

THE GALLAGHER AMENDMENT

The term "Gallagher Amendment," refers to an amendment made to HCR 82-1005 prior to its placement on the 1982 ballot as Amendment #1. This document provides an overview of the purpose Gallagher, the manner in which it is implemented, the interaction of Gallagher with other limits, and its potential interaction with future exemptions to personal property.

1982 AMENDMENT #1

Amendment #1 of 1982 made sweeping changes to the property tax system in Colorado. The changes can be grouped as follows:

Changes to strengthen statewide equalization

- Established the annual 1% audit of assessor values
- Directed the State Board of Equalization (SBOE) to issue reappraisal orders to counties found out of compliance with statistical valuation standards
- Required the county to pay back excess state aid to schools discovered as a result of the reappraisal order
- Required the county to reimburse the state for the state's supervision of a reappraisal order
- Changed the composition of the SBOE
- Established that the Property Tax Administrator shall be appointed by the SBOE

Changes to valuation methodology and exemptions

- Exempted the following personal property - inventory, supplies, livestock, agricultural products, agricultural equipment, and residential personal property
- Established that the actual value shall be determined by consideration of the cost, market, and income approaches. Residential property was limited to the cost and market approaches, agricultural land is valued according to its earning or productive capacity. Oil and gas and producing mines are valued as a percentage of the value of annual production.

Changes to stabilize the tax burden on the residential property class (**Gallagher**)

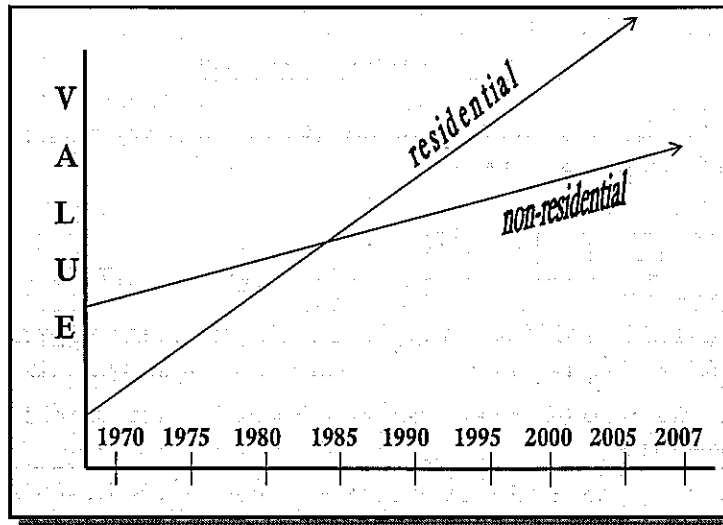
- For tax years 1983-1986, changed the assessment rates to 21% for residential property and 29% for most classes of non-residential property. (The rates for oil and gas production and producing mines are different.) Prior to its passage, the assessment rate for residential and non-residential property was 30%.
- Provided for the adjustment of the residential rate during years of general reassessment to maintain the same relationship between the statewide tax burdens of residential and non-residential property as existed in the prior year. The first year of general reassessment was 1987.

SUMMARY OF GALLAGHER

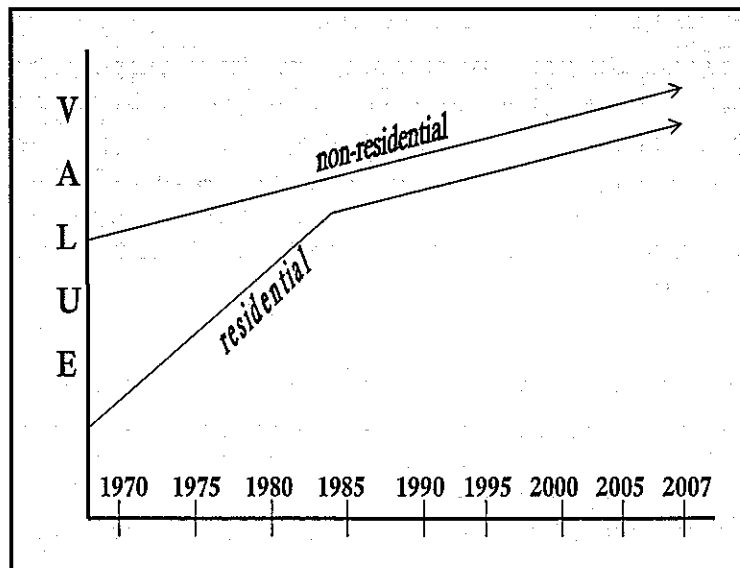
Purpose

The intent of Gallagher was to stop the gradual shift of tax burden to residential property caused by rapid increases to residential property values.

ACTUAL (MARKET) VALUES



ASSESSED VALUES UNDER GALLAGHER



COLORADO ASSESSED VALUES

ASSESSED VALUES				DISTRIBUTION OF VALUE			
Year	Total	Residential	Non-Residential	Year	Total	Residential	Non-Residential
1983	\$17,185,698,000	\$7,424,951,000	\$9,760,747,000	1983	100.00%	43.20%	56.80%
1984	\$17,905,089,000	\$7,921,865,470	\$9,983,223,530	1984	100.00%	44.24%	55.76%
1985	\$18,730,104,000	\$8,327,520,240	\$10,402,583,760	1985	100.00%	44.46%	55.54%
1986	\$19,216,096,000	\$8,646,958,180	\$10,569,137,820	1986	100.00%	45.00%	55.00%
1987	\$33,261,142,000	\$16,082,850,600	\$17,178,291,400	1987	100.00%	48.35%	51.65%
1988	\$31,660,568,730	\$14,565,865,580	\$17,094,703,150	1988	100.00%	46.01%	53.99%
1989	\$29,131,941,640	\$13,247,498,311	\$15,884,443,329	1989	100.00%	45.47%	54.53%
1990	\$29,082,011,770	\$13,393,681,560	\$15,688,330,210	1990	100.00%	46.05%	53.95%
1991	\$28,285,335,860	\$12,886,606,790	\$15,398,729,070	1991	100.00%	45.56%	54.44%
1992	\$28,490,629,640	\$13,256,627,100	\$15,234,002,540	1992	100.00%	46.53%	53.47%
1993	\$28,820,035,320	\$13,373,489,410	\$15,446,545,910	1993	100.00%	46.40%	53.60%
1994	\$29,831,046,660	\$13,970,427,000	\$15,860,619,660	1994	100.00%	46.83%	53.17%
1995	\$32,469,922,680	\$15,155,131,610	\$17,314,791,070	1995	100.00%	46.67%	53.33%
1996	\$33,606,775,890	\$15,788,272,000	\$17,818,503,890	1996	100.00%	46.98%	53.02%
1997	\$38,536,664,720	\$17,673,602,020	\$20,863,062,700	1997	100.00%	45.86%	54.14%
1998	\$40,165,596,490	\$18,452,519,220	\$21,713,077,270	1998	100.00%	45.94%	54.06%
1999	\$46,711,921,473	\$21,633,354,370	\$25,078,567,103	1999	100.00%	46.31%	53.69%
2000	\$48,757,383,216	\$22,729,547,584	\$26,027,835,634	2000	100.00%	46.62%	53.38%
2001	\$58,812,663,875	\$27,699,298,175	\$31,113,365,700	2001	100.00%	47.10%	52.90%
2002	\$60,564,946,027	\$28,888,969,314	\$31,675,976,713	2002	100.00%	47.70%	52.30%
2003	\$61,949,204,975	\$29,523,577,562	\$32,425,627,413	2003	100.00%	47.66%	52.34%
2004	\$64,630,921,990	\$30,470,840,993	\$34,160,080,997	2004	100.00%	47.15%	52.85%
2005	\$70,625,603,899	\$33,110,601,388	\$37,515,002,511	2005	100.00%	46.88%	53.12%
2006	\$74,549,449,375	\$34,350,208,817	\$40,199,240,558	2006	100.00%	46.08%	53.92%
2007	\$85,147,187,463	\$39,331,276,064	\$45,815,911,399	2007	100.00%	46.19%	53.81%
2008	\$87,550,006,576	\$40,409,568,301	\$47,140,438,275	2008	100.00%	46.16%	53.84%

COLORADO ACTUAL VALUES

ACTUAL VALUES				DISTRIBUTION OF VALUE			
Year	Total	Residential	Non-Residential	Year	Total	Residential	Non-Residential
1983	\$66,459,485,820	\$35,356,909,524	\$31,102,576,296	1983	100.00%	53.20%	46.80%
1984	\$69,718,797,755	\$37,723,168,905	\$31,995,628,850	1984	100.00%	54.11%	45.89%
1985	\$72,958,307,363	\$39,654,858,286	\$33,303,449,078	1985	100.00%	54.35%	45.65%
1986	\$75,118,950,953	\$41,175,991,333	\$33,942,959,620	1986	100.00%	54.81%	45.19%
1987	\$146,891,450,388	\$89,349,170,000	\$57,542,280,388	1987	100.00%	60.83%	39.17%
1988	\$148,225,023,177	\$91,036,659,875	\$57,188,363,302	1988	100.00%	61.42%	38.58%
1989	\$141,342,075,160	\$88,316,655,407	\$53,025,419,753	1989	100.00%	62.48%	37.52%
1990	\$141,421,555,163	\$89,291,210,400	\$52,130,344,763	1990	100.00%	63.14%	36.86%
1991	\$140,967,103,411	\$89,864,761,437	\$51,102,341,974	1991	100.00%	63.75%	36.25%
1992	\$142,906,267,259	\$92,445,098,326	\$50,461,168,932	1992	100.00%	64.69%	35.31%
1993	\$155,096,689,828	\$103,992,919,207	\$51,103,770,621	1993	100.00%	67.05%	32.95%
1994	\$160,946,706,538	\$108,634,735,614	\$52,311,970,923	1994	100.00%	67.50%	32.50%
1995	\$203,663,083,533	\$146,285,054,151	\$57,378,029,382	1995	100.00%	71.83%	28.17%
1996	\$211,793,556,887	\$152,396,447,876	\$59,397,109,011	1996	100.00%	71.96%	28.04%
1997	\$250,804,220,896	\$181,453,819,507	\$69,350,401,389	1997	100.00%	72.35%	27.65%
1998	\$261,128,074,968	\$189,450,916,016	\$71,677,158,951	1998	100.00%	72.55%	27.45%
1999	\$306,002,830,219	\$222,108,361,088	\$83,894,469,131	1999	100.00%	72.58%	27.42%
2000	\$320,312,771,175	\$233,362,911,540	\$86,949,859,635	2000	100.00%	72.85%	27.15%
2001	\$404,716,127,139	\$302,724,570,219	\$101,991,556,920	2001	100.00%	74.80%	25.20%
2002	\$419,294,563,373	\$315,726,440,590	\$103,568,122,783	2002	100.00%	75.30%	24.70%
2003	\$478,546,478,821	\$370,899,215,603	\$107,647,263,218	2003	100.00%	77.51%	22.49%
2004	\$492,572,877,562	\$382,799,509,962	\$109,773,367,599	2004	100.00%	77.71%	22.29%
2005	\$534,826,428,655	\$415,962,328,995	\$118,864,099,660	2005	100.00%	77.78%	22.22%
2006	\$554,757,341,157	\$431,535,286,646	\$123,222,054,512	2006	100.00%	77.79%	22.21%
2007	\$636,895,128,388	\$494,111,508,342	\$142,783,620,046	2007	100.00%	77.58%	22.42%
2008	\$654,555,841,028	\$507,657,893,229	\$146,897,947,799	2008	100.00%	77.56%	22.44%

§ 3(1)(b), art. X, COLO. CONST. and § 39-1-104.2, C.R.S.

During years when the level of value changes (odd numbered years), the General Assembly establishes a new residential target percentage and a new residential assessment rate.

The **Residential Rate** is the assessment rate calculated to achieve the new target percentage. In accordance with § 39-1-104.2(5), C.R.S., the residential rate is enacted by the General Assembly based on a study conducted by the Division of Property Taxation for the Property Tax Administrator.

The **Target Percentage** is defined in § 39-1-104.1(1)(b), C.R.S., as the "percentage of aggregate statewide valuation for assessment represented by the valuation for assessment which is attributable to residential real property in the year immediately preceding the year in which a change in the level of value occurs." Section 39-1-104.1(4), C.R.S., further clarifies that the target percentage is adjusted to account for new construction and changes in the volumes of mineral production. The target percentage is often referred to as the 45%-55% split, but the percentage is subject to adjustment during years of general reassessment.

History of targets and rates

<u>Tax Year</u>	<u>Enacted Residential Rate</u>	<u>Study Residential Rate</u>	<u>Enacted Target Percentage</u>
1983-1986	21.00%		
1987	18.00%		
1988	16.00%		
1989-90	15.00%		44.51%
1991-92	14.34%		44.57%
1993-94	12.86%		44.73%
1995-96	10.36%		45.29%
1997-98	9.74%		46.17%
1999-2000	9.74%	9.83%	46.49%
2001-02	9.15%		46.61%
2003-04	7.96%		47.08%
2005-06	7.96%	8.17%	47.22%
2007-08	7.96%	8.19%	47.43%
2009-10	7.96%	8.85%	46.82%

Adjusting the target percentage and residential assessment rate

The residential assessment rate study includes three major calculations.

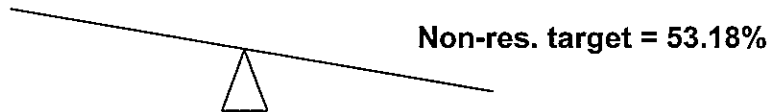
1. Using the total actual 2007 assessed value for nonresidential property, calculate what the total 2007 residential real property value should have been to exactly achieve the 2007 residential real property target percentage of 47.43 percent. Then, adjust the 47.43 percent target percentage to account for 2007 and 2008 net changes in new construction and the production volumes of producing metallic mines, producing coal mines, oil and gas wells, and earth and stone operations as reported on county Abstracts of Assessment. Upon completing the adjustments, the 2009 residential real property target percentage is 46.82 percent.

2. Estimate 2009 values and determine residential real property's share of the tax base assuming the residential assessment rate remains at 7.96 percent. The estimated 2009 tax base share for residential real property at an assessment rate of 7.96 percent is 44.21 percent.

3. Calculate the estimated residential assessment rate necessary to ensure that residential real property's share of the 2009 tax base equals the 2009 residential target percentage of 46.82 percent. The residential assessment rate is projected to be 8.85 percent.

The balance between residential and all other classes

Residential target = 46.82%



<u>Class</u>	<u>2009 Estimated Values</u>	<u>Percentage</u>
Residential (real property)	41,871,046,753	44.21% (at 7.96%)
Non-Residential	52,837,564,067	55.79%
Vacant (real property)	6,516,556,066	6.88%
Commercial (real & personal)	26,925,767,585	28.43%
Industrial (real & personal)	3,045,132,935	3.22%
Agricultural (real property)	851,746,016	0.90%
Natural Resources (real & personal)	366,566,862	0.39%
Producing Mines (real & personal)	517,671,056	0.55%
Oil and Gas (real & personal)	9,980,287,925	10.54%
State Assessed (personal & real)	4,633,835,621	4.89%
Total	94,708,610,820	100.00%

DISTRIBUTION OF PERSONAL PROPERTY IN 2008

County	State Assd. Personal	% of Total	Locally Assd. Personal	% of Total	Total Personal	% of Total	Total Real	Total Assd. Value
Adams	293,938,200	6.31%	531,422,620	11.41%	825,360,820	17.71%	3,833,893,190	4,659,254,010
Alamosa	11,637,936	8.82%	7,573,037	5.74%	19,210,973	14.56%	112,726,974	131,937,947
Arapahoe	298,061,060	3.82%	468,797,600	6.01%	766,858,660	9.83%	7,031,574,920	7,798,433,580
Archuleta	9,515,255	2.62%	9,065,928	2.50%	18,581,183	5.13%	343,977,150	362,558,333
Baca	30,945,780	42.21%	2,886,035	3.94%	33,831,815	46.15%	39,475,553	73,307,368
Bent	15,296,215	23.59%	1,175,332	1.81%	16,471,547	25.41%	48,359,591	64,831,138
Boulder	136,161,040	2.42%	391,379,660	6.96%	527,540,700	9.39%	5,092,860,940	5,620,401,640
Broomfield	39,235,010	3.68%	1,10,485,280	10.36%	149,720,290	14.04%	916,436,565	1,066,156,855
Chaffee	13,274,890	3.94%	9,033,710	2.68%	22,308,600	6.62%	314,500,610	336,809,210
Cheyenne	12,842,363	8.62%	14,416,424	9.67%	27,258,787	18.29%	121,766,466	149,025,253
Clear Creek	10,817,050	2.50%	58,299,840	13.45%	69,116,890	15.95%	364,233,670	433,360,560
Conejos	3,484,258	7.13%	949,915	1.95%	4,434,173	9.08%	44,399,389	48,833,562
Costilla	5,009,017	4.47%	590,496	0.53%	5,599,513	5.00%	106,401,240	112,000,753
Crowley	3,219,220	9.24%	557,403	1.60%	3,776,623	10.84%	31,056,811	34,833,434
Custer	3,425,030	3.90%	580,530	0.66%	4,005,560	4.56%	83,844,000	87,849,560
Delta	21,289,590	6.69%	30,439,730	9.57%	51,729,320	16.26%	266,332,380	318,061,700
Denver	754,004,340	6.92%	820,140,300	7.52%	1,574,144,640	14.44%	9,324,761,490	10,898,906,130
Dolores	10,818,970	19.99%	2,388,935	4.41%	13,207,905	24.40%	40,924,856	54,132,761
Douglas	136,265,493	2.92%	231,934,130	4.96%	368,199,623	7.88%	4,306,237,397	4,674,437,020
Eagle	51,728,570	1.62%	89,000,880	2.79%	140,729,450	4.41%	3,048,349,700	3,189,079,150
El Paso	250,311,760	3.80%	398,199,720	6.05%	648,511,480	9.85%	5,934,963,630	6,583,475,110
Elbert	17,375,076	6.07%	4,107,670	1.43%	21,482,746	7.50%	264,988,004	286,470,750
Fremont	23,026,490	5.27%	75,037,250	17.18%	98,063,740	22.45%	338,741,030	436,804,770
Garfield	57,540,250	1.76%	449,888,370	13.80%	507,428,620	15.56%	2,753,528,550	3,260,957,170
Gilpin	5,284,471	1.50%	33,002,350	9.36%	38,286,821	10.86%	314,211,499	352,498,320
Grand	25,644,830	2.99%	37,293,970	4.35%	62,938,800	7.35%	793,896,510	856,835,310
Gunnison	9,610,360	1.23%	40,622,020	5.21%	50,232,380	6.45%	729,111,080	779,343,460
Hinsdale	610,740	1.22%	322,760	0.65%	933,500	1.87%	48,973,040	49,906,540
Huerfano	18,333,062	15.68%	6,361,815	5.44%	24,694,877	21.12%	92,216,286	116,911,163
Jackson	1,845,940	6.00%	1,221,373	3.97%	3,067,313	9.98%	27,675,584	30,742,897
Jefferson	231,445,970	3.15%	462,805,110	6.29%	694,251,080	9.44%	6,663,937,790	7,358,188,870
Jiowa	3,629,260	10.95%	1,491,530	4.50%	5,120,790	15.45%	28,015,270	33,136,060
Kit Carson	17,457,665	14.56%	4,935,271	4.12%	22,392,936	18.68%	97,510,321	119,903,257
La Plata	61,076,580	2.06%	273,779,290	9.22%	334,855,870	11.28%	2,633,658,980	2,968,514,850
Lake	9,036,525	9.63%	3,276,504	3.49%	12,313,029	13.12%	81,564,786	93,877,815
Larimer	89,016,100	2.16%	333,420,378	8.10%	422,436,478	10.26%	3,696,318,991	4,118,755,469
Las Animas	61,511,030	8.89%	111,763,990	16.16%	173,275,020	25.06%	518,265,820	691,540,840
Lincoln	19,869,368	27.76%	2,496,688	3.49%	22,366,056	31.24%	49,217,377	71,583,433
Logan	73,635,300	30.52%	20,109,800	8.34%	93,745,100	38.86%	147,517,140	241,262,240
Mesa	89,612,730	4.76%	157,994,440	8.40%	247,607,170	13.16%	1,634,276,700	1,881,883,870
Mineral	881,040	2.90%	1,901,690	6.26%	2,782,730	9.16%	27,600,540	30,383,270
Moffat	157,561,470	35.56%	54,025,680	12.19%	211,587,150	47.75%	231,487,770	443,074,920
Montezuma	35,700,810	8.15%	30,339,480	6.93%	66,040,290	15.08%	371,944,810	437,985,100
Montrose	47,307,090	8.18%	31,626,940	5.47%	78,934,030	13.66%	499,112,890	578,046,920
Morgan	123,100,000	32.16%	45,937,160	12.00%	169,037,160	44.16%	213,769,320	382,806,480
Otero	21,470,925	18.34%	7,353,157	6.28%	28,824,082	24.62%	88,238,689	117,062,771
Ouray	5,325,614	2.70%	3,594,730	1.83%	8,920,344	4.53%	187,985,986	196,906,330
Park	13,739,205	3.29%	2,843,868	0.68%	16,583,073	3.97%	400,805,120	417,388,193
Phillips	2,900,682	5.92%	3,740,420	7.64%	6,641,102	13.56%	42,319,018	48,960,120
Pitkin	22,039,370	0.79%	51,682,620	1.86%	73,721,990	2.66%	2,702,077,800	2,775,799,790
Prowers	34,945,200	28.96%	7,605,980	6.30%	42,551,180	35.27%	78,099,400	120,650,580
Pueblo	107,033,390	8.29%	116,624,010	9.04%	223,657,400	17.33%	1,067,022,520	1,290,679,920
Rio Blanco	59,915,680	7.29%	244,141,260	29.72%	304,056,940	37.02%	517,327,510	821,384,450
Rio Grande	8,772,480	5.06%	6,573,460	3.79%	15,345,940	8.85%	158,095,580	173,441,520
Routt	72,040,479	6.41%	41,528,680	3.69%	113,569,159	10.10%	1,010,542,221	1,124,111,380
Saguache	5,017,227	8.14%	864,120	1.40%	5,881,347	9.55%	55,721,043	61,602,390
San Juan	1,687,590	3.04%	804,290	1.45%	2,491,880	4.49%	53,056,880	55,548,760
San Miguel	11,960,660	1.34%	22,222,080	2.49%	34,182,740	3.83%	858,857,120	893,039,860
Sedgwick	35,069,680	60.61%	1,364,620	2.36%	36,434,300	62.97%	21,424,520	57,858,820
Summit	24,856,978	1.57%	68,377,986	4.31%	93,234,964	5.87%	1,494,149,683	1,587,384,647
Teller	13,082,577	2.79%	38,475,220	8.20%	51,557,797	10.99%	417,741,363	469,299,160
Washington	23,294,373	20.57%	4,111,141	3.63%	27,405,514	24.20%	85,819,373	113,224,887
Weld	448,042,520	9.78%	347,044,420	7.58%	795,086,940	17.36%	3,784,251,520	4,579,338,460
Yuma	31,577,150	9.65%	33,680,320	10.29%	65,257,470	19.94%	261,968,220	327,225,690
TOTALS	4,234,164,984	4.84%	6,365,711,416	7.27%	10,599,876,400	12.11%	76,950,130,176	87,550,006,576

THE TABOR / GALLAGHER CONFLICT AND SCHOOL FUNDING

2009 is the fourth time that the residential rate study calculated a figure that is greater than the residential rate most recently enacted into law. Such an occurrence makes relevant a conflict in the Colorado Constitution. Section 3(1)(b) of article X of the Colorado Constitution and § 39-1-104.2(5)(a), C.R.S., require that the rate be adjusted (up or down) to achieve the residential target percentage, but section 20(4)(a) of article X of the Colorado Constitution (TABOR), requires voter approval for an increase. When this occurred in 1999, 2005, 2007, and 2009, the General Assembly reenacted the previous residential assessment rate.

The impact of TABOR's prohibition against raising the residential assessment rate without voter approval is difficult to estimate across the board for all property taxing jurisdictions. However, due to the passage of SB 07-199, most school districts' total program mill levies are fixed. Consequently, the TABOR impacts can be estimated for this component of property tax revenue. If the residential assessment rate were increased to 8.85 percent as the Gallagher amendment originally anticipated, Colorado's 2009 total taxable value would increase to an estimated \$99,390,172,000, generating an additional \$100,946,000 of property tax revenue from the school district total program mill levies.

THE RATCHET-DOWN EFFECT OF TABOR AND GALLAGHER

Gallagher can also interact with restrictions found in TABOR and in statute to reduce over time the amount of property tax revenue available to a local government.

During years in which the total assessed value of a local government goes down, the property tax revenue will also decrease unless voters authorize an increase to the mill levy. Subsection (4) of TABOR prohibits an increase to any tax rate, including a mill levy, without voter approval. In 2003, 22 of Colorado's 64 Counties, and hundreds of local governments, experienced a decrease to their total assessed value. The decreases were largely attributable to a 13 percent decrease to the residential assessment rate from 9.15 percent to 7.96 percent. (For several counties, the reduction was also attributable to a significant decrease to the oil and gas class.)

The property tax revenue limit in subsection (7)(c) of TABOR, and the 5.5% limit found in § 29-1-301, C.R.S., restrict the ability of a local government to increase its property tax revenue unless voter approval is obtained. The TABOR property tax limit prohibits a non-voter approved increase that exceeds the rate of inflation plus the percentage of "local growth." The 5.5 percent limit prohibits a non-voter approved increase in excess of 5.5% after certain growth-related items are excluded from the calculation. The TABOR limit applies to all local governments, and the 5.5 percent limit applies to non-home rule political subdivisions other than school districts. For entities subject both limits, the more restrictive of the two applies each year. (Senate bill 07-199 eliminated a statutory application of the TABOR property tax limit from the calculation of school total program mill levies.)

When both the property tax revenue limits and the mill levy increase prohibition are applied over time, they create a ratchet down effect on property tax revenue that can only be overcome with voter approval. A decrease to the residential assessment rate adds to this

effect whenever it causes the total assessed value of a local government to decline or when it limits the increase in assessed value to a percentage that is lower than the percentage increase allowed by the more restrictive property tax revenue limit.

GALLAGHER AND THE EXEMPTION OF PERSONAL PROPERTY

In January, the Division estimated the amount of personal property that could be exempted to bring the calculated residential assessment rate down from the projected figure of 8.91 percent to 7.96 percent. We determined that a statewide exemption of \$5.6 billion in personal property would produce that effect. \$5.6 billion was 52.5 percent of the total value of personal property estimated for tax year 2009. If this estimate was performed using our April value estimates, and our final rate projection of 8.85 percent, the amount of value that could be exempted without reducing the residential rate below 7.96 percent would be closer to \$5.5 billion.

At the time, we also estimated that a complete exemption of personal property for tax year 2009 would reduce the residential assessment rate to 7.11 percent. That estimate would be closer to 7.05 percent if it we used our April 2009 value estimates.

However, much of the cushion between the calculated rate of 8.85 percent and 7.96 percent can be attributed to the dramatic increase to the total assessed valuation of oil and gas. A recent history of statewide oil and gas values is as follows:

OIL AND GAS

<u>Years</u>	<u>Value</u>	<u>% of Total</u>	<u>% Change</u>
1994	\$1,215,466,160	4.1%	
1995	\$1,216,786,900	3.7%	0.1%
1996	\$1,055,838,080	3.1%	-13.2%
1997	\$1,313,285,874	3.4%	24.4%
1998	\$1,576,821,340	3.9%	20.1%
1999	\$1,378,699,890	3.0%	-12.6%
2000	\$1,485,638,702	3.0%	7.8%
2001	\$2,651,249,117	4.5%	78.5%
2002	\$2,798,698,397	4.6%	5.6%
2003	\$2,199,413,590	3.6%	-21.4%
2004	\$3,905,919,763	6.0%	77.6%
2005	\$5,055,329,724	7.2%	29.4%
2006	\$7,329,404,530	9.8%	45.0%
2007	\$7,223,758,012	8.5%	-1.4%
2008	\$7,677,144,558	8.8%	6.3%
est 2009	\$9,980,287,925	10.5%	30.0%

If a substantial drop occurs to the oil and gas class, it will absorb some, if not most, of the cushion that exists between the calculated residential assessment rate and 7.96 percent, all else being equal. In addition, it is possible that the residential property class will recover from the current recession more quickly than non-residential property.

THE STUDY PROCESS

In September through November of the year prior to the effective year of the new rate, data reported in each county's Abstract of Assessment is reviewed, corrected where necessary, and entered into the Residential Assessment Rate Model. County assessors are asked to provide the Division with an electronic version of their qualified residential, commercial, industrial, and vacant land sales that occurred over the 24-months that preceded the new appraisal date. (The appraisal date for tax years 2009 and 2010 is June 30, 2008.) The data requested includes the sale price, sale date, actual value (from the prior base year), and property class code for each qualified sale. Division staff "time-trends" the sales data using a weighted monthly median sales ratio regression analysis to develop preliminary value change estimates for each county submitting data.

In December, Division staff meets with county assessors and appropriate staff to review the time trending results and mutually develop value change estimates for the vacant land, residential, commercial, and industrial property classes. By this time, the county has often begun its own time trending studies, and has been analyzing other appraisal information, such as property income, vacancy rates, and capitalization rates. For the commercial and industrial classes, the percentage change estimates developed with assessors are for real property only. The Division calculates weighted averages between these projections and a statewide change estimate developed for commercial and industrial personal property. The Division estimated no change for 2009 commercial and industrial personal property.

A statewide change estimate for the land portion of the oil and gas property class is based upon data obtained from the Colorado Oil and Gas Conservation Commission and the Department of Local Affairs after consulting with state oil and gas experts and county assessors. Land under production comprises 91 percent of the class, while personal property and improvements compose the remaining value and are estimated separately. A statewide change estimate for the state assessed class is developed by Division staff, based upon financial indicators for the various public utility sectors. The estimate is for the total state assessed property class, comprised of both personal and real property.

The preliminary results are reported to the General Assembly by January 15, pursuant to 39-1-104(6), C.R.S. All counties will be contacted in April to update their initial projections. At this time, assessors are asked to furnish the Division with an abbreviated abstract that provides projected assessed values by class of property and new construction values. After subtracting new construction from the assessed values, factors are developed through a comparison with prior year assessed values, and the factors are entered into the Residential Assessment Rate Model. The 2009 value estimates are the product of the 2008 abstract values multiplied by the change estimate factors.

State Board can no longer adjust the residential rate

At one time, the State Board of Equalization (state board) had the authority to adjust the residential rate during its fall hearings if the valuations actually implemented by the counties, as reflected in the Abstracts of Assessment, showed that the estimated residential rate was incorrect. Because of a conflict with provisions in section 20 of article X of the Colorado Constitution (TABOR), the statute giving the state board that authority, § 39-1-104.2(7),

C.R.S., was repealed in 1993. As a result, the Division reports an amended figure to the General Assembly in April. The amended report contains revised value estimates provided by county assessors after much of their revaluation work is completed.