

The following is a summary of an article in the Denver Post November 26, 2017. To read the full article please visit <http://www.denverpost.com/2017/11/26/colorado-divide-rising-home-values-cripple-small-fire-departments/>

Rural fire districts all over the State of Colorado are facing a financial pinch and it's only going to get worse.

Booming home values along the Front Range are triggering cascading statewide property tax cuts, providing relief to urban homeowners but squeezing government agencies in rural areas where property values weren't growing in the first place. The reason: a little-known property tax-limiting provision of Colorado's state constitution.

Lands End Fire Protection District's properties has decreased in assessed value over the last several years. Starting in 2014 the department saw a 16% decrease in revenues, again in 2015 another 2%, 2017 another 3% and for 2018 7.23% decrease.

In big population centers, which are better equipped to handle a drop in revenue, property values are rising so fast that their budgets will grow anyway. It's the places that can least afford it that will see their tax revenues decline in the coming years. Places that have about half the volunteers they need. Places that spend heavily to train young firefighters only to lose them to higher-paying jobs or job transfers.

All told, the property tax cuts will shave more than \$450 million off residential bills in 2018, a Denver Post analysis of Department of Local Affairs property valuation data found. In half of the state's 64 counties, there will still be more property-tax revenue because the growth in value is outpacing the 9.5 percent cut.

But the other 32 counties will see a net loss of money. And nearly all of them are located outside the Front Range.

The Gallagher effect

Fourteen years have elapsed since Colorado's Gallagher Amendment triggered a statewide cut like this — so long, that even lifelong Coloradans can be forgiven if they've never heard of it.

Added to the state constitution in 1982 — a time that saw taxpayer revolts across the country — the amendment set a limit on how much of the statewide property-tax load could fall on homeowners. Residential properties under the Gallagher formula could make up no more than 45 percent of the state's property-tax base. Other properties make up the remaining 55 percent.

That means whenever home values rise faster than those of commercial, industrial and agricultural properties, the residential assessment rate — the formula that determines a property's assessed value — must drop.

It has dropped so far that residential properties are now assessed at 7.2 percent — down from 21 percent when Gallagher was adopted and from 7.96 percent last year. Commercial properties have stayed at the same rate as in 1982 — 29 percent. But that's little consolation to a predominantly residential district.

Revenues shrank during the recession, while expenses kept growing. But while most urban areas eventually bounced back, rural Colorado never did.

“The problem is: The places that we're asking to do a mill increase, their income hasn't gone up either,” said Briese, the fire chiefs association director. “So this is a Catch-22. You need the mill increase because the taxes aren't there, and then the people aren't going to vote for an increase in tax because the jobs and their income (are) not there.”

Briese says a statewide legislative fix is needed. But a statewide solution is complicated, and elusive.

Dennis Gallagher, the former state lawmaker after whom the amendment is named, has suggested applying the formula on a local basis instead of statewide, so the entire state wouldn't be subject to the whims of the Front Range's economy.

Some fire officials say they'd be able to sock away money and weather the dips, if the assessment rate could rise as well as fall. But another constitutional amendment — the Taxpayer's Bill of Rights, or TABOR — requires voter approval any time taxes rise. So to reverse a Gallagher cut would mean a statewide vote to raise property tax assessments in any year where the formula dictated an increase.

Completely eliminating the complicated interplay between Gallagher and TABOR statewide would require a constitutional change. That's a tall order — and politically fraught. If such an arrangement had existed during the Great Recession, tax rates would've gone up just when residents could least afford it.