

**Initiative #117
State Spending**

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

- 2 ♦ allow the state to keep and spend all revenue it collects through
3 June 30, 2026;
- 4 ♦ raise the limit on the amount the state may keep and spend beginning
5 July 1, 2026; and
- 6 ♦ require that any money the state keeps over its existing limit be spent
7 on education, transportation projects, mental health services, and senior
8 services, rather than refunding the money to taxpayers.

9 **Summary and Analysis**

10 **State spending limit.** A state constitutional provision (TABOR) limits the amount
11 of revenue the state can spend or save each year. This amount is adjusted annually
12 for inflation and population growth. In 2005, voters approved a measure allowing the
13 state to keep and spend all revenue it collected between 2006 and 2010. Beginning in
14 2010, the same measure increased the revenue limit. Any revenue collected above
15 the current limit must be refunded to taxpayers. For example, in 2015, the state
16 collected \$169.7 million more than allowed by the limit. This amount was refunded on
17 2015 state income tax returns.

18 About 37 percent of state revenue is subject to the limit, including most taxes and
19 fees. The remaining 63 percent of state revenue is not subject to the limit and
20 includes voter-approved revenue increases, revenue collected by government-owned
21 businesses, and revenue from the federal government.

22 **State revenue limit under Proposition ?.** The measure suspends the revenue
23 limit for ten years, allowing the state to keep and spend all revenue it collects between
24 July 1, 2016, and June 30, 2026. Beginning July 1, 2026, Proposition ? limits revenue
25 based on the highest amount of
26 money the state collects in any
27 year between 2017 and 2026.
28 This new Proposition ? limit must
29 be adjusted annually for inflation
30 and population growth. After
31 2026, any revenue collected
32 above the Proposition ? limit will
33 be refunded to taxpayers.

Proposition ? does not affect annual income tax refunds. Taxpayers who pay more income tax than they owe receive an income tax refund after they file their annual tax returns. Refunds for overpayment of income taxes are unaffected by Proposition ?.

1 **Use of revenue through June 30, 2026.** For the next ten years, any state
2 revenue kept as a result of Proposition ? will be spent on the following:

- 3 • at least 35 percent must be spent on public education, including early
4 childhood, K-12, vocational schools, colleges, and universities;
- 5 • at least 35 percent must be spent on transportation projects, including
6 highways, bridges, and mass transit; and
- 7 • the remaining amount, if any, must be spent on mental health services and
8 senior services.

9 If Proposition ? does not pass, any revenue above the current limit will be refunded
10 to taxpayers.

11 **Use of revenue beginning July 1, 2026.** Proposition ? raises the limit on the
12 amount the state may keep and spend beginning July 1, 2026. Any revenue kept after
13 this date as a result of the new Proposition ? limit will be used for the purposes listed
14 above. If Proposition ? does not pass, any revenue above the current limit will be
15 refunded to taxpayers. In either case, any revenue collected above the new
16 Proposition ? limit will be refunded to taxpayers.

17 **Amount of money affected by Proposition ?.** The state is not expected to
18 collect revenue above its current limit in 2016 or 2017. For 2018, the state is expected
19 to collect \$267.7 million¹ above the limit. If this amount is refunded, each full-year
20 Colorado taxpayer will receive a refund of approximately \$80¹ on average. If this
21 amount is spent as outlined in the measure, education and transportation programs
22 are each required to receive at least \$93.7 million, and could receive more. Any
23 amount not spent on education or transportation must be spent on mental health
24 services and/or senior services.

25 For all future years, the amounts affected by the measure will depend on the
26 state's economic performance. When the state economy performs well, collection of
27 revenue over the existing limit is more likely. When the economy worsens, revenue
28 may fall below the limit.

*For information on those issue committees that support or oppose the measures on the ballot at the **November 8, 2016**, 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>

¹These numbers are based on the March 2016 Legislative Council Staff forecast and the 2016 budget package signed by the Governor. Projections will be revised to reflect expectations at the time of the Blue Book's publication.

1 **Arguments For**

2 1) One of the government's most important functions is to provide students with a
3 high-quality education. Colorado currently ranks near the bottom among states in
4 per-pupil spending on both K-12 and higher education, while it ranks near the top in
5 household income. Allowing the state to spend money it is already collecting on
6 education is a decision that demonstrates a commitment to Colorado's students and
7 the future of the state.

8 2) A state-of-the-art transportation system is vital to our state's economy and
9 quality of life. Roads and mass transit allow Coloradans to sell their products,
10 purchase goods, get to work, and travel the state. Vehicle travel on Colorado's
11 highways nearly doubled over the past 25 years, and congestion may hamper future
12 economic growth. Forty percent of Colorado's highways are in poor condition, and
13 17 percent of its bridges are failing. By investing revenue Colorado already collects in
14 transportation, Proposition ? helps our state realize its economic potential.

15 **Arguments Against**

16 1) Proposition ? is effectively a tax increase. The measure eliminates any tax
17 refunds required by the Colorado Constitution for at least ten years. Taxpayers are
18 being asked to give up potential refunds to pay for programs that can already be
19 funded in the state budget. Over the past 25 years, state government revenue has
20 significantly outpaced inflation and population growth. Any perceived shortfall in
21 education and transportation funding is the result of prioritizing state spending on
22 other areas of government. The measure assumes that tax refunds are better spent
23 by the government than by its citizens.

24 2) Even if the state keeps revenue as a result of the measure, Proposition ? does
25 not guarantee that the amounts spent on education or transportation will increase.
26 The broad spending categories outlined in the measure cover a large percentage of
27 the state budget. Revenue that the state keeps could replace current spending on
28 education or transportation, allowing increased spending for any government program.

29 **Estimate of Fiscal Impact**

30 *(Please Note: A summary of the fiscal impact will be included in this space in the*
31 *second draft of the analysis, and an official fiscal note will be prepared and placed on*
32 *the web when the final blue book is sent to voters.)*