and it prohibits any borrowing by state government.
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19 Since portions of these measures are phased in over time, the actual impacts to
20 taxpayers and governments will be less in the initial years of implementation and grow
21 over time. Assuming that all three measures are approved by voters, the first-year
22 impact will be to reduce state taxes and fees by \$744 million and increase state
23 spending for K-12 education by \$385 million. Once fully implemented, the measures
24 are estimated to reduce state taxes and fees by \$2.1 billion and increase state
25 spending for K-12 education by \$1.6 billion in today's dollars. This would commit
26 almost all of the state's general operating budget to paying for the constitutional and
27 statutory requirements of K-12 education, leaving little for other government services.
28 In addition, the prohibition on borrowing will increase budget pressures for the state if
29 it chooses to pay for capital projects from its general operating budget. This would
30 further reduce the amount of money available for other government services.

31 Tax and fee collections for local governments are expected to fall by at least
32 \$966 million in the first year of implementation and by \$4.7 billion when the measures
33 are fully implemented. However, the net impact on local government budgets would
34 be at least \$581 million in the first year and \$3.1 billion when fully implemented after
35 the state reimburses school districts.

36 Total taxes and fees paid by households and businesses are estimated to
37 decrease by \$1.7 billion in the first year and \$6.8 billion per year in today's dollars
38 when the measures are fully implemented. The measures reduce the taxes and fees
39 owed by an average household making \$55,000 per year that owns a \$295,000 house
40 by an estimated \$400 in the first year and \$1,660 per year when fully implemented.

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1 **Arguments For**

2 1) Amendment 60 provides property tax relief for Coloradans in a tough economic
3 climate without reducing K-12 education funding. For example, the measure will
4 provide seniors who recently lost a property tax exemption with additional tax relief.
5 Allowing business owners to keep more of their income may spur investment and help
6 the economy recover more quickly. School funding is unchanged because the state is
7 required to PROVIDE STATE AID TO replace the local property taxes phased out by the
8 amendment ~~with state funding~~.

9 2) Amendment 60 ~~strengthens citizen control over local government taxes~~
10 REPLACES LOCAL CITIZEN CONTROL OVER LOCAL GOVERNMENT TAXES WITH STATE LEVEL
11 CONSTITUTIONAL RULES by setting tax expiration dates and requiring that an extension
12 of an expiring tax be presented to the voters as a tax increase. The amendment also
13 allows citizens to petition local governments to lower taxes, and it prevents unelected
14 boards, such as the Denver Water Board, from imposing mandatory fees or taxes on
15 property. In addition, limiting votes on property taxes to November elections, when
16 voter turnout is typically higher, may lead to greater citizen awareness and
17 participation.

18 3) Amendment 60 removes a competitive advantage that publicly owned
19 enterprises have over private businesses. Unlike private facilities, publicly owned
20 enterprises, such as parking lots and golf courses, do not currently pay property taxes.
21 The additional revenue will lower the local property tax rate, providing further relief for
22 property owners in the district.

23 **Arguments Against**

24 1) Amendment 60 overturns nearly two decades of voter-approved tax decisions
25 that fund important services provided by counties, cities, school districts, and special
26 districts. The amendment enables voters statewide, in this election, to reverse
27 hundreds of decisions of local voters to fund services like fire and police protection,
28 roads, parks and recreational facilities, water and sewer systems, and libraries. Local
29 voters are best equipped to choose the level and type of services needed in their
30 communities and the means to pay for those services.

31 2) Amendment 60 will require the state to cut funding for many important services,
32 which may result in job losses throughout Colorado. Because the state constitution
33 requires that the state have a balanced budget and limits the ability of the legislature
34 to raise taxes, every new dollar spent on education will be taken away from other
35 services. The \$1.5 billion increase in state K-12 education spending nearly equals the
36 amount the state currently spends on courts, prisons, and human services. This
37 amendment requires the state to spend so much more on public schools that these or
38 other state functions will have to be cut or eliminated in order to keep the state budget
39 balanced.

Michael Johnson, Kutak Rock

1 3) Amendment 60 may leave many citizens worse off financially, depending on
2 where they live. People who live in areas with few publicly owned enterprises, such as
3 the eastern plains, will receive some property tax reductions, but may pay more in fees
4 to use the services of public enterprises located elsewhere. For example, if the
5 University of Colorado must pay property taxes, students statewide may pay more in
6 tuition, but property owners in Boulder County will get most of the tax savings.
7 Similarly, if Denver International Airport must pay property taxes, airline customers
8 statewide may pay more in fees, but only property owners in Denver will get the
9 property tax reduction.

10 **Estimate of Fiscal Impact**

11 **Local revenue.** Amendment 60 reduces property taxes for individuals and
12 business in several ways. This reduces the amount of tax revenue that cities,
13 counties, school districts, and special districts will receive. The measure phases in a
14 reduction in school district property taxes over ten years. In the first year, school
15 district property taxes are projected to fall by \$337 million, reducing property taxes
16 paid by an average homeowner and an average business owner by \$87 and \$1,181,
17 respectively. Once the measure is fully implemented, property taxes are estimated to
18 fall by \$1.5 billion annually in today's dollars, reducing property taxes paid by an
19 average homeowner and an average business owner by approximately \$376 per year
20 and \$5,106 per year, respectively. Additionally, local governments currently
21 authorized to keep property tax revenue in excess of the constitutional limit, will have
22 their property tax revenue reduced by an indeterminate amount.

23 **State expenditures.** By reducing the amount of local property taxes collected for
24 school districts, statewide expenditures for public schools will increase by an
25 estimated \$337 million in the first year of implementation and by \$1.5 billion per year in
26 today's dollars once the measure is fully implemented. To meet this increased
27 obligation to schools, the state will have to decrease spending and services in other
28 areas, increase fees for services, or enact some combination of both.

29 The state must make a yearly audit of compliance with the property tax provisions
30 and strictly enforce all requirements in the amendment. The Office of the State
31 Auditor is responsible for reporting the financial and operational performance of
32 agencies of state government; however, the office does not have a process for
33 auditing local government compliance with property tax laws. Amendment 60 expands
34 the obligations of the State Auditor's Office. It is estimated that this provision will
35 require the addition of 1.5 new staff to coordinate year-round auditing of local
36 government and to manage contracting with independent certified public accounting
37 (CPA) firms. The cost for these new staff and CPA contracts is estimated to be
38 \$800,000 each year.

MICHAEL JOHNSON'S COMMENTS (KUTAK ROCK LAW FIRM) ON LAST DRAFT OF AMENDMENT 60

PAGE 1

line 7 delete "fully" and replace "funding" with "aid". The Amendment does not include the word "fully" and it uses "aid" instead of "funding." It is possible that the legislature, in enacting enabling/interpetive legislation, and/or the courts will determine the the aid need not be replaced dollar for dollar (ie, "fully") and that "aid" may in part take the form of something other than direct funding.

line 11 after "Colorado" insert ", restricts certain existing voting rights of Colorado voters". The Amendment restricts Colorado voters' existing right to vote for permanent broad form deBrucing (affirmed by the Co Sup Ct in the two Havens cases), restricting that right to voting for only a four year deBrucing, property tax increases limited to 10 years (currently unlimited with local voter approval), debt and property taxes must be voted separately (currently local voters may approve in one question if they so choose), property tax elections only in November (currently voters can vote either in November or at a regular biennial election), certain local voter approved tax increases listed in section (c) are "expired."

You should find a home for this list somewhere in this summary - voters should be clearly informed re what they are giving up by voting yes on this Amendment.

line 19 replace "funding" with "aid" to conform to the Amendment. See comment on page 1, line 7.

PAGE 3

line 10 replace "funding" with "aid" to conform to the Amendment. See comment on page 1, line 7.

line 16 replace "revenue" with aid to conform to the Amendment. See comment on page 1, line 7.

line 17 replace "funding" with "aid" to conform to the Amendment. See comment on page 1, line 7.

line 18 insert "if only Amendment 60 passes", add a parenthical statement (or almost all if all three measures pass) or something to that effect to tie in, conform to the statement on page 5, line 8 that "almost all" the state's operating budget will go to K-12 schools if all three measures pass.

line 20 after "increase" insert ", taxes or". A likely source of the additional state aid to local schools would be an increase in state taxes (subject of course to voter approval under TABOR).

line 32 after "temporarily" add ", for a limited period of four years," for accuracy.

PAGE 4

line 1 after "savings" insert "in the same amount" for accuracy.

PAGE 5

line 12 delete "save" and replace with "have their property taxes reduced by". As discussed in our last set of comments, a property tax reduction coupled with increases in fees and charges for services provided by enterprises and the other affects of 61 may not actually result in a "savings." It is however clear that property taxes will be reduced.

line 23 insert "provide state aid to" in front of "replace". See comment on page 1, line 7.

line 24 delete "strengthens citizen control over local government taxes" and replace with "replaces local citizen control over local government taxes with state level constitutional rules". The Amendment on balance removes local control over taxes by limiting what local voters can approve and replacing that local control with rules added to the state constitution. See the list from page 1, line 11 above. Consider adding that entire list from the page 1, line 11 comments here or, even better, in the "factual" summary with a cross reference back to the list here.

line 25 delete "allows voters to approve an extension of an expiring tax" and replace with "requires that any extension of an expiring tax be presented as a tax increase on the ballot" See accurate language on page 4, lines 19-21, which was included based on our emails regarding the Co Spgs v. Bruce case relating to how tax increases are voted.

RICH JONES AND WADE BUCHANAN COMMENTS ON LAST DRAFT OF AMENDMENT 60

TO: Legislative Council Staff

FROM: Rich Jones and Wade Buchanan, Bell Policy Center

DATE: August 11, 2010

RE: Comments on the Third Draft of the Bluebook Analysis on Amendment 60

Thank you for giving us the opportunity to comment on the third draft of the Legislative Council staff's analysis of Amendment 60 relating to property taxes. Some of these comments will apply to Amendment 61 and Proposition 101 as well as the overall effects of the combination of the three proposals.

Overall Comments

1. There is a conflict between the level of analysis used to show the amount of tax reductions to voters and the level of analysis used to show the effects of these reductions on services voters use. This ends up presenting voters with a distorted picture of the proposals' effects.

The analysis estimates the effects of Amendment 60 and the combination of Amendments 60 and 61 and Proposition 101 on the taxes retained by the average household, individual and business. These estimates show specific amounts for each type of taxpayer. However, the effects of Amendment 60 and the combination of all three proposals on state and local government services are described more generally.

As a result, voters can easily see what they might individually save in terms of tax reductions but are not shown how much they might lose in terms of services they use individually or services that go to their communities. Because voters have a hard time determining the effects of overall cuts in state and local government revenue on the services they use, this presents a biased picture of this proposal.

For example on page 5, lines 1-11, the amount of reductions in state and local government tax revenues are described in detail. However, the effect of these reductions on the ability of state and local governments to provide services funded by these revenues is not described. The analysis should explain that as revenues are reduced, governments will have to cut services, reduce services, charge additional fees for services or some combination of these actions. Unless this is clearly stated, voters will not have a good idea of the trade-offs associated with the reduction in tax revenues.

On page 5, lines 12-16, the estimated tax savings for an average household are presented. However, the effects of these reductions on the services used by the average family are not presented. We understand the difficulty of estimating how policy makers will respond to these reductions. However, the effects of committing all state reviews to funding K-12 education on the ability to provide other services to the average

family must to be presented so voters have a complete picture of the trade-offs associated with this amendment.

2. Amendment 60 when combined with Amendment 61 and Proposition 101 will significantly reduce government expenditures that will hurt Colorado's economy and trigger job losses. The economic effects of the combination of these proposals are not adequately presented in the Bluebook analysis.

An analysis conducted by Henry Sobanet at Colorado Strategies, shows that combined, the three proposals reduce revenues by \$6.3 billion. This will result in the direct loss of between 67,000 and 73,000 primary jobs statewide. Because many of these revenues go to pay private sector doctors, hospitals, private road construction firms and other vendors, nearly 60 percent of the projected jobs lost will be in the private sector statewideⁱ. This does not include indirect job losses stemming from reduced spending by those unemployed. This level of job loss approaches the over 110 thousand jobs Colorado has lost in this recession.

There is only a passing reference to job losses in the arguments against on page 6, lines 5-6. The effects of this proposal on the state's economy and jobs needs to be discussed more prominently in the section describing how Amendment 60 interacts with the other two measures (page 4, lines 30-41 and page 5, lines 1-16).

3. The provision requiring enterprises to pay property taxes needs to indicate that they are likely to raise fees to cover the costs of these taxes.

On page 3, lines 35-44 and page 4, lines 1-2 the analysis describes the Amendment 60 requirement that enterprises must pay property taxes. It also points out that the amendment prohibits them from charging a mandatory fee or tax on property. However, it should also state that enterprises can and are likely to impose fees on services they provide to cover the costs of paying property taxes. The argument against on page 6, lines 17-18 points out that tuitions might go up so the University of Colorado can pay property taxes. This point needs to be included in the section on enterprises found on pages 3 and 4. Again, it is important that the Bluebook analysis present voters with all the effects of Amendment 60's provisions so they can make an informed decision.

Again, thank you for the opportunity to comment on this draft of the Bluebook analysis. Call or email us if you have any questions or would like additional information.

ⁱ "Working Paper on Proposition 101, Amendments 60 and 61", Henry Sobanet, Capitol Strategies, Updated July 8, 2010. <http://coloradostrategy.com/>

David McDermott, State Controller

Amendment 60 Property Taxes

1 **Amendment 60 proposes amending the Colorado Constitution to:**

- 2 ◆ repeal the current voter-approved authority of local governments to
3 keep property taxes above their constitutional limits;
- 4 ◆ establish expiration dates for future voter-approved property tax
5 increases;
- 6 ◆ cut local property tax rates for public schools' operating expenses in half
7 over ten years and replace this money with state funding each year;
- 8 ◆ require publicly owned enterprises to pay property taxes and reduce
9 local property tax rates to offset the new revenue; and
- 10 ◆ provide new voting rights to certain property owners in Colorado and
11 permit citizens to petition all local governments to reduce property
12 taxes.

13 **Summary and Analysis**

14 Amendment 60 changes several aspects of Colorado's property tax system to
15 reduce the amount of property taxes paid by individuals and businesses to school
16 districts, counties, special districts, cities, AND towns. The measure phases in a
17 reduction in school district property taxes over ten years and requires that the reduced
18 property taxes be replaced with state funding. Table 1 shows the projected impact of
19 the amendment in today's dollars on an average homeowner and commercial
20 business, school districts, and state government, in both the first year and when the
21 measure is fully implemented. The fully implemented impacts provide the best
22 projections of the measure's final effects.

23 In the first year, property taxes for school districts are expected to fall by
24 \$337 million, which the measure requires the state to replace. This represents a
25 property tax reduction of the same amount for individuals and businesses. An
26 average homeowner's property tax bill is projected to fall by \$87 and the property
27 taxes for an average commercial business are estimated to fall by \$1,181.

28 When the measure is fully implemented, the property tax reduction for school
29 districts is estimated to increase the state's obligation for kindergarten through twelfth
30 grade education (K-12) by \$1.5 billion, which represents a property tax decrease of the
31 same amount for individuals and businesses. An average homeowner will pay
32 \$376 less and an average commercial business will pay \$5,106 less in property taxes
33 annually. In future years, the actual amounts will differ as inflation and growth
34 increase the size of the economy, but the comparable budget impacts on taxpayers
35 and governments are expected to remain consistent over time. Cities, towns,

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1 counties, and special districts will also lose property taxes, but the amount will vary by
 2 locality.

3 **Table 1. Selected Impacts of Amendment 60**

4 5 6 7	Impacted Group	Current Law	Amendment 60		Difference	
			First Year	Fully Implemented	First Year	Fully Implemented
8 Impacts on Average Taxpayers						
9 10	Property Tax Payment for Average Homeowner (\$295,000 home)	\$1,638	\$1,551	\$1,262	-\$87	-\$376
11 12 13 14	Property Tax Payment for Average Commercial Business Owner with a Value of \$1.1 million	\$22,254	\$21,073	\$17,148	-\$1,181	-\$5,106
15 K-12 Education Funding Shift						
16 17	Property Tax Collections for School Districts	\$3.3 billion	\$3.0 billion	\$1.8 billion	-\$0.3 billion	-\$1.5 billion
18 19	State Expenditures for K-12 Education	\$3.7 billion	\$4.0 billion	\$5.2 billion	\$0.3 billion	\$1.5 billion

20 **Background and current law.** Property taxes are based primarily on the value of
 21 land, houses, other buildings, and business equipment. Individuals and businesses
 22 pay property taxes to various local governments, such as cities, counties, school
 23 districts, and special districts, each of which imposes its own tax rate on property.
 24 School districts and counties receive approximately 77 percent of all property taxes
 25 collected. Publicly owned enterprises, such as city water and sewer systems,
 26 municipal airports, and most state universities, are exempt from paying property tax.

27 Property taxes are spent on a variety of local government services, including public
 28 education, police and fire services, roads and bridges, public water and sewer
 29 systems, parks and recreation facilities, hospitals, and libraries. The degree to which
 30 local governments rely on property taxes to pay for services varies. Some special
 31 districts, such as fire protection districts, get almost all of their revenue from property
 32 taxes, while many city governments get less than 5 percent of their funding from
 33 property taxes.

34 **Constitutional limits on property taxes.** The state constitution currently restricts
 35 both the amount of total revenue and property tax revenue that a local government
 36 can collect each year. Annual increases for each are capped at the rate of inflation
 37 plus a measure of local growth, such as student enrollment in the case of a school
 38 district. The constitution also requires voter approval for a local government to

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1 increase property tax rates or to keep and spend total revenue or property tax revenue
2 above the government's constitutional limit.

3 **How does Amendment 60 change how public schools are funded?** Public
4 schools in Colorado are funded from a combination of federal, state, and local
5 sources. Voters in some school districts have approved additional property taxes to
6 repay loans used to build schools or other buildings. In these districts, there is a
7 property tax for operating schools and a separate property tax to repay loans.
8 Amendment 60 requires all districts to cut their 2011 property tax rates for operating
9 schools in half by 2020. Property tax rates for repaying loans are unchanged. The
10 required reduction in tax rates must be done in equal yearly amounts over ten years.
11 Amendment 60 requires the local school district funding eliminated by this rate
12 reduction to be replaced each year with state funding.

13 **How does Amendment 60 affect the state budget?** Currently, the state spends
14 most of its general operating budget on: preschool through higher education; health
15 care; prisons; the courts; and programs that help low-income, elderly, and disabled
16 people. K-12 education funding accounts for 46 percent of this budget, which is
17 primarily funded by sales and income taxes. Because Amendment 60 requires that
18 the reduction in local property tax revenue be replaced with state aid funding, the
19 obligation for public schools will increase to an estimated 67 percent of the state's
20 general operating budget, once the measure is fully implemented. To meet this
21 increased obligation to schools, the state will have to decrease spending and services
22 in other areas, increase fees for services, or some combination of both.

23 **How does Amendment 60 affect property taxes for all local governments?**
24 Like school districts, cities, counties, and special districts are also funded from a
25 combination of federal, state, and local sources. Under current law, taxpayers in many
26 communities have voted to broadly exempt their local governments from the
27 constitutional limit related to total revenue and spending. Currently, voters in
28 76 percent of municipalities, 81 percent of counties, and 98 percent of school districts
29 have voted to allow government to keep and spend revenue above the constitutional
30 limit, either temporarily or permanently. This measure would reimpose a property tax
31 limit for those governments, leaving the broader revenue exemption unchanged.

32 Beginning in 2011, Amendment 60 repeals the current voter-approved authority of
33 local governments to permanently keep property taxes above their constitutional limits.
34 Local governments are not required to refund the property taxes that were retained in
35 the past. However, local governments that collect property taxes above their property
36 tax limit in the future will have to refund money. A new election must be held to allow
37 a local government to keep future property taxes above its constitutional limit for up to
38 four years at a time. The measure will also reduce the property tax collections of most
39 local governments by reducing property tax rates, and limiting the duration of future
40 property tax increases.

41 **How does Amendment 60 affect publicly owned enterprises?** Amendment 60
42 requires publicly owned enterprises to pay property taxes. Under current law, state
43 enterprises, such as most public universities, do not pay property taxes on campus

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1 buildings or equipment. Similarly, local enterprises, such as Denver International
2 Airport, pay no property taxes. The new property taxes collected from these publicly
3 owned enterprises must be offset by lower property tax rates for homeowners,
4 businesses, and other property taxpayers. For example, if the University of Colorado
5 had to pay property taxes in Boulder County, its property tax bill is estimated to range
6 from \$11 million to \$20 million per year, depending on how the property is valued.
7 This new revenue would be offset by lower tax rates in Boulder County, providing
8 property owners in the county with tax reductions in the same amount. The
9 amendment prohibits publicly owned enterprises from charging either a mandatory fee
10 or a tax on property.

11 ***How does Amendment 60 change property tax elections?*** Amendment 60
12 proposes changing several aspects of the way property tax issues are addressed in
13 local elections. Under current law, a property owner who is a registered Colorado
14 voter may vote on ballot questions in his or her primary place of residence and in
15 special district elections wherever he or she owns property in Colorado.
16 Amendment 60 allows Colorado property owners to vote on city, county, and school
17 district property tax issues in any Colorado location where they own property,
18 regardless of their primary place of residence in the state.

19 Under current law, citizens may petition cities to increase or decrease property
20 taxes, but may not petition counties, schools, or special districts. Under this measure,
21 all local governments must permit petitions to lower property taxes.

22 Typically, when a local community has voted to permanently exempt its local
23 government from the constitutional limit on property tax collections, that
24 voter-approved decision is not automatically repealed at a future date. Under
25 Amendment 60, any future vote to allow a local government to retain revenue above
26 its constitutional limit is repealed within four years after passage. Any future vote to
27 increase property tax rates is repealed within ten years. Any extension of an expiring
28 property tax is considered to be a tax increase under the measure, and as such, must
29 be presented as a tax increase on the ballot.

30 Currently, a single ballot question may ask voters if a local government may
31 borrow money, and if property tax rates may be increased to repay that loan. Under
32 this measure, ballot questions that allow a government to borrow money must be
33 separate from ballot questions that raise property taxes.

34 ***How is Amendment 60 enforced?*** The amendment requires the state to
35 annually audit all cities, counties, school districts, and other types of local
36 governments to ensure compliance with all requirements of the amendment. Citizens
37 are also allowed to file lawsuits to enforce compliance.

38 ***How does Amendment 60 interact with two other measures on the ballot?***
39 Amendment 60 along with Amendment 61 (see page x) and Proposition 101
40 (see page x) contain provisions that affect state and local government finances by
41 decreasing taxes paid by households and businesses and restricting government
42 borrowing. How these measures work together may require clarification from the state
43 legislature or the courts.

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1 Amendment 60 reduces local property taxes, while requiring state expenditures for
2 K-12 education to increase by an amount that offsets the property tax loss for school
3 districts. Amendment 61 requires state and local governments to decrease tax rates
4 when debt is repaid, which is assumed in this analysis to apply to the existing debt of
5 state and local governments, and it prohibits any borrowing by state government.
6 Proposition 101 reduces state and local government taxes and fees.

7 Since portions of these measures are phased in over time, the actual impacts to
8 taxpayers and governments will be less in the initial years of implementation and grow
9 over time. Assuming that all three measures are approved by voters, AND BARRING AN
10 INCREASE IN FEES OR VOTER APPROVED TAXES, IT IS ESTIMATED THAT the first-year impact
11 will be to reduce state taxes and fees by \$744 million and increase state spending for
12 K-12 education by \$385 million. Once fully implemented, the measures are estimated
13 to reduce state taxes and fees by \$2.1 billion and increase state spending for K-12
14 education by \$1.6 billion in today's dollars. This would commit almost all of the state's
15 general operating budget to paying for the constitutional and statutory requirements of
16 K-12 education, leaving little for other government services. In addition, the prohibition
17 on borrowing will increase budget pressures for the state if it chooses to pay for capital
18 projects from its general operating budget. This would further reduce the amount of
19 money available for other government services.

20 Tax and fee collections for local governments are expected to fall by at least
21 \$966 million in the first year of implementation and by \$4.7 billion when the measures
22 are fully implemented. However, the net impact on local government budgets would
23 be at least \$581 million in the first year and \$3.1 billion when fully implemented after
24 the state reimburses school districts.

25 Total taxes and fees paid by households and businesses are estimated to
26 decrease by \$1.7 billion in the first year and \$6.8 billion per year in today's dollars
27 when the measures are fully implemented. The measures reduce the taxes and fees
28 owed by an average household making \$55,000 per year that owns a \$295,000 house
29 by an estimated \$400 in the first year and \$1,660 per year when fully implemented.

30 Arguments For

31 1) Amendment 60 provides property tax relief for Coloradans in a tough economic
32 climate without reducing K-12 education funding. For example, the measure will
33 provide seniors who recently lost a property tax exemption with additional tax relief.
34 Allowing business owners to keep more of their income may spur investment and help
35 the economy recover more quickly. School funding is unchanged because the state is
36 required to replace the local property taxes phased out by the amendment with state
37 funding.

38 2) Amendment 60 strengthens citizen control over local government taxes by
39 setting tax expiration dates and requiring that an extension of an expiring tax be
40 presented to the voters as a tax increase. The amendment also allows citizens to
41 petition local governments to lower taxes, and it prevents unelected boards, such as

David McDermott, State Controller

1 the Denver Water Board, from imposing mandatory fees or taxes on property. In
2 addition, limiting votes on property taxes to November elections, when voter turnout is
3 typically higher, may lead to greater citizen awareness and participation.

4 3) Amendment 60 removes a competitive advantage that publicly owned
5 enterprises have over private businesses. Unlike private facilities, publicly owned
6 enterprises, such as parking lots and golf courses, do not currently pay property taxes.
7 The additional revenue will lower the local property tax rate, providing further relief for
8 property owners in the district.

9 **Arguments Against**

10 1) Amendment 60 overturns nearly two decades of voter-approved tax decisions
11 that fund important services provided by counties, cities, school districts, and special
12 districts. The amendment enables voters statewide, in this election, to reverse
13 hundreds of decisions of local voters to fund services like fire and police protection,
14 roads, parks and recreational facilities, water and sewer systems, and libraries. Local
15 voters are best equipped to choose the level and type of services needed in their
16 communities and the means to pay for those services.

17 2) Amendment 60 will require the state to cut funding for many important services,
18 which may result in job losses throughout Colorado. Because the state constitution
19 requires that the state have a balanced budget and limits the ability of the legislature
20 to raise taxes, every new dollar spent on education will be taken away from other
21 services. The \$1.5 billion increase in state K-12 education spending nearly equals the
22 amount the state currently spends on courts, prisons, and human services. This
23 amendment requires the state to spend so much more on public schools that these or
24 other state functions will have to be cut or eliminated in order to keep the state budget
25 balanced.

26 3) Amendment 60 may leave many citizens worse off financially, depending on
27 where they live. People who live in areas with few publicly owned enterprises, such as
28 the eastern plains, will receive some property tax reductions, but may pay more in fees
29 to use the services of public enterprises located elsewhere. For example, if the
30 University of Colorado must pay property taxes, students statewide may pay more in
31 tuition, but property owners in Boulder County will get most of the tax savings.
32 Similarly, if Denver International Airport must pay property taxes, airline customers
33 statewide may pay more in fees, but only property owners in Denver will get the
34 property tax reduction.

35 **Estimate of Fiscal Impact**

36 **Local revenue.** Amendment 60 reduces property taxes for individuals and
37 business in several ways. This reduces the amount of tax revenue that cities,
38 counties, school districts, and special districts will receive. The measure phases in a
39 reduction in school district property taxes over ten years. In the first year, school

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1 district property taxes are projected to fall by \$337 million, reducing property taxes
2 paid by an average homeowner and an average business owner by \$87 and \$1,181,
3 respectively. Once the measure is fully implemented, property taxes are estimated to
4 fall by \$1.5 billion annually in today's dollars, reducing property taxes paid by an
5 average homeowner and an average business owner by approximately \$376 per year
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7 authorized to keep property tax revenue in excess of the constitutional limit, will have
8 their property tax revenue reduced by an indeterminate amount.

9 **State expenditures.** By reducing the amount of local property taxes collected for
10 school districts, statewide expenditures for public schools will increase by an
11 estimated \$337 million in the first year of implementation and by \$1.5 billion per year in
12 today's dollars once the measure is fully implemented. To meet this increased
13 obligation to schools, the state will have to decrease spending and services in other
14 areas, increase fees for services, or enact some combination of both.

15 The state must make a yearly audit of compliance with the property tax provisions
16 and strictly enforce all requirements in the amendment. The Office of the State
17 Auditor is responsible for reporting the financial and operational performance of
18 agencies of state government; however, the office does not have a process for
19 auditing local government compliance with property tax laws. Amendment 60 expands
20 the obligations of the State Auditor's Office. It is estimated that this provision will
21 require the addition of 1.5 new staff to coordinate year-round auditing of local
22 government and to manage contracting with independent certified public accounting
23 (CPA) firms. The cost for these new staff and CPA contracts is estimated to be
24 \$800,000 each year.

**DAVID MCDERMOTT'S COMMENTS (COLORADO STATE CONTROLLER)
ON LAST DRAFT OF AMENDMENT 60**

Leg Council Staff,

I believe the following issues should be addressed to improve the Amendment 60 Analysis.

Page 2 line 36: The phrase "keep property taxes above the government's constitutional limit" is confusing because the reader has no way to determine whether "keep" means "to retain" or "to maintain". This could be clarified by using the TABOR terminology as follows:

The constitution also requires voter approval for a local government to increase property tax rates or to keep **and spend** property taxes above the government's constitutional limit.

Page 3 lines 15 to 18: The term "state tax revenue" in line 16 is not required by the text of the amendment and is not consistent with the text on page 3 line 20 where it is recognized that fees rather than taxes may be raised to make the payments to backfill the lost property tax revenue.

I suggest replacing:

Because Amendment 60 requires that the reduction in local property tax revenue be replaced with state tax revenue, the funding obligation for public schools will increase to an estimated 67 percent of the 18 state's general operating budget, once the measure is fully implemented.

with the following text:

Because Amendment 60 requires that the reduction in local property tax revenue be replaced with **state aid**, the funding obligation for public schools will increase to an estimated 67 percent of the state's general operating budget, once the measure is fully implemented.

The following sentence from page 5:

Tax and fee collections by local governments are estimated to decrease by \$5.0 billion, but the net impact on local government budgets would be \$3.4 billion after the state reimburses school districts.

This needs a similar introductory clause as used in the 2nd preceding sentence in the document:

When fully implemented, tax and fee collections by local governments are estimated to decrease by \$5.0 billion, but the net impact on local government budgets would be \$3.4 billion after the state reimburses school districts.

Paragraphs 1 and 2 on page 5 (lines 1 through 16) ignore the possibility of fee increases by the state to address the requirement to backfill the local government tax reduction. Those fee increases would reduce the amount of savings by households and businesses. I believe these paragraphs need a qualifier stating that "**barring an increase in fees or voter approved taxes it is estimated that**"

Please contact me if you would like to discuss these suggestions. Thank you for the opportunity to participate in this review.

David J. McDermott, CPA
Colorado State Controller
Department of Personnel & Administration
633 17th Street Suite 1500
Denver, CO 80202

Natalie Menten, Proponent

Amendment 60 Property Taxes

1 **Amendment 60 proposes amending the Colorado Constitution to:**

- 2 ♦ ~~repeal the current voter-approved authority of local governments to keep~~
3 ~~property taxes above their constitutional limits;~~
- 4 ♦ ~~establish expiration dates for future voter-approved property tax~~
5 ~~increases;~~
- 6 ♦ ~~cut local property tax rates for public schools' operating expenses in half~~
7 ~~over ten years and replace this money with state funding each year;~~
- 8 ♦ ~~require publicly owned enterprises to pay property taxes and reduce~~
9 ~~local property tax rates to offset the new revenue; and~~
- 10 ♦ ~~provide new voting rights to certain property owners in Colorado and~~
11 ~~permit citizens to petition all local governments to reduce property taxes.~~
- 12 ♦ GRANT THE RIGHT TO VOTE ON PROPERTY TAX ISSUES TO STATE RESIDENTS
13 LEGALLY QUALIFIED TO VOTE IN COLORADO WHO OWN COLORADO REAL
14 PROPERTY, AND PERMIT CITIZENS TO PETITION TO REDUCE PROPERTY TAXES;
- 15 ♦ REQUIRE GOVERNMENT-OWNED BUSINESSES AND AUTHORITIES TO PAY
16 PROPERTY TAXES, AND REDUCE PROPERTY TAX RATES TO OFFSET FULLY THAT
17 NEW REVENUE;
- 18 ♦ ALLOW LOCAL GOVERNMENT ACTIONS TO KEEP EXCESS PROPERTY TAX
19 REVENUE TO EXPIRE, SUBJECT TO ELECTIONS ON EXCESS PROPERTY TAX
20 REVENUE STARTING IN 2011;
- 21 ♦ REDUCE OVER TEN YEARS BY HALF THE SCHOOL PROPERTY TAX RATE NOT
22 USED TO REPAY DEBT, AND FULLY REPLACE THAT MONEY WITH STATE FUNDING
23 EACH YEAR.

24 **Summary and Analysis**

25 Amendment 60 changes several aspects of Colorado's property tax system to
26 reduce the amount of property taxes paid by individuals and businesses to school
27 districts, counties, special districts, cities, and towns. The measure phases in a
28 reduction in school district property taxes over ten years and requires that the reduced
29 property taxes be replaced with state funding. Table 1 shows the projected impact of
30 the amendment in today's dollars on an average homeowner ~~and commercial~~
31 ~~business~~, school districts, and state government, in both the first year and when the
32 measure is fully implemented. The fully implemented impacts provide ~~the best~~
33 ~~projections~~ A BETTER VIEW of the measure's final effects. NON-RESIDENTIAL PROPERTY
34 PAYS 3.6 TIMES THE EFFECTIVE TAX RATE OF RESIDENTIAL PROPERTY.

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1 — In the first year, property taxes for school districts are expected to fall by
 2 \$337 million, which the measure requires the state to replace. This represents a
 3 property tax reduction of the same amount for individuals and businesses. An average
 4 homeowner's property tax bill is projected to fall by \$87 and the property taxes for an
 5 average commercial business are estimated to fall by \$1,181.

6 — When the measure is fully implemented, the property tax reduction for school
 7 districts is estimated to increase the state's obligation for kindergarten through twelfth
 8 grade education (K-12) by \$1.5 billion, which represents a property tax decrease of the
 9 same amount for individuals and businesses. An average homeowner will pay
 10 \$376 less and an average commercial business will pay \$5,106 less in property taxes
 11 annually. In future years, the actual amounts will differ as inflation and growth
 12 increase the size of the economy, but the comparable budget impacts on taxpayers
 13 and governments are expected to remain consistent over time. Cities, towns,
 14 counties, and special districts will also lose property taxes, but the amount will vary by
 15 locality.

16 **Table 1. Selected Impacts of Amendment 60**

Impacted Group	Current Law	Amendment 60		Difference	
		First Year	Fully Implemented	First Year	Fully Implemented
Impacts on Average Taxpayers					
Property Tax Payment for Average Homeowner (\$295,000 home)	\$1,638	\$1,551	\$1,262	-\$87	-\$376
Property Tax Payment for Average Commercial Business Owner with a Value of \$1.1 million	\$22,254	\$21,073	\$17,148	-\$1,181	-\$5,106
K-12 Education Funding Shift					
Property Tax Collections for School Districts	\$3.3 billion	\$3.0 billion	\$1.8 billion	-\$0.3 billion	-\$1.5 billion
State Expenditures for K-12 Education	\$3.7 billion	\$4.0 billion	\$5.2 billion	\$0.3 billion	\$1.5 billion

33 **Background and current law.** Property taxes are based primarily on the value of
 34 land, houses, other buildings, and business equipment. Individuals and businesses
 35 pay property taxes to various local governments, such as cities, counties, school
 36 districts, and special districts, each of which imposes its own tax rate on property.
 37 School districts and counties receive approximately 77 percent of all property taxes
 38 collected. Publicly-owned enterprises; GOVERNMENT-OWNED BUSINESSES such as city

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1 water and sewer systems, municipal airports, and most state universities, are exempt
2 from paying property tax.

3 Property taxes are spent on EMPLOYEE SALARIES, BENEFITS, AND PENSIONS. ~~a variety~~
4 ~~of local government services, including public education, police and fire services,~~
5 ~~roads and bridges, public water and sewer systems, parks and recreation facilities,~~
6 ~~hospitals, and libraries.~~ The degree to which local governments rely on property taxes
7 to pay for services varies. ~~Some special districts, such as fire protection districts, get~~
8 ~~almost all of their revenue from property taxes, while many city governments get less~~
9 ~~than 5 percent of their funding from property taxes.~~

10 **Constitutional limits on property taxes.** The state constitution currently restricts
11 both the amount of total revenue and property tax revenue that a local government can
12 collect each year. Annual increases for each are capped at the rate of inflation plus a
13 measure of local growth, such as student enrollment in the case of a school district.
14 The constitution also requires voter approval for a local government to increase
15 property tax rates or to keep and spend total revenue or property tax revenue above
16 the government's constitutional limit, FOR UP TO FOUR YEARS ONLY.

17 **How does Amendment 60 change how public schools are funded?** Public
18 schools in Colorado are funded from a combination of federal, state, and local sources.
19 Voters in some school districts have approved additional property taxes to repay loans
20 used to build schools or other buildings. In these districts, there is a property tax for
21 operating schools and a separate property tax to repay loans. Amendment 60
22 requires all districts to cut their 2011 property tax rates ~~for operating schools~~ NOT
23 PAYING DEBT in half by 2020. Property tax rates for repaying loans are unchanged.
24 The required reduction in tax rates must be done in equal yearly amounts over ten
25 years. Amendment 60 requires the local school district funding eliminated by this rate
26 reduction to be replaced each year with state funding.

27 **How does Amendment 60 affect the state budget?** Currently, the state spends
28 most of its general operating budget on: ~~preschool through higher education; health~~
29 ~~care; prisons; the courts; and programs that help low-income, elderly, and disabled~~
30 ~~people.~~ EMPLOYEE SALARIES, BENEFITS, AND PENSIONS. K-12 education funding
31 accounts for 46 percent of this budget, WHICH IS ITSELF ONLY 35 PERCENT OF TOTAL
32 STATE SPENDING, AND which is primarily funded by sales and income taxes. Because
33 Amendment 60 requires that the reduction in local property tax revenue be replaced
34 with state funding, the obligation for public schools ~~will~~ MAY increase ~~to an estimated 67~~
35 ~~percent of the state's general operating budget,~~ once the measure is fully implemented
36 IN 2021. To meet this increased obligation to schools, the state will have to decrease
37 spending and services in other areas, increase fees for services, PROVIDE MORE
38 SCHOOL CHOICE ALTERNATIVES, INCREASE EFFICIENCY, TRIM THE GROWTH IN STATE SALARIES
39 AND BENEFITS, REDUCE STATE JOBS THROUGH ATTRITION, or some combination of ~~both~~
40 THESE.

41 **How does Amendment 60 affect property taxes for *all* OTHER local**
42 **governments?** Like school districts, cities, counties, and special districts are also
43 funded from a combination of federal, state, and local sources. ~~Under current law, t~~
44 Taxpayers in many communities have voted to broadly exempt their local governments

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1 from the constitutional limit related to total revenue and spending. Currently, voters in
2 ~~76 percent of municipalities, 81 percent of counties, and 98 percent of school districts~~
3 ~~have voted to allow government to keep and spend revenue above the constitutional~~
4 ~~limit, either temporarily or permanently.~~ This measure would reimpose a property tax
5 limit for those governments, leaving the broader revenue exemption unchanged.

6 Beginning in 2011, Amendment 60 ~~repeals~~ REQUIRES VOTER APPROVAL FOR EXCESS
7 REVENUE RETENTION TO CONTINUE FOR UP TO FOUR YEARS AT A TIME the current ~~voter-~~
8 ~~approved authority~~ ABILITY of local governments to permanently keep property taxes
9 above their constitutional limits. Local governments are not required to refund the
10 property taxes that were retained in the past. However, local governments that collect
11 property taxes above their property tax limit in the future will have to refund money. A
12 new election must be held to allow a local government to keep future property taxes
13 above its constitutional limit for up to four years at a time. ~~The measure will also~~
14 ~~reduce the property tax collections of most local governments by reducing property tax~~
15 ~~rates, and limiting the duration of future property tax increases.~~

16 ***How does Amendment 60 affect publicly owned enterprises GOVERNMENT-***
17 ***OWNED BUSINESSES?*** Amendment 60 requires publicly owned enterprises
18 GOVERNMENT-OWNED BUSINESSES to pay property taxes. ~~Under current law, state~~
19 ~~enterprises, such as most public universities, do not pay property taxes on campus~~
20 ~~buildings or equipment. Similarly, local enterprises, such as Denver International~~
21 ~~Airport, pay no property taxes.~~ The new property taxes collected from these publicly
22 ~~owned enterprises~~ GOVERNMENT-OWNED BUSINESSES must be offset by lower property
23 tax rates for homeowners, businesses, and other property taxpayers. ENTERPRISES
24 MAY AVOID THIS SITUATION BY BECOMING A REGULAR GOVERNMENT AGENCY SUBJECT TO
25 TABOR REVENUE LIMITS. ~~For example, if the University of Colorado had to pay property~~
26 ~~taxes in Boulder County, its property tax bill is estimated to range from \$11 million to~~
27 ~~\$20 million per year, depending on how the property is valued. This new revenue~~
28 ~~would be offset by lower tax rates in Boulder County, providing property owners in the~~
29 ~~county with tax reductions in the same amount.~~ The amendment prohibits publicly
30 ~~owned enterprises~~ GOVERNMENT-OWNED BUSINESSES from charging either a mandatory
31 fee or a tax on property.

32 ***How does Amendment 60 change property tax elections?*** Amendment 60
33 proposes changing several aspects of the way property tax issues are addressed in
34 local elections. Under current law, a property owner who is a registered Colorado
35 voter may vote on ballot questions in his or her primary place of residence and in
36 special district elections wherever he or she owns property in Colorado.
37 Amendment 60 allows LEGALLY-QUALIFIED-TO-VOTE Colorado property owners ~~to vote~~
38 ~~on~~ TO PARTICIPATE IN city, county, and school district property tax issues in any
39 Colorado location where they own REAL property, regardless of their primary place of
40 residence in the state.

41 Under current law, citizens may petition cities to increase or decrease property
42 taxes, but may not petition counties, schools, or special districts. Under this measure,
43 all local governments must permit petitions to lower property taxes.

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1 Typically, when a local community has voted to permanently exempt its local
2 government from the constitutional limit on property tax collections, that
3 voter-approved decision is not automatically repealed at a future date. Under
4 Amendment 60, any future vote to allow a local government to retain revenue above its
5 constitutional limit is repealed within four years after passage. Any future vote to
6 increase property tax rates is repealed within ten years. Any extension of an expiring
7 property tax is considered to be a tax increase under the measure, and as such, must
8 be presented STATED as a tax increase on the ballot.

9 Currently, a single ballot question may ask voters if a local government may borrow
10 money, and if property tax rates may be increased to repay that loan. Under this
11 measure, ballot questions that allow a government to borrow money must be separate
12 from ballot questions that raise property taxes.

13 ***How is Amendment 60 enforced?*** The amendment requires the state to annually
14 audit all cities, counties, school districts, and other types of local governments to
15 ensure compliance with all requirements of the amendment. Citizens are also allowed
16 to file lawsuits to enforce compliance.

17 [First Preference]

18 — ***How does Amendment 60 interact with two other measures on the ballot?***
19 Amendment 60 along with Amendment 61 (see page x) and Proposition 101
20 (see page x) contain provisions that affect state and local government finances by
21 decreasing taxes paid by households and businesses and restricting government
22 borrowing. How these measures work together may require clarification from the state
23 legislature or the courts.

24 — Amendment 60 reduces local property taxes, while requiring state expenditures for
25 K-12 education to increase by an amount that offsets the property tax loss for school
26 districts. Amendment 61 requires state and local governments to decrease tax rates
27 when debt is repaid, which is assumed in this analysis to apply to the existing debt of
28 state and local governments, and it prohibits any borrowing by state government.
29 Proposition 101 reduces state and local government taxes and fees.

30 — Since portions of these measures are phased in over time, the actual impacts to
31 taxpayers and governments will be less in the initial years of implementation and grow
32 over time. Assuming that all three measures are approved by voters, the first-year
33 impact will be to reduce state taxes and fees by \$744 million and increase state
34 spending for K-12 education by \$385 million. Once fully implemented, the measures
35 are estimated to reduce state taxes and fees by \$2.1 billion and increase state
36 spending for K-12 education by \$1.6 billion in today's dollars. This would commit
37 almost all of the state's general operating budget to paying for the constitutional and
38 statutory requirements of K-12 education, leaving little for other government services.
39 In addition, the prohibition on borrowing will increase budget pressures for the state if it
40 chooses to pay for capital projects from its general operating budget. This would
41 further reduce the amount of money available for other government services.

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1 — Tax and fee collections for local governments are expected to fall by at least
2 \$966 million in the first year of implementation and by \$4.7 billion when the measures
3 are fully implemented. However, the net impact on local government budgets would
4 be at least \$581 million in the first year and \$3.1 billion when fully implemented after
5 the state reimburses school districts.

6 — Total taxes and fees paid by households and businesses are estimated to
7 decrease by \$1.7 billion in the first year and \$6.8 billion per year in today's dollars
8 when the measures are fully implemented. The measures reduce the taxes and fees
9 owed by an average household making \$55,000 per year that owns a \$295,000 house
10 by an estimated \$400 in the first year and \$1,660 per year when fully implemented.

11 **[Second Preference]**

12 ***How does Amendment 60 interact with two other measures on the ballot?***

13 Amendment 60 along with Amendment 61 (see page x) and Proposition 101
14 (see page x) contain provisions that affect state and local government finances by
15 decreasing taxes paid by households and businesses and restricting government
16 borrowing. How these measures work together may require clarification from the state
17 legislature or the courts.

18 Amendment 60 reduces local property taxes, while requiring state expenditures for
19 K-12 education to increase by an amount that offsets the property tax loss for school
20 districts. Amendment 61 requires state and local governments to decrease tax rates
21 ~~when~~ AFTER debt is repaid, ~~which is assumed in this analysis to apply~~ AND APPLIES to
22 ~~the~~ BOTH existing AND FUTURE debt of state and local governments, and it prohibits any
23 borrowing by state government. Proposition 101 reduces state and local government
24 taxes and fees.

25 Since portions of these measures are phased in over time, the actual impacts to
26 taxpayers and governments will be less in the initial years of implementation and grow
27 over time. Assuming that all three measures are approved by voters, the first-year
28 impact will be to reduce state taxes and fees by \$744 million and increase state
29 spending for K-12 education by \$385 million. Once fully implemented BY 2050, the
30 measures are estimated to reduce state taxes and fees by \$2.1 billion and increase
31 state spending for K-12 education by \$1.6 billion in today's dollars. ~~This would commit~~
32 ~~almost all of the state's general operating budget to paying for the constitutional and~~
33 ~~statutory requirements of K-12 education, leaving little for other government services.~~
34 In addition, the prohibition on borrowing will increase budget pressures for the state if it
35 chooses to pay for capital projects from its general operating budget. This would
36 further reduce the amount of money available for other government services.

37 Tax and fee collections for local governments are expected to fall by ~~at least~~
38 ~~\$966 million in the first year of implementation and by \$4.7 billion when the measures~~
39 ~~are fully implemented. However, the net impact on local government budgets would~~
40 ~~be~~ at least \$581 million in the first year and \$3.1 billion when fully implemented after
41 the state reimburses school districts.

42 Total taxes and fees paid by households and businesses are estimated to
43 decrease by \$1.7 billion (ABOUT 2 PERCENT OF TOTAL STATE AND LOCAL SPENDING) in the

Natalie Menten, Proponent

1 first year and \$6.8 billion per year in today's dollars when the measures are fully
2 implemented. The measures reduce the taxes and fees owed by an average
3 household making \$55,000 per year that owns a \$295,000 house by an estimated
4 \$400 in the first year and \$1,660 per year when fully implemented.

5 **[Comment:** Does your "first-year" impact include property tax replacement that won't
6 occur until the second year (2012)? We dispute your \$717M and \$385M figures as too
7 high. The income tax percentage point phase out occurs only when revenue grows
8 much faster than the effect of the 0.1 percent rate trim, so there is no year-to-year loss
9 possible. You are making up a number that cannot exist. You also ignore dynamic
10 scoring and the stimulative effect on the Colorado economy. Your other dollar
11 amounts are also too high.]

12 **[Comment:** You also need to list total state spending this year, and its projected level
13 in the last year of the phase in, whichever one you have chosen. Give readers a
14 sense of proportion. You also don't say when the cumulative \$3.1 billion occurs - what
15 final year are you using? You don't even say its cumulative, so it looks like it's
16 instantly - another whopper.]

17 **[Comment:** You don't list the first-year (whenever that is, in your mind) local savings,
18 so no one can see how you arrived at \$1.6 billion. If \$1.6 billion equals \$400 per
19 average household (undefined), that means we have 4,000,000 households in
20 Colorado. That's an average of 1.25 people per household. That false low shows the
21 number of households is smaller and savings for each is greater. \$800 for 2.5 people
22 per household is more plausible. Your fallacy is your obsession with claiming business
23 gets most of the savings. News flash: business owners live in households too.]

24 Arguments For

25 1) Amendment 60 provides property tax relief for Coloradans in a tough economic
26 climate without reducing K-12 education funding. For example, the measure will
27 provide seniors who recently lost a property tax exemption with additional tax relief.
28 Allowing business owners to keep more of their income ~~may~~ WILL spur investment and
29 help the economy recover more quickly. STATE AND LOCAL GOVERNMENTS ALREADY
30 SPEND \$42.5 BILLION PER YEAR, WHICH AMOUNTS TO AN AVERAGE OF \$21,200 PER
31 HOUSEHOLD IN THE STATE. School funding is unchanged because the state is required
32 to replace ~~the local property taxes phased out by the amendment with state funding~~
33 THAT PART OF PROPERTY TAXES PHASED OUT BY AMENDMENT 60 OVER 10 YEARS.

34 2) Amendment 60 strengthens citizen control over local government taxes by
35 setting tax expiration dates and requiring that an extension of an expiring tax be
36 presented to the voters as a tax increase. The amendment also allows citizens to
37 petition local governments to lower taxes, and it prevents unelected boards, such as
38 ~~the Denver Water Board~~ DRAINAGE AND OTHER DISTRICTS, from imposing mandatory
39 fees or taxes on property. In addition, limiting votes on property taxes to November
40 elections, when voter turnout is typically higher, ~~may~~ WILL lead to greater citizen
41 awareness and participation.

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1 3) Amendment 60 removes a competitive advantage that publicly owned
2 enterprises have over private businesses. Unlike private facilities, publicly owned
3 enterprises, such as parking lots and golf courses, do not currently pay property taxes.
4 The additional revenue will lower the local property tax rate, providing further relief for
5 ALL property owners in the district.

6 4) STATEWIDE PROPERTY TAX COLLECTION HAS SOARED 183 PERCENT SINCE VOTERS
7 PASSED TABOR. HOMEOWNER TAXES FOR MANY SENIORS HAVE DOUBLED THIS YEAR. IN
8 2007, THE LEGISLATURE RAISED SCHOOL PROPERTY TAXES GREATLY WITHOUT GETTING
9 STATE VOTER APPROVAL TO CHANGE STATE LAW, AND THE LEGISLATURE THEN LOWERED
10 STATE AID IN ORDER TO SPEND THE MONEY ELSEWHERE. ALLOWING UNELECTED BOARDS TO
11 IMPOSE PROPERTY TAXES IS "TAXATION WITHOUT REPRESENTATION." LOCAL GOVERNMENTS
12 HAVE RAISED PROPERTY TAXES WITHOUT VOTER APPROVAL, OR BY AN AMOUNT GREATER
13 THAN THE BALLOT TITLE STATED. LOCAL GOVERNMENTS CANNOT PERMANENTLY CANCEL
14 STATE CONSTITUTIONAL RULES, EVEN WITH A LOCAL VOTE. FUTURE TAX INCREASES SHOULD
15 NOT LAST FOREVER, BUT SHOULD BE SUBJECT TO VOTER REVIEW PERIODICALLY. ALLOWING
16 CITIZENS TO VOTE ON PROPERTY TAXES RESTORES TRUE LOCAL CONTROL.

17 **Arguments Against**

18 1) Amendment 60 ~~overturns~~ AFFECTS nearly two decades of voter-approved tax
19 decisions that fund important services provided by counties, cities, school districts, and
20 special districts. The amendment enables voters statewide, in this election, to ~~reverse~~
21 REQUIRE A FUTURE ELECTION ON hundreds of decisions of local voters to fund services
22 like fire and police protection, roads, parks and recreational facilities, water and sewer
23 systems, and libraries. Local voters are best equipped to choose the level and type of
24 services needed in their communities and the means to pay for those services.

25 2) Amendment 60 will require the state to cut funding for many important services,
26 which may result in job losses throughout Colorado. Because the state constitution
27 requires that the state have a balanced budget and limits the ability of the legislature to
28 raise taxes, every new dollar spent on education will be taken away from other
29 services. The \$1.5 billion ~~increase~~ TRANSFER in state K-12 education spending nearly
30 equals the amount the state currently spends on courts, prisons, and human services.
31 ~~This amendment requires the state to spend so much more on public schools that~~
32 ~~these or other state functions will have to be cut or eliminated in order to keep the~~
33 ~~state budget balanced.~~

34 3) Amendment 60 may leave many citizens worse off financially, depending on
35 where they live. People who live in areas with few publicly owned enterprises, such as
36 the eastern plains, will receive some property tax reductions, but may pay more in fees
37 to use the services of public enterprises located elsewhere. For example, if the
38 University of Colorado must pay property taxes, students statewide may pay more in
39 tuition, but property owners in Boulder County will get most of the tax savings.
40 Similarly, if Denver International Airport must pay property taxes, airline customers
41 statewide may pay more in fees, but only property owners in Denver will get the
42 property tax reduction.

Natalie Menten, Proponent

1 Estimate of Fiscal Impact

2 **Local revenue.** Amendment 60 reduces property taxes for individuals and
3 business in several ways. This reduces the amount of tax revenue that cities,
4 counties, school districts, and special districts will receive. The measure phases in a
5 reduction in school district property taxes over ten years. In the first year, school
6 district property taxes are projected to fall by \$337 130 million, reducing property taxes
7 paid by ~~an average homeowner and an average business owner by \$87 and \$1,181,~~
8 ~~respectively~~ ALL PROPERTY OWNERS. Once the measure is fully implemented, property
9 taxes are estimated to fall by \$1.53 billion annually in today's dollars, reducing property
10 taxes paid by ~~an average homeowner and an average business owner by~~
11 ~~approximately \$376 per year and \$5,106 per year, respectively~~ ALL PROPERTY OWNERS.
12 Additionally, local governments currently authorized to keep property tax revenue in
13 excess of the constitutional limit, will have their property tax revenue reduced by an
14 indeterminate amount.

15 **State expenditures.** By reducing the amount of local property taxes collected for
16 school districts, statewide expenditures for public schools will increase by an estimated
17 \$337 130 million in the first year of implementation and by \$1.5 3 billion per year in
18 today's dollars once the measure is fully implemented IN 2021. To meet this increased
19 obligation to schools, the state ~~will have to~~ MAY decrease spending and services in
20 other areas, increase fees for services, PROVIDE MORE SCHOOL CHOICE ALTERNATIVES,
21 INCREASE EFFICIENCY, TRIM THE GROWTH IN STATE SALARIES AND BENEFITS, REDUCE STATE
22 JOBS THROUGH ATTRITION, or enact some combination ~~of both~~.

23 The state must make a yearly audit of compliance with the property tax provisions
24 and strictly enforce all PROPERTY TAX requirements in the TAXPAYER'S BILL OF RIGHTS
25 amendment. The Office of the State Auditor is responsible for reporting the financial
26 and operational performance of agencies of state government; however, the office
27 does not have a process for auditing local government compliance with property tax
28 laws. Amendment 60 expands the obligations of the State Auditor's Office. It is
29 estimated that this provision will require the addition of 1.5 new staff to coordinate
30 year-round auditing of local government and to manage contracting with independent
31 certified public accounting (CPA) firms. The cost for these new staff and CPA
32 contracts is estimated to be \$800,000 each year.

NATALIE MENTEN'S COMMENTS (PROPONENT) ON LAST DRAFT OF AMENDMENT 60

I feel like I'm shouting down a hole, but I will ask once again for accuracy and neutrality.

PAGE ONE

Lines 1-12 The order should be the order in the ballot title and in the text.

The NEW #1--"grant the right to vote on property tax issues to state residents legally qualified to vote in Colorado who own Colorado real property, and permit citizens to petition to reduce property taxes"

(only applies to property tax voting by CO real property owners who are CO residents qualified to vote. The change is obviously "new.")

The NEW #2--"require government-owned businesses and authorities to pay property taxes, and reduce property tax rates to offset fully that new revenue"

(obviously local, text includes authorities, and "publicly-owned enterprises" is redundant and does not tell voters an enterprise is a business)

The NEW #3 (consolidating two)--"allow local government actions to keep excess property tax revenue to expire, subject to elections on excess property tax revenue starting in 2011."

(text covers rates illegally frozen by politicians WITHOUT voter approval--also include the second half of the sentence--"action" is the term in text, which covers BOTH election and non-election retentions)

The NEW #4--"reduce over ten years by half the school property tax rate not used to repay debt, and fully replace that money with state funding each year"

("local" is obvious--it is not only operating funds, but all non-debt that are covered--schools may have capital improvement levies, etc. that are not to repay debt--stick to the text!)

Line 20 delete "and commercial business." Your example fits under 0.1% of the population and is highly inflammatory in stoking class envy. If you must list one, make it a \$295,000 property. Better to print instead, "Non-residential property pays 3.6 times the effective tax rate of residential property."

Line 22 change "the best projections" to "a better view"--only two, so positive-comparative, but not superlative, is the application--A single subject can't provide a plural outcome.

Line 24-34--DELETE. Your message is patently obvious--"You get a crummy \$87, those nasty rich people save 15 times as much, and the schools lose \$337 million." GIVE ME

A BREAK. The tax savings and the tax "loss" ARE ALWAYS EQUAL. Don't minimize taxpayer benefit and cry about government cost. YOU ARE NOT BEING FAIR. Delete this biased comparison. Also, the first-year of cost is not \$337 million. It is ZERO. The school phase out begins in the SECOND YEAR, paid in 2012. You have NO proof of the other \$207 million. If you are assuming de-TABOR expiration impacts, that is STILL second year, and there is an opportunity for keeping excess p.t. revenue in November 2011.

How does the homeowner save \$87 in the first year of a TEN-year EQUAL phase out, and save only FOUR times that amount in the TENTH YEAR? You're slipping in hidden assumptions about future property values. You are also minimizing the savings by shifting savings to your fabricated commercial property owned by a tiny percentage of VOTERS. The "average" business owner does not own alone a \$1.2 million commercial property. Why mention a figure for 0.1% of the readers, except to provoke improperly strong jealousy by the other 99.9%?

You refuse to use the "average" of savings because it would show greater tax benefits than you wish to reveal. The second draft had a final 23% property tax savings in 2020; SIMPLY STATE THAT, and that effects on government are also 23% of p.t. revenue. The two sides must match. Skip your convoluted and fanciful dollar amounts.

Your \$1.5 billion in school tax savings is HIGH. WHY? Page 45 of the 2009 state property tax report says total school property tax is \$3.37 BILLION. Delete \$775 million in bond redemption and get \$2.6 BILLION. Divide in half and it's \$1.3 BILLION, NOT \$1.5 BILLION. That makes each year of the 10-year phase out \$130 million. You have no basis for \$337 million, off by \$207 MILLION, in 2011 (really 2012, the second fiscal year but the first year of revenue impact). The state does not have to reimburse any property tax savings to schools in 2011, which are from 2010 taxes, not affected. So your front-loaded statements are wrong for that reason too. Your piled-on state cash flow spending crunch is also false.

PAGE TWO

Lines 1-17 DELETE TABLE 1. Repetitive and false. Many reasons listed immediately above. Use 23% after 10 years!!! That is neutral, assuming your figures are correct, which I doubt, based on this draft.

Line 23--Change to "Government-owned businesses" EVERYWHERE in the text

Lines 25-27--DELETE. Listing pet projects and hot button services is unfair. MOST of what it is spent on is EMPLOYEE SALARIES, BENEFITS, AND PENSIONS. Why don't you say THAT?

Line 27-31 DELETE. Budget allocations and sources are irrelevant to tax relief. Any district can ask for a p.t. increase any November.

Line 37--add at end after "limit" the words "for up to four years only." See TABOR 3(a) regarding 4-year limit CURRENTLY on waiving right to vote on annual refunds, which then reverts to the adjusted base as though there never was a waiver.

PAGE THREE

Line 6--change "for operating schools" to "not paying debt" to match the text; see above discussion.

Lines 11-14 DELETE ALL as emotional manipulation--"elderly and disabled people." GIVE IT A REST! You keep trotting out popular programs--again, the money goes primarily to EMPLOYEE SALARIES, BENEFITS, and PENSIONS. Say the truth or say nothing.

Line 14--after "of this budget," insert "which is itself only 35% of total state spending, and" (which...) Your prior draft said 43%; see our comments. Why the change to 49%?

Line 17--DELETE after "increase" through "budget" You are assuming no growth in state revenue, or at least less than the \$130 million yearly. Based on the last three decades, that is unsupportable. Don't speculate. Change "will" to "may" before "increase."

Line 18--after "implemented" insert "in 2021."

Line 20-- insert "provide more school choice alternatives, increase efficiency, trim the growth in state salaries and benefits, reduce state jobs through attrition," Better to delete the sentence, but if you insist, avoid the BUREAUCRATIC REACTION of "raise revenue or cut services" as the only two options. THINK OUTSIDE THE BOX! Be candid.

Line 21--replace "all" with "other" You already discussed schools.

Line 23--delete "Under current law" since we dispute that all deTABORings were legal, particularly those lasting over four years in violation of TABOR 3a, and those that had no election at all.

Line 25-28--DELETE as duplication of prior sentence.

Line 28--replace "repeals" with "requires voter approval for excess revenue retention to continue for up to four years at a time." A 1997 vote is not repealed, nor the money refunded. There is no retroactive effect. The question of past legality is side-stepped in favor of a new vote. Also, A-60 covers "actions" that were not voter-approved, so you are being misleading. We also dispute "voter-approved authority" as TABOR does not allow the state constitution to be nullified permanently by local option.

Line 32--insert "future" after "keep". Delete "temporarily" and end with "for up to four years at a time." Stick to the text; eschew ambiguity.

Line 32-34--DELETE. A 4-year or 10-year future tax increase does NOT "reduce" revenue. It only limits the INCREASE'S duration. That is NOT a cut. Where does A-60 reduce collections of "MOST local governments"? It doesn't reduce lawful past p.t. "rate" increases. It is also so vague it should say "may" and not "will" and "some" rather than "most."

Lines 35-36, 39-40--change phrase as above.

Line 37--delete your unnecessary example designed to rally opposition--end with "taxes."

Line 38--delete your other manipulative example CAN'T YOU SEE THE OPPOSITION HAS USED THEM IN THEIR ARGUMENTS HERE? DOESN'T THAT TELL YOU THAT YOU ARE MAKING THEIR CASE?

Line 41--insert after "taxpayers." a new sentence. "Enterprises may avoid this situation by becoming a regular government agency subject to TABOR revenue limits."

Lines 41-44 DELETE. SAME REASON.

PAGE FOUR

Line 1--DELETE CONTINUATION AS ABOVE.

Line 2--Change phrase

Line 8--insert "legally-qualified-to-vote" before "Colorado." Change "to vote on" to "to participate in" to cover receiving and making comments in TABOR election notices, and circulating and signing petitions on p.t. issues.

Line 9--insert "real" before "property" to conform to the text

Lines 14-18 DELETE as redundant to prior discussions

Line 21 change "presented" to "stated"

Lines 30-41 DELETE and

PAGE FIVE

Lines 1-16 DELETE. Your legal authority is to analyze each issue separately, not speculate on possible interactions so you can state a bigger, scarier number. Readers can add the three totals on their own.

PAGE FOUR/Line 39--If not deleted, change "when" to "after" and revise to "and applies to both existing and future debt..." We have said this many times. It is the intent of proponents; rely on it and quote it.

FIVE/line 3-16--Does your "first-year" impact include p.t. replacement that won't occur until the SECOND year (2012)? We dispute your \$717M and \$385M figures as too high. The income tax one percentage point phase out occurs ONLY when revenue grows much faster than the effect of a 0.1% rate trim, so there is no year-to-year loss possible. You are making up a number that CANNOT EXIST.

You also ignore dynamic scoring and the stimulative effect on the CO economy. Your other dollar amounts are also too high. Insert "in 2021" after "implemented" in line 5. (Does that include the 15-20 year income tax period, and the 40-year debt period? If you used it in your calculation, change "2021" to a later number.)

Delete the sentence at lines 7 to 9 as FALSE because it ignores state revenue growth by 2021. You also contradict it with your inflated 67% figure on page three! We deny the \$5 billion figure, which you keep changing (!), so delete everything after "by" until "\$3.4 billion," which is also a wild distortion.

YOU ALSO NEED TO LIST TOTAL STATE SPENDING THIS YEAR, AND ITS PROJECTED LEVEL IN THE LAST YEAR OF PHASE IN, WHICHEVER ONE YOU HAVE CHOSEN. GIVE READERS A SENSE OF PROPORTION.

Lines 9-11 don't say when the cumulative \$3.4 billion occurs--what final year are you using? You don't even say it's cumulative, so it looks like it's instantly, another whopper.

On line 12, put the \$1.6 BILLION in context by noting it is about 2% of total state and local spending. It is also high.

Lines 13-16---a useless hypothetical. DELETE

You don't list the first-year (whenever that is, in your mind) local savings, so no one can see how you arrived at \$1.6 billion. If \$1.6 billion equals \$400 per average household (undefined), that means we have 4,000,000 households in Colorado. That's an average of 1.25 people PER HOUSEHOLD. That false low shows the number of households is smaller and savings for each is greater. \$800 for 2.5 people per household is more plausible. Your fallacy is your obsession with claiming business gets most of the savings. News flash: Business owners live in households too. We also see your \$1800/year last time has slipped to \$1750/year upon full phase in. Math problems?

YOUR BIAS IS EASILY SHOWN BY THE FACT YOU GAVE US 18 LINES, AND OUR FOES 24 LINES, ONE-THIRD MORE. WE BROUGHT THIS UP BEFORE AND HAVEN'T FORGOTTEN THE OBVIOUS UNFAIRNESS. WE GAVE YOU ADDED ARGUMENTS. WHY NOT BE FAIR?

You can add to the Arguments For the following lines to even up the two sides:

Statewide property tax collection has soared 183% since voters passed TABOR. Homeowner taxes for many seniors have doubled this year. In 2007, the legislature raised school property taxes greatly without getting state voter approval to change state law, and the legislature then lowered state aid in order to spend the money elsewhere. Allowing unelected boards to impose property taxes is "taxation without representation."

Local governments have raised property taxes without voter approval, or by an amount greater than a ballot title stated. Local governments cannot permanently cancel state constitutional rules, even with a local vote. Future tax increases should not last forever, but should be subject to voter review periodically. Allowing citizens to vote on property taxes restores true local control.

Line 21 Change "may" to "will." This is our argument; we can be positive.

Line 23 Change to "replace that part of property taxes phased out by Amendment 60 over 10 years."

Line 25 Delete after "dates." We already have a right to vote on that, just not labeled as a tax increase. It is a minor feature.

Line 27 We get to pick our examples, not you or opponents. Say "such as drainage and other districts" instead.

Line 29 Change "may" to "will"

Line 35 Insert "all" before "property"

Line 37 Replace "overturns" with "affects" An election cannot be "repealed," and the outcome is not "overturned" as though it were illegal. We simply allow another, more current vote.

Line 39 Change "reverse" to "require a future election on" There is no refund; this is prospective only.

PAGE SIX

Line 9 Change "increase" to "transfer" since total education spending does not increase.

Lines 10-12 Delete sentence--An annual dedication of 0.5% in total state spending does not justify such hysteria. Spending grows more than that every year. Remember the issue of equality of lines.

Line 27--\$337 million is WAY too high. The school replacement is \$130 million yearly; see above.

Line 28-29 Replace line with "for all property owners." Your business example is demagogic.

Line 30 Change to \$1.3 billion; see above. After "by," replace with "all property owners." Stop the class envy.

Line 37 Change \$337 million to \$130 million, and \$1.5 billion to \$1.3 billion; see above.

Line 38 insert after "implemented" the words "in 2021."

Lines 39-40 Change "will have to" to "may." Change as indicated above--insert "provide more school choice alternatives, increase efficiency, trim the growth in state salaries and benefits, reduce state jobs through attrition," and then delete "or both." An either-or

binary response is not required. You also wrongly assume state revenue is frozen forever; mention its historic growth rate over 30 years.

PAGE SEVEN

Line 2 Insert "property tax" after "all" and insert "Taxpayer's Bill of Rights" before "amendment."

See text, which refers to "this section," not this subsection. TABOR is Article X, SECTION 20.

In my comments to the third drafts, please include the words "tax-free" each time you mention the taxpayer savings, whether in the first year dollar amount, after full implementation, or the cumulative effect of all three (though I still object to that repetitive language you are inserting in all three analyses).

Getting added money "tax-free" is worth more than getting added money that is taxable. It should be noted.

Based on the new figures and recalculation of one of your colleagues, listed below, please adjust our third draft argument of "about \$40 billion" and "\$20,000" to fit his estimate for 2008 of \$42.5 billion. It is shown on page 9, lines 8 and 9 of the third draft for P-101.

Please share it with the A-60 and A-61. It is our best argument that CO can afford this modest tax relief, when placed in perspective. We repeatedly have said we wish it stated in your analysis, which has more credibility than the arguments of either side. If you decline to put this contextual figure in your analysis, it should be in the first argument in favor in each of the three analyses.

Since you insist on making the same half-page argument three times on the cumulative effect (to which we object), that would be a logical place to insert these figures. You list total "cost" to government, which begs the question, "Compared to what?" That's where you should list the total.

The figures are out of date, but newer figures are not available. Certainly they haven't gone down. If you wish to estimate \$44 billion for 2011 and "\$22,000," it would be reasonable to do so. But if you need written support, contact him and stick to the \$42.5 billion figure and adjust the family amount upwards by 6% to \$21,200.

Henry Sobanet, Coloradans for Responsible Reform

Amendment 60 Property Taxes

1 **Amendment 60 proposes amending the Colorado Constitution to:**

- 2 ♦ repeal the current voter-approved authority of local governments to
3 keep property taxes above their constitutional limits;
- 4 ♦ establish expiration dates for future voter-approved property tax
5 increases;
- 6 ♦ cut local property tax rates for public schools' operating expenses in half
7 over ten years and replace this money with state funding each year;
- 8 ♦ require publicly owned enterprises to pay property taxes and reduce
9 local property tax rates to offset the new revenue; and
- 10 ♦ provide new voting rights to certain property owners in Colorado and
11 permit citizens to petition all local governments to reduce property
12 taxes.

13 **Summary and Analysis**

14 Amendment 60 changes several aspects of Colorado's property tax system to
15 reduce the amount of property taxes paid by individuals and businesses to school
16 districts, counties, special districts, cities, AND towns. The measure phases in a
17 reduction in school district property taxes over ten years and requires that the reduced
18 property taxes be replaced with state funding. Table 1 shows the projected impact of
19 the amendment in today's dollars on an average homeowner and commercial
20 business, school districts, and state government, in both the first year and when the
21 measure is fully implemented. The fully implemented impacts provide the best
22 projections of the measure's final effects.

23 In the first year, property taxes for school districts are expected to fall by
24 \$337 million, which the measure requires the state to replace. This represents a
25 property tax reduction of the same amount for individuals and businesses. An
26 average homeowner's property tax bill is projected to fall by \$87 and the property
27 taxes for an average commercial business are estimated to fall by \$1,181.

28 When the measure is fully implemented, the property tax reduction for school
29 districts is estimated to increase the state's obligation for kindergarten through twelfth
30 grade education (K-12) by \$1.5 billion, which represents a property tax decrease of the
31 same amount for individuals and businesses. An average homeowner will pay
32 \$376 less and an average commercial business will pay \$5,106 less in property taxes
33 annually. In future years, the actual amounts will differ as inflation and growth
34 increase the size of the economy, but the comparable budget impacts on taxpayers
35 and governments are expected to remain consistent over time. Cities, towns,

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1 counties, and special districts will also lose property taxes, but the amount will vary by
2 locality.

3 **Table 1. Selected Impacts of Amendment 60**

Impacted Group	Current Law	Amendment 60		Difference	
		First Year	Fully Implemented	First Year	Fully Implemented
Impacts on Average Taxpayers					
Property Tax Payment for Average Homeowner (\$295,000 home)	\$1,638	\$1,551	\$1,262	-\$87	-\$376
Property Tax Payment for Average Commercial Business Owner with a Value of \$1.1 million	\$22,254	\$21,073	\$17,148	-\$1,181	-\$5,106
K-12 Education Funding Shift					
Property Tax Collections for School Districts	\$3.3 billion	\$3.0 billion	\$1.8 billion	-\$0.3 billion	-\$1.5 billion
State Expenditures for K-12 Education	\$3.7 billion	\$4.0 billion	\$5.2 billion	\$0.3 billion	\$1.5 billion

20 **Background and current law.** Property taxes are based primarily on the value of
21 land, houses, other buildings, and business equipment. Individuals and businesses
22 pay property taxes to various local governments, such as cities, counties, school
23 districts, and special districts, each of which imposes its own tax rate on property.
24 School districts and counties receive approximately 77 percent of all property taxes
25 collected. Publicly owned enterprises, such as city water and sewer systems,
26 municipal airports, and most state universities, are exempt from paying property tax.

27 Property taxes are spent on a variety of local government services, including public
28 education, police and fire services, roads and bridges, public water and sewer
29 systems, parks and recreation facilities, hospitals, and libraries. The degree to which
30 local governments rely on property taxes to pay for services varies. Some special
31 districts, such as fire protection districts, get almost all of their revenue from property
32 taxes, while many city governments get less than 5 percent of their funding from
33 property taxes.

34 **Constitutional limits on property taxes.** The state constitution currently restricts
35 both the amount of total revenue and property tax revenue that a local government
36 can collect each year. Annual increases for each are capped at the rate of inflation
37 plus a measure of local growth, such as student enrollment in the case of a school
38 district. The constitution also requires voter approval for a local government to

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1 increase property tax rates or to keep and spend total revenue or property tax revenue
2 above the government's constitutional limit.

3 **How does Amendment 60 change how public schools are funded?** Public
4 schools in Colorado are funded from a combination of federal, state, and local
5 sources. Voters in some school districts have approved additional property taxes to
6 repay loans used to build schools or other buildings. In these districts, there is a
7 property tax for operating schools and a separate property tax to repay loans.
8 Amendment 60 requires all districts to cut their 2011 property tax rates for operating
9 schools in half by 2020. Property tax rates for repaying loans are unchanged. The
10 required reduction in tax rates must be done in equal yearly amounts over ten years.
11 Amendment 60 requires the local school district funding eliminated by this rate
12 reduction to be replaced each year with state funding.

13 **How does Amendment 60 affect the state budget?** Currently, the state spends
14 most of its general operating budget on: preschool through higher education; health
15 care; prisons; the courts; and programs that help low-income, elderly, and disabled
16 people. K-12 education funding accounts for 46 percent of this budget, which is
17 primarily funded by sales and income taxes. Because Amendment 60 requires that
18 the reduction in local property tax revenue be replaced with state funding, the
19 obligation for public schools will increase to an estimated 67 percent of the state's
20 general operating budget, once the measure is fully implemented. To meet this
21 increased obligation to schools, the state will have to decrease spending and services
22 in other areas, increase fees for services, or some combination of both.

23 **How does Amendment 60 affect property taxes for all local governments?**
24 Like school districts, cities, counties, and special districts are also funded from a
25 combination of federal, state, and local sources. Under current law, taxpayers in many
26 communities have voted to broadly exempt their local governments from the
27 constitutional limit related to total revenue and spending. Currently, voters in
28 76 percent of municipalities, 81 percent of counties, and 98 percent of school districts
29 have voted to allow government to keep and spend revenue above the constitutional
30 limit, either temporarily or permanently. This measure would reimpose a property tax
31 limit for those governments, leaving the broader revenue exemption unchanged.

32 Beginning in 2011, Amendment 60 repeals the current voter-approved authority of
33 local governments to permanently keep property taxes above their constitutional limits.
34 Local governments are not required to refund the property taxes that were retained in
35 the past. However, local governments that collect property taxes above their property
36 tax limit in the future will have to refund money. A new election must be held to allow
37 a local government to keep future property taxes above its constitutional limit for up to
38 four years at a time. The measure will also reduce the property tax collections of most
39 local governments by reducing property tax rates, and limiting the duration of future
40 property tax increases.

41 **How does Amendment 60 affect publicly owned enterprises?** Amendment 60
42 requires publicly owned enterprises to pay property taxes. Under current law, state
43 enterprises, such as most public universities, do not pay property taxes on campus

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1 buildings or equipment. Similarly, local enterprises, such as Denver International
2 Airport, pay no property taxes. The new property taxes collected from these publicly
3 owned enterprises must be offset by lower property tax rates for homeowners,
4 businesses, and other property taxpayers. For example, if the University of Colorado
5 had to pay property taxes in Boulder County, its property tax bill is estimated to range
6 from \$11 million to \$20 million per year, depending on how the property is valued.
7 This new revenue would be offset by lower tax rates in Boulder County, providing
8 property owners in the county with tax reductions in the same amount. The
9 amendment prohibits publicly owned enterprises from charging either a mandatory fee
10 or a tax on property.

11 ***How does Amendment 60 change property tax elections?*** Amendment 60
12 proposes changing several aspects of the way property tax issues are addressed in
13 local elections. Under current law, a property owner who is a registered Colorado
14 voter may vote on ballot questions in his or her primary place of residence and in
15 special district elections wherever he or she owns property in Colorado.
16 Amendment 60 allows Colorado property owners to vote on city, county, and school
17 district property tax issues in any Colorado location where they own property,
18 regardless of their primary place of residence in the state.

19 Under current law, citizens may petition cities to increase or decrease property
20 taxes, but may not petition counties, schools, or special districts. Under this measure,
21 all local governments must permit petitions to lower property taxes.

22 Typically, when a local community has voted to permanently exempt its local
23 government from the constitutional limit on property tax collections, that
24 voter-approved decision is not automatically repealed at a future date. Under
25 Amendment 60, any future vote to allow a local government to retain revenue above
26 its constitutional limit is repealed within four years after passage. Any future vote to
27 increase property tax rates is repealed within ten years. Any extension of an expiring
28 property tax is considered to be a tax increase under the measure, and as such, must
29 be presented as a tax increase on the ballot.

30 Currently, a single ballot question may ask voters if a local government may
31 borrow money, and if property tax rates may be increased to repay that loan. Under
32 this measure, ballot questions that allow a government to borrow money must be
33 separate from ballot questions that raise property taxes.

34 ***How is Amendment 60 enforced?*** The amendment requires the state to
35 annually audit all cities, counties, school districts, and other types of local
36 governments to ensure compliance with all requirements of the amendment. Citizens
37 are also allowed to file lawsuits to enforce compliance.

38 ***How does Amendment 60 interact with two other measures on the ballot?***
39 Amendment 60 along with Amendment 61 (see page x) and Proposition 101
40 (see page x) contain provisions that affect state and local government finances by
41 decreasing taxes paid by households and businesses and restricting government
42 borrowing. How these measures work together may require clarification from the state
43 legislature or the courts.

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1 Amendment 60 reduces local property taxes, while requiring state expenditures for
2 K-12 education to increase by an amount that offsets the property tax loss for school
3 districts. Amendment 61 requires state and local governments to decrease tax rates
4 when debt is repaid, which is assumed in this analysis to apply to the existing debt of
5 state and local governments, and it prohibits any borrowing by state government.
6 Proposition 101 reduces state and local government taxes and fees.

7 Since portions of these measures are phased in over time, the actual impacts to
8 taxpayers and governments will be less in the initial years of implementation and grow
9 over time. Assuming that all three measures are approved by voters, the first-year
10 impact will be to reduce state taxes and fees by \$744 million and increase state
11 spending for K-12 education by \$385 million. Once fully implemented, the measures
12 are estimated to reduce state taxes and fees by \$2.1 billion and increase state
13 spending for K-12 education by \$1.6 billion in today's dollars. This would commit
14 almost all of the state's general operating budget to paying for the constitutional and
15 statutory requirements of K-12 education, leaving little for other government services.
16 In addition, the prohibition on borrowing will increase budget pressures for the state if
17 it chooses to pay for capital projects from its general operating budget. This would
18 further reduce the amount of money available for other government services.

19 Tax and fee collections for local governments are expected to fall by at least
20 \$966 million in the first year of implementation and by \$4.7 billion when the measures
21 are fully implemented. However, the net impact on local government budgets would
22 be at least \$581 million in the first year and \$3.1 billion when fully implemented after
23 the state reimburses school districts.

24 Total taxes and fees paid by households and businesses are estimated to
25 decrease by \$1.7 billion in the first year and \$6.8 billion per year in today's dollars
26 when the measures are fully implemented. The measures reduce the taxes and fees
27 owed by an average household making \$55,000 per year that owns a \$295,000 house
28 by an estimated \$400 in the first year and \$1,660 per year when fully implemented.

29 **Arguments For**

30 1) Amendment 60 provides property tax relief for Coloradans in a tough economic
31 climate without reducing K-12 education funding. For example, the measure will
32 provide seniors who recently lost a property tax exemption with additional tax relief.
33 Allowing business owners to keep more of their income may spur investment and help
34 the economy recover more quickly. School funding is unchanged because the state is
35 required to replace the local property taxes phased out by the amendment with state
36 funding.

37 2) Amendment 60 strengthens citizen control over local government taxes by
38 setting tax expiration dates and requiring that an extension of an expiring tax be
39 presented to the voters as a tax increase. The amendment also allows citizens to
40 petition local governments to lower taxes, and it prevents unelected boards, such as
41 the Denver Water Board, from imposing mandatory fees or taxes on property. In

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1 addition, limiting votes on property taxes to November elections, when voter turnout is
2 typically higher, may lead to greater citizen awareness and participation.

3 3) Amendment 60 removes a competitive advantage that publicly owned
4 enterprises have over private businesses. Unlike private facilities, publicly owned
5 enterprises, such as parking lots and golf courses, do not currently pay property taxes.
6 The additional revenue will lower the local property tax rate, providing further relief for
7 property owners in the district.

8 **Arguments Against**

9 1) Amendment 60 overturns nearly two decades of voter-approved tax decisions
10 that fund important services provided by counties, cities, school districts, and special
11 districts. The amendment enables voters statewide, in this election, to reverse
12 hundreds of decisions of local voters to fund services like fire and police protection,
13 roads, parks and recreational facilities, water and sewer systems, and libraries. Local
14 voters are best equipped to choose the level and type of services needed in their
15 communities and the means to pay for those services.

16 2) Amendment 60 will require the state to cut funding for many important services,
17 ~~which may result~~ RESULTING in job losses throughout Colorado. Because the state
18 constitution requires that the state have a balanced budget and limits the ability of the
19 legislature to raise taxes, every new dollar spent on education will be taken away from
20 other services. The \$1.5 billion increase in state K-12 education spending nearly
21 equals the amount the state currently spends on courts, prisons, and human services.
22 This amendment requires the state to spend so much more on public schools that
23 these or other state functions will have to be cut or eliminated in order to keep the
24 state budget balanced.

25 3) Amendment 60 may leave many citizens worse off financially, depending on
26 where they live. People who live in areas with few publicly owned enterprises, such as
27 the eastern plains, will receive some property tax reductions, but may pay more in fees
28 to use the services of public enterprises located elsewhere. For example, if the
29 University of Colorado must pay property taxes, students statewide may pay more in
30 tuition, but property owners in Boulder County will get most of the tax savings.
31 Similarly, if Denver International Airport must pay property taxes, airline customers
32 statewide may pay more in fees, but only property owners in Denver will get the
33 property tax reduction.

34 **Estimate of Fiscal Impact**

35 **Local revenue.** Amendment 60 reduces property taxes for individuals and
36 business in several ways. This reduces the amount of tax revenue that cities,
37 counties, school districts, and special districts will receive. The measure phases in a
38 reduction in school district property taxes over ten years. In the first year, school
39 district property taxes are projected to fall by \$337 million, reducing property taxes

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1 paid by an average homeowner and an average business owner by \$87 and \$1,181,
2 respectively. Once the measure is fully implemented, property taxes are estimated to
3 fall by \$1.5 billion annually in today's dollars, reducing property taxes paid by an
4 average homeowner and an average business owner by approximately \$376 per year
5 and \$5,106 per year, respectively. Additionally, local governments currently
6 authorized to keep property tax revenue in excess of the constitutional limit, will have
7 their property tax revenue reduced by an indeterminate amount.

8 **State expenditures.** By reducing the amount of local property taxes collected for
9 school districts, statewide expenditures for public schools will increase by an
10 estimated \$337 million in the first year of implementation and by \$1.5 billion per year in
11 today's dollars once the measure is fully implemented. To meet this increased
12 obligation to schools, the state will have to decrease spending and services in other
13 areas, increase fees for services, or enact some combination of both.

14 The state must make a yearly audit of compliance with the property tax provisions
15 and strictly enforce all requirements in the amendment. The Office of the State
16 Auditor is responsible for reporting the financial and operational performance of
17 agencies of state government; however, the office does not have a process for
18 auditing local government compliance with property tax laws. Amendment 60 expands
19 the obligations of the State Auditor's Office. It is estimated that this provision will
20 require the addition of 1.5 new staff to coordinate year-round auditing of local
21 government and to manage contracting with independent certified public accounting
22 (CPA) firms. The cost for these new staff and CPA contracts is estimated to be
23 \$800,000 each year.

HENRY SOBANET'S COMMENTS (COLORADANS FOR RESPONSIBLE REFORM) ON LAST DRAFT OF AMENDMENT 60

Hello Chris, Todd and Natalie,

I appreciate very much Todd and Natalie's time on the phone with me today. As you know I have been doing research for the opposition to the three ballot issues. We did not submit comments regarding the third versions of Amendment 60 and Proposition 101. But to avoid something changing from the third version to the final, we would express our opinion that Argument Against #1 in Proposition 101 should remain intact and the same is true for Argument Against #2 in Amendment 60.

Thanks for your wonderful responsiveness to our questions.

Please let me know if I can clarify anything.

Henry
303-250-3372

JEFF ZAX'S COMMENTS ON LAST DRAFT OF AMENDMENT 60

Thank you for the opportunity to comment on this draft of Amendment 60. My concerns have to do with the three arguments in favor:

1. Argument 1 is disingenuous. It claims that making a permanent change to the State Constitution is important because our economy is currently weak. Recessions typically last 1-2 years. It is ridiculous to make a permanent change in policy to address a short-term difficulty.
2. Argument 1 is also wrong. Reductions in property taxes will not reduce the costs of homeownership. So long as new construction is slow, the reductions in property taxes will be capitalized into higher house prices.
3. Argument 2 is also disingenuous. This Amendment overturns laws approved by citizens in many localities. It interferes with their control, rather than strengthening it.
4. Argument 3 is correct for public facilities which actually compete with private facilities, such as golf courses. If a service can be provided by private vendors, then there is a good argument that governments should not provide it. However, many publicly-owned enterprises, such as institutions of higher learning, do not compete with private enterprises. They provide genuine public goods, which should be the responsibility of government. Requiring that they pay property taxes will simply increase administrative costs. At the same time that publicly-owned enterprises will contribute to government revenue through property tax payments, they will increase government expenditures in order to make these payments.

Thank you once again,
Jeffrey S. Zax
Professor
Associate Chair, Undergraduate Program
Department of Economics
University of Colorado at Boulder

Last Draft as Mailed to Interested Parties

Amendment 60 Property Taxes

1 **Amendment 60 proposes amending the Colorado Constitution to:**

- 2 ♦ repeal the current voter-approved authority of local governments to
3 keep property taxes above their constitutional limits;
- 4 ♦ establish expiration dates for future voter-approved property tax
5 increases;
- 6 ♦ cut local property tax rates for public schools' operating expenses in half
7 over ten years and fully replace this money with state funding each
8 year;
- 9 ♦ require publicly owned enterprises to pay property taxes and reduce
10 local property tax rates to offset the new revenue; and
- 11 ♦ provide new voting rights to certain property owners in Colorado and
12 permit citizens to petition all local governments to reduce property
13 taxes.

14 **Summary and Analysis**

15 Amendment 60 changes several aspects of Colorado's property tax system to
16 reduce the amount of property taxes paid by individuals and businesses to school
17 districts, counties, special districts, and cities. The measure phases in a reduction in
18 school district property taxes over ten years and requires that the reduced property
19 taxes be replaced with state funding. Table 1 shows the projected impact of the
20 amendment in today's dollars on an average homeowner and commercial business,
21 school districts, and state government, in both the first year and when the measure is
22 fully implemented. The latter provides the best projections of the measure's final
23 effects.

24 In the first year, an average homeowner's property tax bill is projected to fall by
25 \$87 and the property taxes for an average commercial business are estimated to fall
26 by \$1,288. The corresponding reduction in property tax collections for school districts
27 is estimated at \$337 million, which the measure requires the state to replace. When
28 the measure is fully implemented, an average homeowner will pay \$376 less and a
29 average commercial business will pay \$5,570 less in property taxes annually. These
30 property tax reductions will increase the state's obligation to kindergarten through
31 twelfth grade education (K-12) by \$1.5 billion. In future years, the actual amounts will
32 differ as inflation and growth increase the size of the economy, but the comparable
33 budget impacts on taxpayers and governments are expected to remain consistent over
34 time. Cities, towns, counties, and special districts will also lose property taxes, but the
35 amount will vary by locality.

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Table 1. Selected Impacts of Amendment 60

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Impacted Group	Current Law	Amendment 60		Difference	
		First Year	Fully Implemented	First Year	Fully Implemented
Impacts on Average Taxpayers					
Property Tax Payment for Average Homeowner (\$295,000 home)	\$1,638	\$1,551	\$1,262	-\$87	-\$376
Property Tax Payment for Average Commercial Business Owner with a value of \$1.2 million	\$24,277	\$22,989	\$18,703	-\$1,288	-\$5,570
K-12 Education Funding Shift					
Property Tax Collections for School Districts	\$3.3 billion	\$3.0 billion	\$1.8 billion	-\$0.3 billion	-\$1.5 billion
State Expenditures for K-12 Education	\$3.7 billion	\$4.0 billion	\$5.2 billion	\$0.3 billion	\$1.5 billion

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Background and current law. Property taxes are based primarily on the value of land, houses, other buildings, and business equipment. Individuals and businesses pay property taxes to various local governments, such as cities, counties, school districts, and special districts, each of which imposes its own tax rate on property. School districts and counties receive approximately 77 percent of all property taxes collected. Publicly owned enterprises, such as city water and sewer systems, municipal airports, and most state universities, are exempt from paying property tax.

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Property taxes are spent on a variety of local government services, including public education, police and fire services, roads and bridges, public water and sewer systems, parks and recreation facilities, hospitals, and libraries. The degree to which local governments rely on property taxes to pay for services varies. Some special districts, such as fire protection districts, get almost all of their revenue from property taxes, while many city governments get less than 5 percent of their funding from property taxes.

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Constitutional limits on property taxes. The state constitution currently restricts the amount of property taxes that a local government can collect each year. Annual increases are capped at the rate of inflation plus a measure of local growth, such as student enrollment in the case of a school district. The constitution also requires voter approval for a local government to increase property tax rates or to keep property taxes above the government's constitutional limit.

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How does Amendment 60 change how public schools are funded? Public schools in Colorado are funded from a combination of federal, state, and local

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1 sources. Voters in some school districts have approved additional property taxes to
2 repay loans used to build schools or other buildings. In these districts, there is a
3 property tax for operating schools and a separate property tax to repay loans.
4 Amendment 60 requires all districts to cut their 2011 property tax rates for operating
5 schools in half by 2020. Property tax rates for repaying loans are unchanged. The
6 required reduction in tax rates must be done in equal yearly amounts over ten years.
7 Amendment 60 requires the local school district funding eliminated by this rate
8 reduction to be replaced each year with state funding.

9 ***How does Amendment 60 affect the state budget?*** Currently, the state spends
10 most of its general operating budget on: preschool through higher education; health
11 care; prisons; the courts; and programs that help low-income, elderly, and disabled
12 people. K-12 education funding accounts for 49 percent of this budget, which is
13 primarily funded by sales and income taxes. Because Amendment 60 requires that
14 the reduction in local property tax revenue be replaced with state tax revenue, the
15 funding obligation for public schools will increase to an estimated 67 percent of the
16 state's general operating budget, once the measure is fully implemented. To meet this
17 increased obligation to schools, the state will have to decrease spending in other
18 areas, increase fees for other services, or enact some combination of both.

19 ***How does Amendment 60 affect property taxes for all local governments?***
20 Like school districts, cities, counties, and special districts are also funded from a
21 combination of federal, state, and local sources. Under current law, taxpayers in many
22 communities have voted to exempt their local governments from the constitutional limit
23 related to property taxes. Currently, voters in 76 percent of municipalities, 81 percent
24 of counties, and 98 percent of school districts have voted to allow government to keep
25 and spend property tax revenue above the constitutional limit, either temporarily or
26 permanently. Beginning in 2011, Amendment 60 repeals the current voter-approved
27 authority of local governments to permanently keep property taxes above their
28 constitutional limits. Local governments are not required to refund the property taxes
29 that were retained in the past, but a new election must be held to allow a local
30 government to temporarily keep taxes above its constitutional limit. The measure will
31 also reduce the property tax collections of most local governments by reducing
32 property tax rates, and limiting the duration of future property tax increases.

33 ***How does Amendment 60 affect publicly owned enterprises?*** Amendment 60
34 requires publicly owned enterprises to pay property taxes. Under current law, state
35 enterprises, such as most public universities, do not pay property taxes on campus
36 buildings or equipment. Similarly, local enterprises, such as Denver International
37 Airport, pay no property taxes. The new property taxes collected from these publicly
38 owned enterprises must be offset by lower property tax rates for homeowners,
39 businesses, and other property taxpayers. For example, if the University of Colorado
40 had to pay property taxes in Boulder County, its property tax bill is estimated to range
41 from \$11 million to \$20 million per year, depending on how the property is valued.
42 This new revenue would be offset by lower tax rates in Boulder County, providing
43 property owners in the county with additional tax savings. The amendment prohibits
44 publicly owned enterprises from charging either a mandatory fee or a tax on property.

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1 **How does Amendment 60 change property tax elections?** Amendment 60
2 proposes changing several aspects of the way property tax issues are addressed in
3 local elections. Under current law, a property owner who is a registered Colorado
4 voter may vote on ballot questions in his or her primary place of residence and in
5 special district elections wherever he or she owns property in Colorado.
6 Amendment 60 allows Colorado property owners to vote on city, county, and school
7 district property tax issues in any Colorado location where they own property,
8 regardless of their primary place of residence in the state.

9 Under current law, citizens may petition cities to increase or decrease property
10 taxes, but may not petition counties, schools, or special districts. Under this measure,
11 all local governments must permit petitions to lower property taxes.

12 Typically, when a local community has voted to permanently exempt its local
13 government from the constitutional limit on property tax collections, that
14 voter-approved decision is not automatically repealed at a future date. Under
15 Amendment 60, any future vote to allow a local government to retain revenue above
16 its constitutional limit is repealed within four years after passage. Any future vote to
17 increase property tax rates is repealed within ten years. Any extension of an expiring
18 property tax is considered to be a tax increase under the measure, and as such, must
19 be presented as a tax increase on the ballot.

20 Currently, a single ballot question may ask voters if a local government may
21 borrow money, and if property tax rates may be increased to repay that loan. Under
22 this measure, ballot questions that allow a government to borrow money must be
23 separate from ballot questions that raise property taxes.

24 **How is Amendment 60 enforced?** The amendment requires the state to
25 annually audit all cities, counties, school districts, and other types of local
26 governments to ensure compliance with all requirements of the amendment. Citizens
27 are also allowed to file lawsuits to enforce compliance.

28 **How does Amendment 60 interact with two other measures on the ballot?**
29 Amendment 60 along with Amendment 61 (see page x) and Proposition 101 (see
30 page x) contain provisions that affect state and local government finances by
31 decreasing taxes paid by households and businesses and restricting government
32 borrowing. How these measures work together may require clarification from the state
33 legislature or the courts.

34 Amendment 60 reduces local property taxes, while requiring state expenditures for
35 K-12 education to increase by an amount that offsets the property tax loss for school
36 districts. Amendment 61 requires state and local governments to decrease tax rates
37 when debt is repaid, and is assumed in this analysis to apply to the existing debt of
38 state and local governments. Proposition 101 reduces state and local government
39 taxes and fees.

40 Since portions of these measures are phased in over time, the actual impacts to
41 taxpayers and governments will be less in the initial years of implementation and grow
42 over time. Assuming that all three measures are approved by voters, the first-year
43 impact will be to reduce state taxes and fees by \$717 million and increase state

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1 spending for K-12 education by \$385 million. Once fully implemented, the measures
2 are estimated to reduce state taxes and fees by \$2.1 billion and increase state
3 spending for K-12 education by \$1.6 billion in today's dollars. This would commit
4 almost all of the state's general operating budget to paying for the constitutional and
5 statutory requirements of K-12 education. Tax and fee collections by local
6 governments are estimated to decrease by \$5.0 billion, but the net impact on local
7 government budgets would be \$3.4 billion after the state reimburses school districts.

8 Households and businesses are estimated to save \$1.6 billion in the first year and
9 \$7.1 billion per year in today's dollars when the measures are fully implemented. The
10 measures reduce the taxes and fees owed by an average household making \$55,000
11 per year that owns a \$295,000 house by an estimated \$400 in the first year and
12 \$1,750 per year when fully implemented.

13 **Arguments For**

14 1) Amendment 60 provides property tax relief for Coloradans in a tough economic
15 climate without reducing K-12 education funding. By lowering property taxes for
16 individuals and families, the amendment will make home ownership more affordable.
17 Allowing business owners to keep more of their income may spur investment and help
18 the economy recover more quickly. School funding is unchanged because the state is
19 required to replace the local property taxes eliminated by the amendment.

20 2) Amendment 60 strengthens citizen control over local government taxes. It sets
21 tax expiration dates and allows voters to approve any extension of an expiring tax.
22 The amendment also allows citizens to petition local governments to lower taxes, and
23 it prevents unelected boards, such as the Denver Water Board, from imposing
24 mandatory fees or taxes on property. In addition, limiting votes on property taxes to
25 November elections, when voter turnout is typically higher, may lead to greater citizen
26 awareness and participation.

27 3) Amendment 60 removes a competitive advantage that publicly owned
28 enterprises have over private businesses. Unlike private facilities, publicly owned
29 enterprises, such as parking lots and golf courses, do not currently pay property taxes.
30 The additional revenue will lower the local property tax rate, reducing property tax bills
31 for property owners in the district.

32 **Arguments Against**

33 1) Amendment 60 overturns nearly two decades of voter-approved tax decisions
34 that fund important services provided by counties, cities, school districts, and special
35 districts. The amendment enables voters statewide, in this election, to reverse
36 hundreds of decisions of local voters to fund services like fire and police protection,
37 roads, parks and recreational facilities, water and sewer systems, and libraries. Local
38 voters are best equipped to choose the level and type of services needed in their
39 communities and the means to pay for those services.

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1 2) Amendment 60 will require the state to cut funding for many important services,
2 resulting in job losses throughout Colorado. Because the state constitution requires
3 that the state have a balanced budget and limits the ability of the legislature to raise
4 taxes, every new dollar spent on education will be taken away from other services.
5 The \$1.5 billion increase in K-12 education spending nearly equals the amount the
6 state currently spends on courts, prisons, and human services. This amendment
7 requires the state to spend so much more on public schools that these or other state
8 functions will have to be cut or eliminated in order to keep the state budget balanced.

9 3) Amendment 60 may leave many citizens worse off financially, depending on
10 where they live. People who live in areas with few publicly owned enterprises, such as
11 the eastern plains, will receive some property tax reductions, but may pay more in fees
12 to use the services of public enterprises located elsewhere. For example, if the
13 University of Colorado must pay property taxes, students statewide may pay more in
14 tuition, but property owners in Boulder County will get most of the tax savings.
15 Similarly, if Denver International Airport must pay property taxes, airline customers
16 statewide may pay more in fees, but only property owners in Denver will get the
17 property tax reduction.

18 **Estimate of Fiscal Impact**

19 **Local revenue.** Amendment 60 reduces property taxes for individuals and
20 business in several ways. This reduces the amount of tax revenue that cities,
21 counties, school districts, and special districts will receive. The measure phases in a
22 reduction in school district property taxes over ten years. In the first year, school
23 district property taxes are projected to fall by \$337 million, reducing property taxes
24 paid by an average homeowner and an average business owner by \$87 and \$1,288,
25 respectively. Once the measure is fully implemented, property taxes are estimated to
26 fall by \$1.5 billion annually in today's dollars, reducing property taxes paid by an
27 average homeowner and an average business owner by approximately \$376 per year
28 and \$5,570 per year, respectively. Additionally, local governments currently
29 authorized to keep property tax revenue in excess of the constitutional limit, will have
30 their property tax revenue reduced by an indeterminate amount.

31 **State expenditures.** By reducing the amount of local property taxes collected for
32 school districts, statewide expenditures for public schools will increase by an
33 estimated \$337 million in the first year of implementation and by \$1.5 billion per year in
34 today's dollars once the measure is fully implemented. To meet this increased
35 obligation to schools, the state will have to decrease spending in other areas, increase
36 fees for other services, or enact some combination of both.

37 The state must make a yearly audit of compliance with the property tax provisions
38 and strictly enforce all requirements in the amendment. The Office of the State
39 Auditor is responsible for reporting the financial and operational performance of
40 agencies of state government; however, the office does not have a process for
41 auditing local government compliance with property tax laws. Amendment 60 expands
42 the obligations of the State Auditor's Office. It is estimated that this provision will

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- 1 require the addition of 1.5 new staff to coordinate year-round auditing of local
- 2 government and to manage contracting with independent certified public accounting
- 3 (CPA) firms. The cost for these new staff and CPA contracts is estimated to be
- 4 \$800,000 each year.

AMENDMENT 60 - PROPERTY TAXES
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AMENDMENT 60 - PROPERTY TAXES
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PROPOSITION 101 - INCOME, VEHICLE, AND TELECOMMUNICATIONS TAXES AND FEES
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Amendment 60
Property Taxes

1 **Ballot Title:** An amendment to the Colorado constitution concerning government
2 charges on property, and, in connection therewith, allowing petitions in all districts for
3 elections to lower property taxes; specifying requirements for property tax elections;
4 requiring enterprises and authorities to pay property taxes but offsetting the revenues
5 with lower tax rates; prohibiting enterprises and unelected boards from levying fees or
6 taxes on property; setting expiration dates for certain tax rate and revenue increases;
7 requiring school districts to reduce property tax rates and replacing the revenue with
8 state aid; and eliminating property taxes that exceed the dollar amount included in an
9 approved ballot question, that exceed state property tax laws, policies, and limits
10 existing in 1992 that have been violated, changed, or weakened without state voter
11 approval, or that were not approved by voters without certain ballot language.

12 **Text of Proposal:**

13 *Be it Enacted by the People of the State of Colorado:*

14 Article X, section 20, The Taxpayer's Bill of Rights, is amended to add:

15 **(10) Property taxes.**

16 Starting in 2011:

17 (a) The state yearly shall audit and enforce, and any person may file suit to enforce,
18 strictest compliance with all property tax requirements of this section. Successful
19 plaintiffs shall always be awarded costs and attorney fees; districts shall receive neither.
20 This voter-approved revenue change supersedes conflicting laws, opinions, and
21 constitutional provisions, and shall always be strictly interpreted to favor taxpayers.

22 (b) Electors may vote on property taxes where they own real property. Adapting state
23 law, all districts shall allow petitions to lower property taxes as voter-approved revenue
24 changes. Property tax issues shall have November election notices and be separate from
25 debt issues. Property tax bills shall list only property taxes and late charges. Enterprises
26 and authorities shall pay property taxes; lower rates shall offset that revenue. Enterprises
27 and unelected boards shall levy no mandatory fee or tax on property. Future property tax
28 rate increases shall expire within ten years. Extending expiring property taxes is a tax
29 increase. Prior actions to keep excess property tax revenue are expired; future actions
30 are tax increases expiring within four years. Non-college school districts shall phase out
31 equally by 2020 half their 2011 rate not paying debt; state aid shall replace that revenue
32 yearly. Nothing here shall limit payment of bonded debt issued before 2011.

- 1 (c) These property tax increase, extension, and abatement rates after 1992 shall expire:
- 2 (i) Taxes exceeding state laws, tax policies, or limits violated, changed, or weakened
3 without state voter approval. Those laws, policies, and limits, including debt limits, are
4 restored.
- 5 (ii) Taxes exceeding the one annual fixed, final, numerical dollar amount first listed in
6 their tax increase ballot title as stated in (3)(c).
- 7 (iii) Those rates without voter approval after 1992 of a ballot title as stated in (3)(c).