

CC

Proposition CC: Retain State Government Revenue

1 **Proposition CC proposes amending the Colorado statutes to:**

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

7 **What your vote means:**

YES/FOR

A "yes" vote on Proposition CC changes state law and means the state can keep all of the money it collects over its revenue limit to spend on education and transportation.

NO/AGAINST

A "no" vote on Proposition CC means that any money the state collects over its revenue limit must be returned to taxpayers, as required under current law.

1 **Summary and Analysis for Proposition CC**

2 **What is the state revenue limit?**

3 The Colorado Constitution includes a section, titled “The Taxpayer’s Bill of Rights”
4 and commonly known as TABOR, that limits the amount of money that the state
5 government can collect and spend or save each year. The limit is adjusted each
6 year to account for inflation, state population growth, and voter-approved changes to
7 the limit. In the 2019-20 state budget year, the limit is about \$15 billion.

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

12 **What happens to money collected above the limit?**

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

15 State law sets how the money is refunded. Currently, a portion of this money is
16 refunded through property tax benefits that local governments provide. In years
17 when refunds are not made, these benefits are funded from other sources. The
18 remaining money is refunded via state income tax returns.

19 **What happens if Proposition CC passes?**

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

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

26 **What happens if Proposition CC fails?**

27 Money collected above the state revenue limit will continue to be refunded to
28 taxpayers as required under current law.

29 **Will Proposition CC affect refunds for overpayment of income taxes?**

30 No. Taxpayers who pay more income tax than they owe receive an income tax
31 refund after they file their annual tax returns. These refunds are issued at the same
32 time as TABOR refunds, and their amounts may be combined on checks sent by the
33 Department of Revenue. While Proposition CC eliminates future state TABOR
34 refunds, it does not affect refunds for overpayment of income taxes.

1 **How much money is affected by Proposition CC?**

2 Proposition CC affects all money the state government collects above its current
3 revenue limit beginning in the 2019-20 state budget year. Since the limit was
4 created in 1992, the state has collected revenue above the limit in 9 of 26 budget
5 years. Assuming no other changes to law, legislative economists estimated in June
6 that the state government would collect \$310 million above the limit in the 2019-20
7 budget year and \$342 million above the limit in the 2020-21 budget year,
8 representing about 2 percent of state government revenue subject to the limit for
9 these years. If these amounts are returned to taxpayers, refunds are estimated to be
10 between \$26 and \$90 per taxpayer per year, depending on the taxpayer's income,
11 and double these amounts for joint filers. The amounts affected could be greater or
12 less than estimated depending on actual collections.

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

17

*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>

1 **Arguments For Proposition CC**

- 2 1) Proposition CC provides more money for critical investments in Colorado's future
3 without raising tax rates. By allowing the state to keep the money it already
4 collects, the measure provides needed funding for K-12 education, higher
5 education, and transportation. While Colorado currently ranks in the top third of
6 states in household income, it ranks in the bottom third in per-pupil public
7 spending on both K-12 and higher education. Further, the state's roads are
8 deteriorating while the cost of improvements continues to increase. Addressing
9 these challenges requires statewide investment, and Proposition CC provides
10 revenue for these investments immediately and into the future.
- 11 2) Proposition CC allows elected officials to make better policy decisions while
12 preserving the citizens' right to vote on any new state taxes and tax rate
13 increases. Because these tax increases will still require voter approval under the
14 measure, state government spending will remain limited. Proposition CC simply
15 allows the state government to keep the money it already collects. Similar
16 measures have been approved by voters in most Colorado counties, cities, and
17 school districts.

18 **Arguments Against Proposition CC**

- 19 1) Proposition CC results in higher taxes by permanently eliminating all state
20 TABOR refunds required by the Colorado Constitution. Taxpayers are being
21 asked to sacrifice their refunds to pay for programs that should already be funded
22 within the state budget. Even with the limit, the state government has already
23 shifted money between funds and raised fees and tolls to increase its revenue
24 faster than inflation and state population growth. Proposition CC will cause
25 government to expand at an even faster pace.
- 26 2) Proposition CC continues to erode taxpayer protections in the Colorado
27 Constitution. Instead of asking voters for permission to keep specific amounts of
28 money collected above the revenue limit each year, the state government is
29 asking voters to give up refunds of unknown amounts forever. The measure
30 broadly directs where the new money will be spent, but the specifics can be
31 changed in the future without voter approval. Further, while spending this new
32 money for education and transportation, the legislature could redirect existing
33 funds to any other purpose.

1 **Estimate of Fiscal Impact of Proposition CC**

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

10 **Table 1**
11 **Spending of Money Retained Under Proposition CC**

| | 2020-21 | 2021-22 |
|--|----------------------|----------------------|
| | Budget Year* | Budget Year* |
| Public Schools | \$103 million | \$114 million |
| Public Higher Education | \$103 million | \$114 million |
| State and Local Highway and Transit Projects | \$103 million | \$114 million |
| Total** | \$310 million | \$342 million |

12 **The state budget year begins on July 1 and ends on June 30.*

13 ***Totals may not sum due to rounding.*

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

16 **Taxpayer impacts.** Proposition CC will eliminate all TABOR refunds to taxpayers
17 beginning with refunds that would otherwise be issued on 2020 tax returns. Refunds
18 are estimated at between \$26 and \$79 for single filers in tax year 2020 and between
19 \$30 and \$90 for single filers in tax year 2021, depending on the taxpayer’s income.
20 Joint filers would receive twice these amounts.