

A CALL TO ACTION

The Gallagher Amendment, and the Colorado Legislature's application of TABOR to Gallagher, continues to negatively impact the entire Colorado fire service, municipal fire departments and especially our volunteer, combination and career fire protection districts.

While there has been and continues to be lots of talk, there has been little action and no real resolution in sight. Unfortunately, the most recent prediction for the 2019 Residential Assessment Rate (RAR) is 6.11%.

No business, much less a fire department, can absorb a 25% revenue reduction in less than 4 years from a primary revenue source while demand for services continues to rise.

This is not a drill....this is a very real fiscal crisis!

BOTTOM LINE = IMMEDIATE ACTION

Fire Chiefs, Board Members for fire protection districts and fire authorities, and firefighter labor leaders must immediately contact each of your County Commissioners and each of your state Senators and Representatives to request that the State Legislature:

- **Pass enabling legislation in the current 2018 legislative session to extend the 7.2% RAR for 4 years (until 2022)**

Extending the 7.2% RAR should give the legislature time to find long term solutions to this unintended fiscal crisis for fire departments.

IMPORTANT NOTE:

The 4-year extension of the RAR at 7.2% is not without risk. But to not act is to accept the RAR reduction to 6.11%.

There are two nightmare scenarios for the fire service: 1) for the 2019 RAR cut to take effect, followed by a crash in housing prices or 2) extend the RAR for four years and the housing price crash occurs during those 4 years...and the RAR drops off a cliff at the end of the 4-year period.

The 4-year extension is the "least worst option" that we can see at this time. Sometimes we must choose between, not a good option and a bad option, but between two terrible options.

It means we don't have a good answer or a good choice. All we can do is to pick the least worst option because that is our best option.

Of course, we will continue to work extremely hard to figure out if there are other better options available and ask other people and organizations for help. But sometimes it comes down to a decision that will never feel right or good. Just do the best you can and pick the least worst choice.

KEY TALKING POINTS

1. You must explain to the County Commissioners & State Legislators, in very straight-forward terms, the compounded impact of 2017 RAR decrease from 7.96% to 7.2% and now the projected reduction to 6.11% RAR on your delivery of fire & emergency services.
 - Telling them that you will not be able to recruit or retain volunteer firefighters, hire, or may even lay off, part-time or career firefighters is absolutely important....but what does that mean to your ability to provide fire & emergency services to your community?
 - What will not get done?
 - What do longer response times mean to citizens?
 - How will firefighter and citizen safety be compromised?
 - Telling them that your FD revenue will be reduced by \$XX,XXX revenue is absolutely important....but what does that loss in revenue really mean for your community?
 - Use stories to make this coming fiscal crisis real to elected officials that do not understand the fire service.
 - Tell them about the personnel, training and equipment required to manage a cardiac arrest, conduct an automobile extrication, fight a single-family home fire or make an initial attack on a WUI fire to stop it from destroying your community.
2. This crisis is not because of poor planning in fire departments, but because the residential assessment rate continues to ratchet down beyond our control.

Tell them your FD's story about what you have already done to adjust your budget and operations in response to the recent reduction from 7.96 RAR to the current 7.2 RAR. FDs are already "planning and preparing", as best we can, for the additional reductions in anticipation of yet another reduction to 6.11%

If you held a recent mil increase election, tell them. Explain how any additional funding was used, and if the election failed, give them the reasons why and the negative budget and operational impact.

3. We know that our service demands will continue to increase in the future and we struggle to keep up with the demand.
4. Another 15% reduction in the RAR, nearly 25% total in 4 years, will generate terrible and unreasonable cuts in the ability of fire departments to provide fire and emergency services to our citizens and taxpayers.
5. The fire service has never wanted to tell our citizens that we can not do something. The fire service's implicit promise is *"If you don't know who else to call, call the fire department. We will come and stand between you and what you perceive as danger...no matter what"*

BACKGROUND ON GALLAGHER

From the Denver Post....Dec 24, 2017

"The cuts are caused by the Gallagher Amendment, a constitutional measure adopted in 1982 that limits the growth of residential property taxes. Under the Gallagher formula, residential properties are supposed to make up no more than 45 percent of the state property tax base.

So, when home values rise faster than those of commercial and other nonresidential properties, those increases can trigger cuts to the residential assessment rate.

This year, the residential assessment rate fell to 7.2 percent from 7.96 percent. In the forecasts released Wednesday, legislative economists expect that to fall again to 6.11 percent in 2019, which would translate to an additional 15 percent cut to property taxes across the state.

The conventional wisdom at the state Capitol is that it would require an amendment to the state constitution to even tinker with the Gallagher formula, much less make wholesale changes.

Another constitutional complication is the Taxpayer's Bill of Rights, or TABOR. While Gallagher can force the residential tax rate down, TABOR prevents it from rising again without a vote of the public — a vote that would face long odds at the ballot box.

The Gallagher cuts have disparate effects in different parts of the state.

Along the Front Range, where home values are rising at a historic clip, most residents will likely see their property taxes grow, because values are rising faster than the expected cut. In rural Colorado, where home values are growing more slowly, or not at all, homeowners will get a 15

percent cut anyway, squeezing the budgets of local governments and special districts that rely on property taxes to provide public services.

“Behind the scenes, pressure is building from a growing coalition of rural officials, advocacy groups and businesses to ask voters to amend the state constitution, possibly as soon as next year.

The goal is anything but simple: a rewrite — or possibly outright repeal — of the Gallagher formula, which has caused residential assessment rates to plummet from 21 percent to 7.2 percent of a property’s value over the past 35 years.

Adopted in 1982, the measure prevents residential property owners from paying more than 45 percent of the overall state property tax base. In most years, the formula doesn’t come into play. But as home values have exploded along the Front Range in recent years, outpacing commercial and industrial growth, homeowners have been footing a growing percentage of the statewide tax bill and forcing assessment rates down to compensate.

This year, the rate dropped to 7.2 percent from 7.96 percent of a property’s value. In 2019, it’s expected to fall again, to 6.11 percent. That would represent a 23 percent cut to the residential tax base in a three-year period.”

From the Colorado Fiscal Institute (May 2017)

Here is a YouTube video on Gallagher “When Gallagher and TABOR Meet: A Toxic Mixture”
<https://www.youtube.com/watch?v=26XNSVyKubU>

SUMMARY

6.11% RAR is inevitable without the engagement of local fire chiefs, Board of Directors and firefighter labor leaders specifically requesting that the State Legislature introduce and pass enabling legislation in the current 2018 legislative session to extend the 7.2% RAR for 4 years.

Please report your contacts and their responses from meetings and conversations with your County Commissioners, State Senators and State Representatives to **gbriese@cofirechiefs.org** so that we can coordinate actions going forward.