

Report from Bill Clayton (Lombard Clayton), CSFC's Government Affairs Representatives, on the Meeting of the Gallagher Interim Committee on August 21, 2018 at the State Capitol

Members of the committee discussed and voted on bill drafts to address Gallagher. The following items were approved for drafting. The committee will meet again on October 3rd at the Capitol to discuss which bills, if any, from the list below to introduce during the 2019 legislative session.

The Committee can approve no more than 5 bills at the October 3rd meeting. Legislative legal staff will work with legislators on the details of each proposal.

1.) Repeal the Gallagher Amendment

This option repeals the required valuation ratio and sets assessment rates (7.2 for residential and 29% for non-residential) in statute.

Many members eluded to this as a 'step 1' in the Gallagher fix and spoke vaguely to other steps that would also need to occur to complement a repeal.

Proposed by: Sen. Tate

Approved: Unanimously

Mechanics: Constitutional measure (unclear if it would be on the 2019 or 2020 ballot) requiring 50% voter approval

2.) Reclassify short term rentals as commercial properties

Members asked if this would create a net revenue increase that would require a vote under TABOR. No answer was provided at this time to that question. Others saw this as being a distraction from the current discussions but also recognized it could provide upward pressure on the RAR if coupled with some other solution.

Proposed by: Rep. Rankin

Approved: Unanimously

Mechanics: Statutory change

3.) Set the RAR at a TBD rate

Initially, there was discussion of setting the rate at 6.8. Members asked why a draft like this would be necessary since they will have to pass a bill in April 2019 to set the RAR for the property taxes due in 2020. This bill draft will leave a blank space for the 'TBD' RAR

Proposed by: Sen. Court

Approved: 4 to 2 (No votes included Sen. Tate and Sen. Smallwood)

Mechanics: Statutory change

4.) Backfill bills for some governmental services

Three potential backfill bills were identified, each as separate bill:

i. Backfill for fire districts – if a fire district loses more than a certain percentage of its revenue due to a drop in the RAR, the state will backfill. General Assembly would likely include state identified metrics around what are and are not effective fire fighting capacities for districts.

Proposed by: Rep. Rankin
Approved: Unanimously
Mechanics: Statutory

ii. Backfill for water & library districts

Proposed by: Rep. Rankin
Approved: Unanimously
Mechanics: Statutory

iii. Backfill to Libraries

Rep. Rankin would use k-12 dollars to replace lost dollars to libraries but this revenue source received push back. So, this bill will be drafted with vague references to funding the general assembly might identify.

Proposed by: Rep. Rankin
Approved: Unanimously
Mechanics: Statutory

5.) Guidelines regarding regional approaches to RAR

Many members see this as a companion bill to the Repeal Gallagher bill (Bill #1). This bill would create regions for determining and setting RAR and specify other constraints and guardrails.

Proposed by: Rep. Esgar
Approved: Unanimously
Mechanics: Statutory

6.) Combine the three backfill bills into one

See item #4. This bill will combine all 3 backfill bill proposals into 1.

Proposed by: Rep. Rankin
Approved: Unanimously
Mechanics: Statutory

Other concepts that were discussed but will not be drafted include:

- Allow local governments to adjust their mill levies to offset revenue losses AND allow counties to set their own assessment rates (which would apply to all taxing entities within the county). Sen. Smallwood offered this but dialoged with members about the unit of government who could/should determine what the RAR should be locally. Ultimately, no motion was offered. Sen. Smallwood does not support repealing Gallagher from the constitution
- Repeal amendment 73 (should it pass) and move that measure's residential rate (7%) and nonresidential rate (24%) for schools into statute. Given the 'repeal Gallagher amendment' bill draft, some members argued that it did not make sense to repeal Gallagher for all non-school district local governments but leave the school's Amendment 73 rates in the constitution. Ultimately, members felt that it was premature to draft a bill along these lines and suggested that IF Amendment 73 passes, the 'repeal

Gallagher' concurrent resolution could be amended as it was moving through the 2019 legislative session.

- Modify ways in which non-residential properties are valued. Following a brief discussion, it was noted that non-residential properties are valued using the market, income and cost approach. Flexibility exists to value non-residential properties differently, so this suggestion was dropped.