

# **CU Analysis**

**10-year School Finance Impacts from  
SB24-233, #50, and #108  
&  
State Budget Impact from #108**

**August 5, 2024**



University of Colorado

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# Background on CU Analysis

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- Forecasting team includes:
  - Chad Marturano (CU CFO, former OSPB, CDE, and CDHE)
  - Kate Watkins (Bright Fox Analytics, former Chief Economist LCS)
  - Alexis Senger (CU Consultant, former JBC and OSPB)
  - Phyllis Resnick (R<sup>2</sup> Analysis Economist)
- Based on Moody's baseline
- Assumes current law, major 2024 K-12 legislation including SB24-188, HB24-1207, and HB24-1448
- Includes full CU K-12 education forecast



# What's Included in this Analysis?

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The CU analysis:

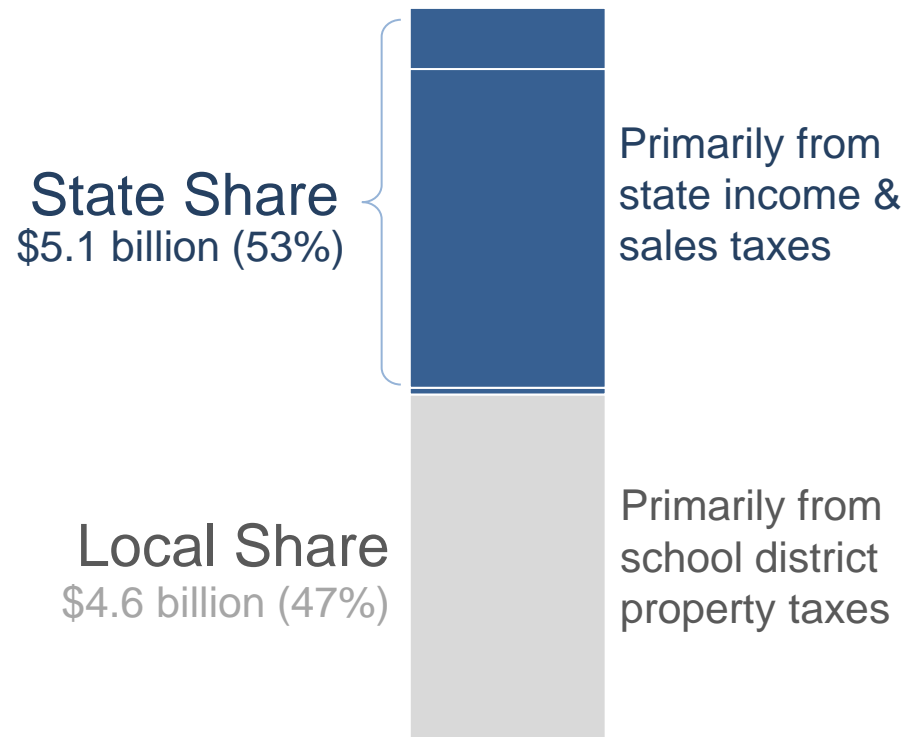
- Does not include estimated state budget impacts for local governments and special districts. The analysis only considers state budget impacts due to local property tax collections for K-12 school district.
- Uses the LCS local share forecast until 2026
- Incorporates OSPB March 2024 forecast for K-12 funding including marijuana revenues, federal mineral lease revenues, state education fund and inflation, followed by out-year CU assumptions
- Provides a unique 10-year forecast of the state General Fund budget for K-12 resulting from the proposed measures



# State and Local Governments Share K-12 Education Funding

- Certain K-12 funding levels are required each year (Amendment 23)
- The state must fund whatever is left after the local share

K-12 Total Program Funding  
Budgeted FY 2024-25



Sources: SB24-188, HB24-1207, and HB24-1448.

# Colorado Property Tax Formula

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Actual Value × **Assessment Rate** = Assessed Value

Assessed Value × Local Mill Levy = Taxes Owed

EXAMPLE

\$500,000 Home × 7.15%\* = \$35,750 Assessed Value

\$35,750 × 72 Mills/1000 = \$2,574 Owed



# School Finance Property Tax Structure Comparisons

	Tax Year	Base Case Pre-SB24-233	SB24-233	#108	#50
<b>Residential Assessment Rates</b>	2024	6.8% multifamily; 7.06% all other	6.7% and \$55,000 subtraction	Base case	Beginning in 2025, 4.0% annual <b>growth limit</b> for statewide property tax revenue
	2025+	7.15%	7.15%*	5.7%	
<b>Non-residential Assessment Rates</b> Excluding oil & gas	2024	26.4% ag & renewable 29% all other	26.4% ag & renewable 27.9% all other	Base case	
	2025	29%	27% ag & renewable, commercial 29% all other	24%	
	2026+	29%	25% ag & renewable, commercial 29% all other	24%	

\* If local share exceed 60%, residential assessment rates decline.



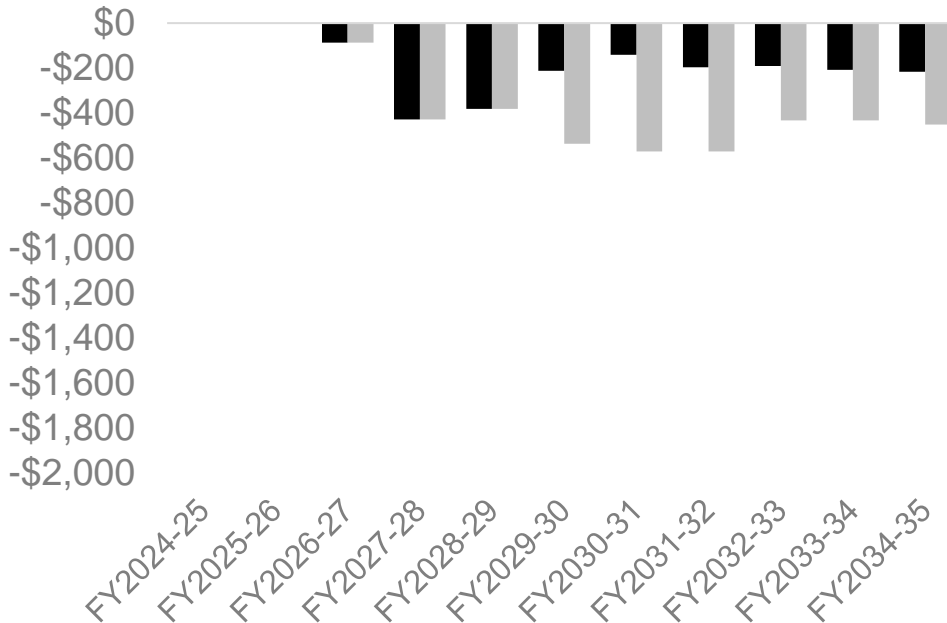
# Current Law SB 24-233 School Finance Impacts

Does not include local government impacts

## General Fund Budget Flexibility

Millions of Dollars

■ Baseline Growth    ■ Recession



Impact Summary (in millions)	Annual Impact Range	Cumulative thru FY 2034-35
Baseline Growth	\$87 to \$429	\$2,062
Recession	\$87 to \$571	\$3,893

### ASSUMPTIONS

#### Property Tax Revenue Growth

Tax Year	Baseline	Recession
2024	9.5%	9.5%
2025	-1.0%	-1.0%
2026	0.8%	0.8%
2027	6.0%	6.0%
2028	1.8%	1.8%
2029	6.0%	-2.0%
2030	1.8%	1.8%
2031	6.0%	8.0%
2032	1.8%	1.8%
2033	6.0%	8.0%
2034	1.8%	1.8%
2035	6.0%	8.0%



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# #50 School Finance Impacts

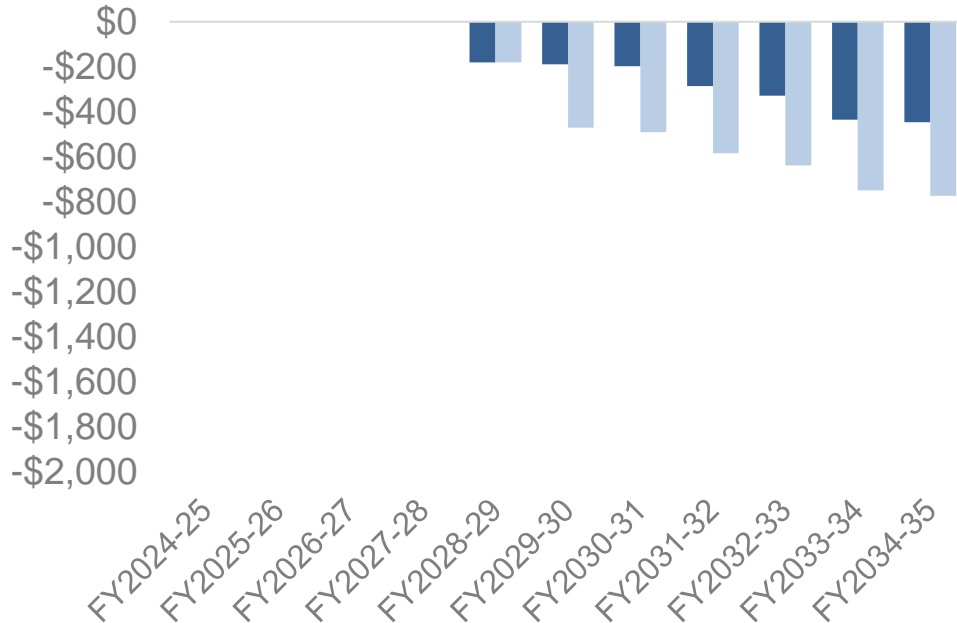
SB24-233 repeals automatically if 50 is adopted

Does not include local government impacts

## General Fund Budget Flexibility

Millions of Dollars

■ Baseline Growth    ■ Recession



Impact Summary (in millions)	Annual Impact Range	Cumulative thru FY 2034-35
Baseline Growth	\$181 to \$446	\$2,061
Recession	\$181 to \$772	\$3,883

## ASSUMPTIONS Property Tax Revenue Growth

Tax Year	Baseline	Recession
2024	10.3%	10.3%
2025	1.7%	1.7%
2026	0.8%	0.8%
2027	4.0%	4.0%
2028	1.8%	1.8%
2029	4.0%	-2.0%
2030	1.8%	1.8%
2031	4.0%	4.0%
2032	1.8%	1.8%
2033	4.0%	4.0%
2034	1.8%	1.8%
2035	4.0%	4.0%



# #108 School Finance Impacts

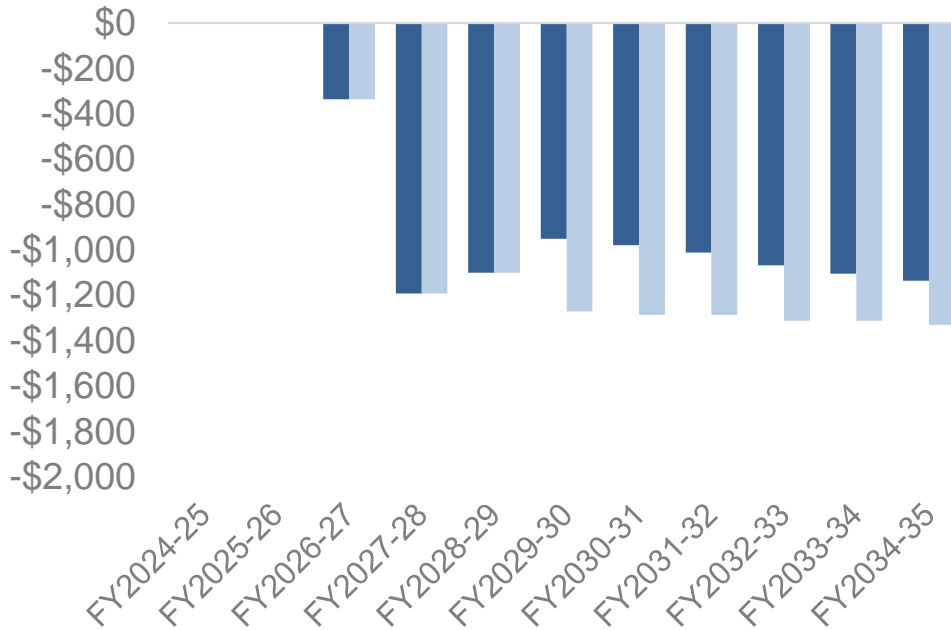
SB24-233 repeals automatically if 108 is adopted

**Does not include local government impacts**

## General Fund Budget Flexibility

Millions of Dollars

■ Baseline Growth    ■ Recession



Impact Summary (in millions)	Annual Impact Range	Cumulative thru FY 2034-35
Baseline Growth	\$336 to \$1,192	\$8,880
Recession	\$336 to \$1,330	\$10,428

## ASSUMPTIONS Property Tax Revenue Growth

Tax Year	Baseline	Recession
2024	10.3%	10.3%
2025	-17.3%	-17.3%
2026	0.8%	0.8%
2027	6.0%	6.0%
2028	1.8%	1.8%
2029	6.0%	-2.0%
2030	1.8%	1.8%
2031	6.0%	8.0%
2032	1.8%	1.8%
2033	6.0%	8.0%
2034	1.8%	1.8%
2035	6.0%	8.0%

# #50 & #108 School Finance Impacts

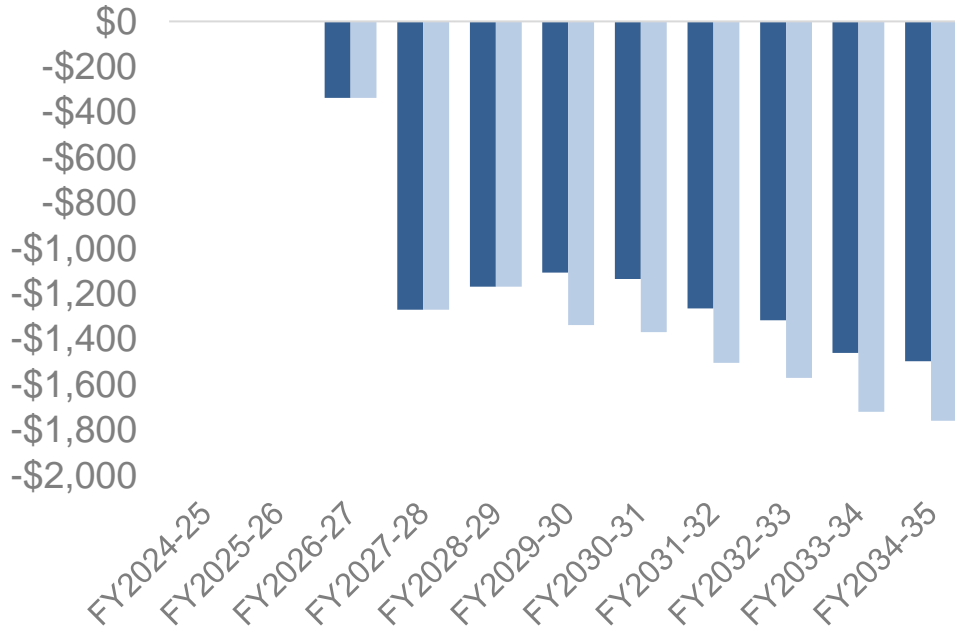
SB24-233 repeals automatically if 50 or 108 are adopted

**Does not include local government impacts**

## General Fund Budget Flexibility

Millions of Dollars

■ Baseline Growth    ■ Recession



Impact Summary (in millions)	Annual Impact Range	Cumulative thru FY 2034-35
Baseline Growth	\$336 to \$1,497	\$10,552
Recession	\$336 to \$1,759	\$12,032

## ASSUMPTIONS Property Tax Revenue Growth

Tax Year	Baseline	Recession
2024	10.3%	10.3%
2025	-17.3%	-17.3%
2026	0.8%	0.8%
2027	4.0%	4.0%
2028	1.8%	1.8%
2029	4.0%	-2.0%
2030	1.8%	1.8%
2031	4.0%	4.0%
2032	1.8%	1.8%
2033	4.0%	4.0%
2034	1.8%	1.8%
2035	4.0%	4.0%

# Legislative Council Analyses: Initiative #108

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## Prior Legislative Council analysis:

- **-\$3.0 billion** reduced property tax in 2025
- **-\$800 million to -\$2.25 billion range of loss in property tax** reimbursed by state government in FY 2025-26
  - “Preliminary Fiscal Summary”, January 2, 2024

## Current Legislative Council analysis:

- **-\$2.4 billion** reduced property tax in 2025
- **-\$630 million to -\$1.7 billion range of loss in property tax** reimbursed by state government in FY 2025-26
  - “Ballot Analysis 2<sup>nd</sup> Draft”, July 29, 2024



# Office of State Planning and Budgeting (OSPB)

## June 14, 2024 – Targeted Cuts Estimates

- OSPB used LCS’s prior analysis to show what the impact of 108 could be on the FY 2025-26 state budget.
- OSPB identified areas of **“Targeted Cuts”** including:

Sweep Local Severance Funding to Backfill
Adjust HUTF Revenue to free up funds under the TABOR cap
Reduce Higher Education
Reinstitute Budget Stabilization Factor (K-12)
Provider rate cuts
All other

- **“Not decisions by the Administration”** and were intended **“to show potential size and type of impacts on the budget.”**



# Estimated Targeted Cuts based on LCS Current Analysis, **-\$630 million to -\$1.7 billion**

- Assuming LCS Ballot Analysis 2<sup>nd</sup> Draft #108 from July 29, 2024
- Assuming adjustments to OSPB Targeted Cuts from June 14, 2024 presentation

Draft Estimates Using OSPB June 2024 Materials Potential Targeted Cuts	7-29-24 LCS 2nd Draft			
	High Range Estimate <1>		Low Range Estimate <2>	
	\$ Change	% Change	\$ Change	% Change
Sweep Local Severance Funding to Backfill	(100,000,000)	-100%	(50,000,000)	-50%
Adjust HUTF Revenue to free up funds under the TABOR cap	(450,000,000)	-100%	(160,000,000)	-36%
Reduce Higher Education	(450,000,000)	-27%	(160,000,000)	-10%
Reinstitute Budget Stabilization Factor (K-12)	(300,000,000)	-6%	(105,000,000)	-2%
Provider rate cuts	(300,000,000)	-6%	(105,000,000)	-2%
All other	(100,000,000)	-2%	(50,000,000)	-1%
Total	(1,700,000,000)		(630,000,000)	

<1> Lowered June 2024 OSPB Targeted Cuts proportionally between "Reduce Higher Education" and "Reinstitute Budget Stabilization Factor".

<2> Lowered "High Range Estimate <1>" roughly proportional across all categories.



# Estimated Budget Impacts to CU in FY 2025-26

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- Higher Education budget cut ranging between -\$160 million and -\$450 million.
- CU's portion ranges between -\$43 million and -\$120 million.
- Resident tuition rates would need to increase between 7 percent and 21 percent, to generate enough revenue to backfill the state funding cut to CU.
- Could impact CU Boulder Tuition Guarantee for resident students.
- Of course, a funding reduction of this magnitude would likely be addressed through a combination of CU budget cuts and tuition increases.
- Additionally, any Provider Rate reduction would negatively impact funding for CU healthcare providers serving Colorado Medicaid patients.

