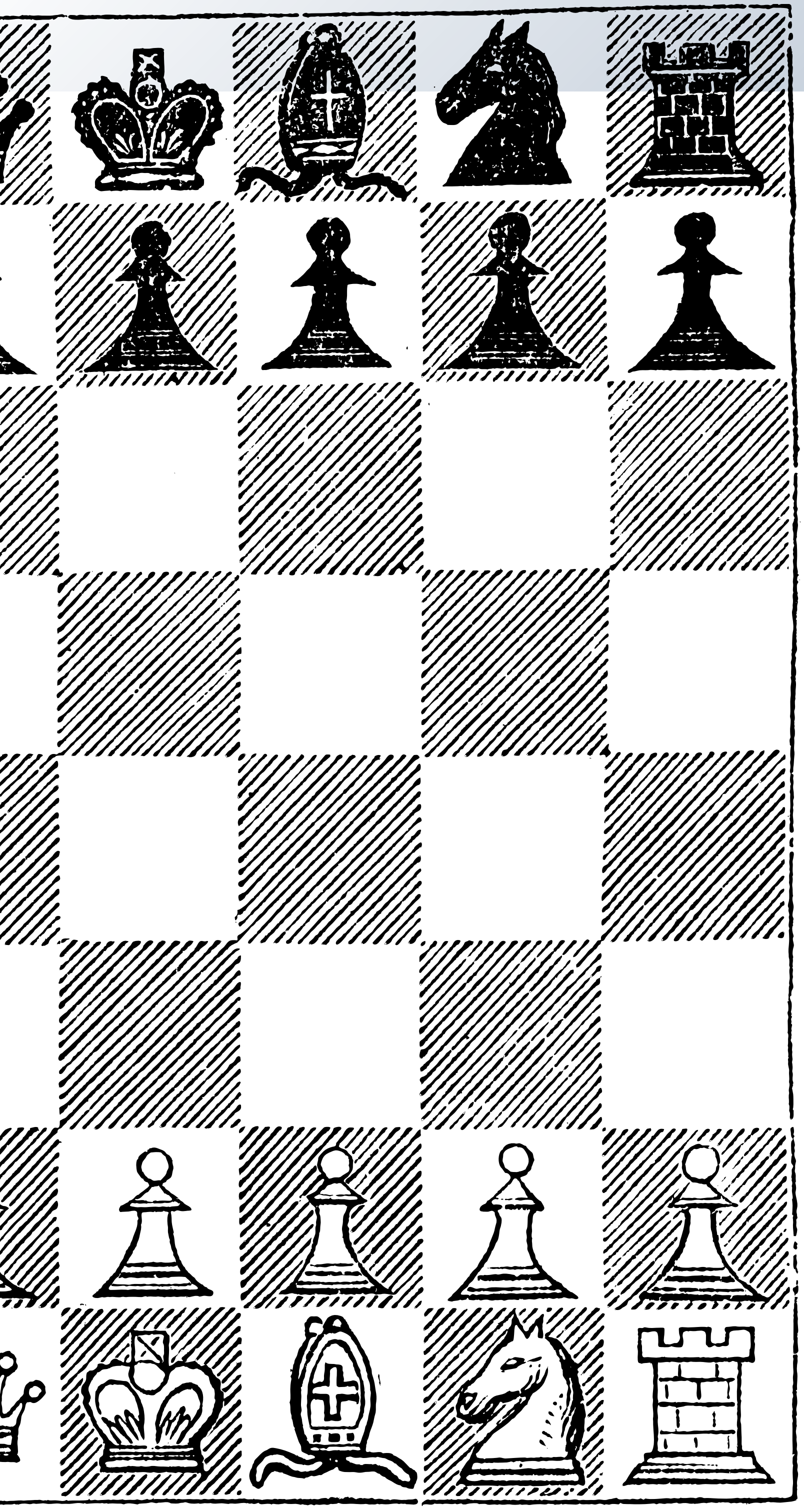

CFI'S GAMBIT

A RECAP OF THE 2024 COLORADO LEGISLATIVE SESSION

THE RISKS, SACRIFICES, AND REWARDS OF A GAME WELL PLAYED.

The Second Regular Session for the Seventy-Fourth General Assembly was like a game of chess, except with higher stakes. The Colorado Fiscal Institute (CFI) and our partners weren't just playing to promote a few bills into legislation; we were playing for economic prosperity for all Coloradans. Our opening moves were aggressive. We put three new or expanded tax credit policies on the board and flanked them with better worker, renter, and land use protections, among others. But our opponent was formidable. So we took risks, made a few sacrifices and ultimately reaped the rewards of a game well played. Let's review.

Mastering Fiscal Policy

We faced threats in the fiscal space this year. Growth in cash fund revenue pushed more General Fund money into TABOR refund territory — a not-so-ideal budget situation for CFI's top legislative priorities. We had to figure out how to administer two new credits with as low of a General Fund cost as possible.

The Tax Credit Endgame

With some strategic maneuvers, we passed HB24-1311, the Family Affordability Credit (FATC); HB24-1312, the Care Worker Credit; and HB24-1134, which expands the Earned Income Tax Credit (EITC).

- HB24-1311 builds on Colorado's Child Tax Credit (CTC), creates a refundable tax credit of up to $3,200 for families making $95,000 per year or less, and extends such a tax credit to families with kids under 17 for the first time.
- HB24-1312 creates a tax credit of up to $1,200 for personal care aides, home health workers, and child care providers, including Friends, Family, and Neighbors (FFN) who make up to $100,000 per year.
- HB24-1134 expands the state EITC to 50% of the federal EITC for the 2024 tax year, 35% for the 2025 tax year, and 25% for the 2026 tax year and beyond, with the option of a "boost" of up to 50% depending on revenue growth.

The FATC and EITC expansion rely on a Compound Annual Growth Rate (CAGR) to determine the size of the tax credit and "boost," respectively. In years of strong economic growth, the FATC will be fully funded, and the EITC will be funded up to 50%. In years of little or no economic growth, the FATC and the EITC "boost" will be partially funded, or turned off entirely, ensuring they don't compete with General Fund priorities.

A Draw on TABOR Refunds

CFI has led the charge to send back identical TABOR rebates in an effort to reform Colorado's six-tier sales tax mechanism, which gives higher tax rebates to higher income earners. This year we achieved a bipartisan bill, SB24-228, that sends back identical refunds up to $228 and re-institutes a temporary income tax rate cut that would reduce our income tax rate to 4.25%. While we're disappointed in this temporary, across-the-board tax rate cut, we're pleased the changes to the six-tier sales mechanism we've fought hard for have become (sort of) permanent.

Blundering Baby Bonds

In response to growing wealth inequality and the racial wealth gap, CFI led advocacy on Baby Bonds in Colorado. Baby Bonds are a wealth-building policy tool where the government sets aside a significant amount of money for children in a public trust shortly after birth, and invests it in financial vehicles that yield returns over time. When these children become adults, they can use those funds to obtain wealth-generating assets, such as purchasing a home, investing in higher education, contributing to a retirement fund, or starting a small business.

If passed, HB24-1297 would have tasked the State Treasury Department with studying the feasibility of implementing a Baby Bonds Program in Colorado. Although legislators blundered when they sacrificed this bill, CFI and the Baby Bonds Coalition are charting a winning strategy to ensure we make wealth-building opportunities more accessible to children of Black and Indigenous People of Color (BIPOC) and children living in poverty.

Brilliancy in Housing Policy

Renters in Colorado are in *zugzwang* — any move worsens their position. A person must work an average of 92 hours a week at minimum wage to afford a two bedroom apartment and 77 hours a week to afford a one bedroom apartment at Fair Market Rent. This year, housing advocates converted their positional advantage under the Dome into a material one; from decades-long fights on Warranty of Habitability to coming back to For Cause after last year's loss, there are lots of wins to be celebrated.

Controlling the Center for Renters

Colorado legislators passed For Cause Eviction Protections, HB24-1098, which protects renters from sudden arbitrary, discriminatory, or retaliatory evictions at the end of their lease term.

The legislature also passed Warranty of Habitability, SB24-094, which updates existing law to bring Colorado in line with other states by requiring landlords to address uninhabitable conditions, establish time frames for necessary repairs, and provide tenants with comparable units until repairs are completed.

Several bills this session removed regulations to allow for denser housing. Local governments in Colorado have occupancy limit laws that mandate familial ties between household members, which is a discriminatory barrier that falls heavily on students and working young adults. HB24-1007 removes these artificial restrictions on housing supply. HB24-1152 reduces barriers to building Accessory Dwelling Units (ADUs) (e.g. detached garage apartments, carriage houses, or casitas). ADUs are commonly affordable and often used as multi-generational housing to accommodate older family members or young adults.

Colorado legislators missed the opportunity to pass consumer protections for renters through HB24-1057, which would have clarified that the use of algorithms containing non-public competitor rent data is collusion for the purpose of price-fixing. The bill would have prohibited the use of these anticompetitive algorithms as a deceptive trading practice, which would have addressed the artificial cost inflation they produce.

Property Tax Time Scramble, Late Piece to the Game

After 15 years of not fully funding schools to constitutional levels, Colorado finally eliminated the Budget Stabilization Factor thanks to, in large part, extra local property tax dollars going to schools. But deep into the game, with most pieces already off the board, SB24-233 came into play with proposed property tax cuts that would threaten that. So we watched these moving pieces closely.

Then, we found out SB24-233 treats school districts differently than other local governments. In addition, the property tax cuts established during the November 2023 Special Session were only for one year. This bill extended those reductions: specifically it keeps the residential assessment rate at 6.7% and exempts $55,000 of market value of the home from property taxes. That’s saving the average homeowner about $500 this year. Lower property taxes mean less money for schools in 2024, requiring the state to increase funding for schools by $362 million this year, likely tapping into the State Education Fund.

In 2025 things will get more complicated because the property tax reductions impact schools and local governments differently. Homes will be assessed at 7.15% for school district taxes, and at 6.7% for property taxes to other government entities. The formula will change in 2026, too. That 6.7% will go up to 6.95% but then also exempts up to $70,000 of market value. The bill includes reductions to the non-residential assessment rate as well and introduces a local revenue growth cap that would require voters in districts (with home-rule jurisdictions and school districts exempt) to approve revenue above an annual 5.5% growth rate. The property tax cut in this bill also becomes void if a property tax cut/cap passes at the ballot this November.

Double Check in Immigration Policy

Providing driver's licenses to all immigrants is just a good move; it makes Colorado roads safer and results in greater savings in automobile insurance premiums for all drivers. Through obtaining a license, drivers become more knowledgeable about traffic and road laws, purchase insurance, and register their vehicles. SB24–182 expands the accessibility of driver's licenses in Colorado through removing barriers that prohibit many immigrants from fully participating in our local communities and economies.

Checking Corporate Power in Labor Policy

We passed a number of bills this year that help Colorado workers check corporate power, ensuring workers who keep our state's economy running are better off.

Protecting Our Ranks and Files

Gig economy companies are infamous for trying to cheat the game with opaque tactics. As a result, Colorado mobile app-based rideshare and delivery workers are vulnerable to volatile wages and deactivations for no clear reason. But we made a few moves of our own: SB24-075, Transportation Network Company Transparency, and HB24-1129, Protections for Delivery Network Company Drivers. Both take major steps toward preserving dignity, safety, and accountability for workers and consumers.

CFI's research shows nearly $728 million in wages are stolen annually from hundreds of thousands of Colorado workers, and the construction industry is a habitual offender. HB24-1008, Wage Claims Construction Industry Contractors, is a critical first step toward ensuring this workforce is compensated fairly by making contractors liable for employee wages owed.

Workers in Colorado have the right to decide for themselves who they vote for, what religious practices to observe, and if they want to form a union. HB24-1260, Prohibition Against Employee Discipline, preserves employees' right to freedom of conscience in workplaces across Colorado. It protects their right to opt out of any meetings and communications from their employers on religious or political topics.

Leading the National Tournament in Fighting Child Labor

A national, coordinated attack on child labor laws is putting youth across the country at risk of exploitation, but Colorado has taken initiative to fend it off. HB24-1095, Increasing Protections for Minor Workers, increases penalties for violators and encourages youth and their families to report violations.

Behind the Scenes in Environmental Policy

Environmental policy intersected with housing, taxes, and more this year. Though this is not a space CFI leads in legislatively, our research and coalition participation has helped support many of the efforts this year to make Colorado a safe and healthy place to live.

Transportation and oil and gas industries are the two largest sources of air pollution in Colorado. Bills passed this year, including increasing ozone mitigation measures and oil and gas production fees, improve air quality and protect public health by improving emission reduction rules, enforcement and monitoring, and increasing efforts to manage wells at high risk of becoming abandoned.

Last year a large land use package, SB23-213, failed to make it through the legislature. This year, through a grinding endgame, several key pieces of the 2023 package made it through. These bills will reduce air pollution by shortening driving distances by at least 20%, leading to improved air quality and less congestion, and promoting the use of public transit.

HB24-1313 develops affordable housing in transit-dense neighborhoods. For those with the lowest levels of mobility and income, affordable transit can have significant and positive implications for social and economic inclusion. Additionally, the bill promotes compact, transit-oriented development, reduces household driving and greenhouse gas emissions, and protects Colorado's environment.

HB24-1304 prohibits counties and municipalities from enforcing minimum parking requirements for real property. Minimum parking requirements encourage the overdevelopment of parking spaces that could be more efficiently and effectively for housing, and more walkable, less car-dependent, and less polluted neighborhoods.

The Ballot Puzzle

In Colorado, threats at the ballot often force legislators to play a hostage game. In an effort to prevent a number of devastating measures from appearing on the ballot this year, the Governor made two key truces: one between business interests and local governments/school districts over property taxes, and one between the oil and gas industry and environmental advocates. These resulted in SB-233, which cuts property taxes while holding school districts harmless, and SB24-230, which creates new oil and gas fees to fund public transit in exchange for pulling back on plans to overhaul regulations on the industry.

The ballot continues to be a pay-to-play space, with signature-gathering campaigns costing around $4 million on average. Until elected representatives are not constrained by constitutional limits on their decision-making in the tax space and until we reform the ballot, special interests with unlimited spigots of cash will continue to hold us hostage.