Proposition CC proposes amending the Colorado statutes to:

1. allow the state government to keep all of the money it collects every year beginning in the 2019-20 state budget year; and
2. require that any money the state government keeps over its existing revenue limit be spent for public schools, higher education, and transportation projects, rather than returned to taxpayers.

What your vote means:

<table>
<thead>
<tr>
<th>YES/FOR</th>
<th>NO/AGAINST</th>
</tr>
</thead>
<tbody>
<tr>
<td>A &quot;yes&quot; vote on Proposition CC means the state can keep all of the money it collects over its revenue limit to spend on education and transportation.</td>
<td>A &quot;no&quot; vote on Proposition CC means that any money the state collects over its revenue limit must be returned to taxpayers.</td>
</tr>
</tbody>
</table>
Proposition CC: Retain State Government Revenue

Summary and Analysis for Proposition CC

What is the state revenue limit?

The Colorado Constitution includes a section, commonly known as TABOR, that limits the amount of money that the state government can spend or save each year. The limit is adjusted each year to account for inflation, state population growth, and voter-approved changes to the limit. In the 2019-20 state budget year, the limit is about $15 billion.

Currently, about one-third of the money that the state government collects is subject to the limit, including most taxes and some fees. The remaining two-thirds of revenue not subject to the limit includes money from voter-approved tax increases, government-owned businesses, and the federal government.

What happens if Proposition CC passes?

Proposition CC permanently allows the state government to keep all the money it collects above the state revenue limit and spend it on public schools; higher education; and roads, bridges, and transit. State law requires that the additional money be divided equally among these three areas.

The State Auditor is required to publish a financial audit of money kept and spent as a result of Proposition CC each year.

What happens if Proposition CC fails?

Money collected above the state revenue limit must be returned to taxpayers. This is sometimes called a TABOR refund.

State law sets how the money is refunded. Currently, a portion of this money is refunded through property tax benefits that local governments provide as required by the constitution, and the remaining money is refunded via state income tax returns.

Will Proposition CC affect refunds for overpayment of income taxes?

No. Taxpayers who pay more income tax than they owe receive an income tax refund after they file their annual tax returns. While Proposition CC eliminates future state TABOR refunds, it does not affect refunds for overpayment of income taxes.

How much money is affected by Proposition CC?

Proposition CC affects all money the state government collects above its current revenue limit beginning in the 2019-20 state budget year. Since the limit was created in 1992, the state has collected revenue above the limit in 9 of 26 budget years. Assuming no other changes to law, legislative economists estimated in June that the state government would collect $310 million above the limit in the 2019-20 budget year and $342 million above the limit in the 2020-21 budget year, representing about 2 percent of state government revenue subject to the limit for these years. If these amounts are returned to taxpayers, refunds are estimated to be between $26 and $90 per taxpayer per year, depending on the
Proposition CC: Retain State Government Revenue

taxpayer's income, and double these amounts for joint filers. The amounts
affected could be greater or less than estimated depending on actual collections.

Estimates are not available beyond the 2020-21 budget year. Over the long
term, Proposition CC will increase government spending and eliminate TABOR
refunds. The amounts affected in future years will depend on economic
conditions and policy decisions.

For information on those issue committees that support or oppose the
measures on the ballot at the November 5, 2019, election, go to the
Colorado Secretary of State’s elections center web site hyperlink for
ballot and initiative information:

http://www.sos.state.co.us/pubs/elections/Initiatives/InitiativesHome.html
Arguments For Proposition CC

1) Proposition CC provides more money for critical investments in Colorado’s future without raising tax rates. By allowing the state to keep the money it already collects, the measure provides needed funding for K-12 education, higher education, and transportation. While Colorado currently ranks in the top third of states in household income, it ranks in the bottom third in per-pupil public spending on both K-12 and higher education. Further, the state’s roads are deteriorating while the cost of improvements continues to increase. Addressing these challenges requires statewide investment, and Proposition CC provides revenue for these investments immediately and into the future.

2) Proposition CC allows elected officials to make better policy decisions while preserving the citizens’ right to vote on any state tax increases. Because future tax increases will still require voter approval under the measure, state government spending will remain limited. Proposition CC simply allows the state government to keep the money it already collects. Similar measures have been approved by voters in most Colorado counties, cities, and school districts.

Arguments Against Proposition CC

1) Proposition CC raises taxes by permanently eliminating all state TABOR refunds required by the Colorado Constitution. Taxpayers are being asked to sacrifice their refunds to pay for programs that should already be funded within the state budget. Even with the limit, the state government has already shifted money between funds and raised fees and tolls to increase its revenue faster than inflation and state population growth.

2) Proposition CC continues to erode taxpayer protections in the Colorado Constitution. Instead of asking voters for permission to keep specific amounts of money collected above the revenue limit each year, the state government is asking voters to give up refunds of unknown amounts forever. The measure broadly directs where the new money will be spent, but the specifics can be changed in the future without voter approval. Further, while spending this new money for education and transportation, the legislature could redirect existing funds to any other purpose.
Estimate of Fiscal Impact of Proposition CC

State government revenue and spending. Proposition CC will increase the amount of revenue that the state may keep and spend. The measure is expected to increase state spending by $310 million in the 2020-21 budget year and $342 million in the 2021-22 budget year. All money kept under the measure must be spent for public schools; higher education; and roads, bridges, and transit. If Proposition CC is approved, state law requires that these three areas receive equal shares of the money retained. Expected spending for the first two budget years is shown in Table 1.

<table>
<thead>
<tr>
<th></th>
<th>2020-21 Budget Year*</th>
<th>2021-22 Budget Year*</th>
</tr>
</thead>
<tbody>
<tr>
<td>Public Schools</td>
<td>$103 million</td>
<td>$114 million</td>
</tr>
<tr>
<td>Public Higher Education</td>
<td>$103 million</td>
<td>$114 million</td>
</tr>
<tr>
<td>State and Local Highway and Transit Projects</td>
<td>$103 million</td>
<td>$114 million</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$310 million</strong></td>
<td><strong>$342 million</strong></td>
</tr>
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*The state budget year begins on July 1 and ends on June 30.

**May not sum due to rounding.

After the 2021-22 budget year, the amount of spending affected by Proposition CC will depend on the state’s economic performance.

Taxpayer impacts. Proposition CC will eliminate all TABOR refunds to taxpayers beginning with refunds that would otherwise be issued on 2020 tax returns. Refunds are estimated at between $26 and $79 for single filers in tax year 2020 and between $30 and $90 for single filers in tax year 2021, depending on the taxpayer’s income. Joint filers will receive twice these amounts.