

**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 after
5 June 30, 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 revenue limit.** A state constitutional provision (TABOR) limits the amount of
11 revenue the state can spend or save each year. This amount is adjusted annually for
12 inflation and population growth, and includes any voter-approved changes to the limit.
13 In 2005, voters approved a measure allowing the state to keep and spend all revenue
14 it collected between 2006 and 2010. Beginning in 2010, the same measure increased
15 the revenue limit. Any revenue collected above the current limit must be refunded to
16 taxpayers. For example, in 2015, the state collected \$169.7 million more than allowed
17 by the limit. This amount was refunded on 2015 state income tax returns.

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

22 **State revenue limit under Proposition ?.** The measure is a voter-approved
23 change that suspends the revenue limit for ten years, allowing the state to keep and
24 spend all revenue it collects between July 1, 2016, and June 30, 2026. Beginning
25 July 1, 2026, Proposition ? limits
26 revenue based on the highest
27 amount of money the state
28 collects in any year between
29 2017 and 2026. The
30 Proposition ? limit must be
31 adjusted annually the same way
32 the current limit is adjusted. After
33 2026, any revenue collected
34 above the Proposition ? limit will
35 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 until June 30, 2026.** For the next ten years, any state revenue
2 kept as a result of Proposition ? will be spent as follows:

- 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 by state and local governments on
6 transportation projects, including highways, bridges, and mass transit; and
- 7 • the remaining amount, if any, must be spent on mental health services and
8 senior services.

9 Legislative staff is required to publish a report detailing how the money is spent
10 every year.

11 **Use of revenue after June 30, 2026.** Proposition ? raises the limit on the amount
12 the state may keep and spend beginning July 1, 2026. Any revenue the state keeps
13 after this date as a result of the new Proposition ? limit will be used for the purposes
14 listed above, and any revenue collected above the Proposition ? limit will be refunded
15 to taxpayers.

16 **Amount of money affected by Proposition ?.** The state is not expected to
17 collect revenue above its current limit in 2016 or 2017. For 2018, the state is
18 projected to collect \$162.6 million above the limit. If this amount is refunded, each
19 full-year Colorado taxpayer will receive a TABOR refund ranging from \$31 to
20 \$92, depending on the taxpayer's income. If this amount is spent as outlined in the
21 measure, education programs and transportation projects are each required to receive
22 at least \$56.9 million, and could receive more. Any amount not spent on education or
23 transportation must be spent on mental health services and/or senior services.

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

28 **Arguments For**

29 1) One of the government's most important functions is to provide students with a
30 high-quality education. While Colorado currently ranks near the top among states in
31 household income, it ranks near the bottom in per-pupil spending on both K-12 and
32 higher education. Underfunding education has contributed to school closures,

1 educator layoffs, increased class sizes, and cuts to programs that are important to
2 students and families. Proposition ? provides a critical investment in education using
3 money the state already collects, demonstrating a commitment to Colorado's students
4 and the state's future.

5 2) An efficient and effective transportation system is vital to the state's economy
6 and quality of life. Roads and mass transit allow Coloradans to sell their products,
7 purchase goods, get to work, and travel the state. Vehicle travel on Colorado's
8 highways nearly doubled over the past 25 years, while highway miles have increased
9 by just 2 percent. Forty percent of Colorado's highways are in poor condition, and
10 17 percent of its bridges are failing. Proposition ? invests in transportation without
11 raising tax rates.

12 **Arguments Against**

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

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

27 **Estimate of Fiscal Impact**

28 **State government revenue and spending.** Proposition ? will increase the
29 amount of revenue that the state may keep and spend. The measure is expected to
30 increase state spending by \$162.6 million beginning in budget year 2017-18. All
31 revenue retained under the measure must be spent for public education,
32 transportation, mental health services, and senior services.

1 Any amount spent on transportation is distributed between state and local
2 governments as follows:

- 3 • 60 percent to the Colorado Department of Transportation (CDOT);
- 4 • 22 percent to counties; and
- 5 • 18 percent to cities and towns.

6 After budget year 2017-18, the amount of revenue affected by Proposition ? will
7 depend on the state's economic performance and is not estimated at this time.

8 **Impact on taxpayers.** Proposition ? will eliminate any TABOR refunds to
9 taxpayers through budget year 2025-26. Because Proposition ? increases the
10 revenue limit in budget year 2026-27 and each year thereafter, the amounts refunded
11 in these years will decrease.