



**REPORT OF  
THE  
STATE AUDITOR**

**SCHEDULE OF COMPUTATIONS REQUIRED  
UNDER ARTICLE X, SECTION 20, OF THE  
STATE CONSTITUTION (TABOR)**

**DECEMBER 2003**

**LEGISLATIVE AUDIT COMMITTEE  
2004 MEMBERS**

*Representative Tambor Williams*  
**Chairman**

*Representative Val Vigil*  
**Vice-Chairman**

*Senator Norma Anderson*  
*Representative Fran Coleman*  
*Representative Pamela Rhodes*  
*Senator Stephanie Takis*  
*Senator Jack Taylor*  
*Senator Ron Tupa*

**Office of the State Auditor Staff**

*Joanne Hill*  
**State Auditor**

*Sally Symanski*  
**Deputy State Auditor**

*Debra Burgess*  
*Jackie Alton*  
**Legislative Auditors**



## STATE OF COLORADO

JOANNE HILL, CPA  
State Auditor

**OFFICE OF THE STATE AUDITOR**  
303.869.2800  
FAX 303.869.3060

Legislative Services Building  
200 East 14th Avenue  
Denver, Colorado 80203-2211

December 17, 2003

Members of the Legislative Audit Committee:

This report contains the results of the financial audit of the *Schedule of Computations Required Under Article X, Section 20, of the State Constitution (TABOR)*, as of June 30, 2003, dated December 17, 2003, and the *Schedule of TABOR Revenue*, as of June 30, 2003 and 2002, dated October 9, 2003. The audit was conducted pursuant to Section 24-77-106.5, C.R.S., which requires the State Auditor to examine the *Schedule of Computations Required Under Article X, Section 20, of the State Constitution (TABOR)*.

---

## TABLE OF CONTENTS

---

	<b>PAGE</b>
<b>REPORT SUMMARY .....</b>	<b>1</b>
<b>TABOR Revenue .....</b>	<b>3</b>
<b>AUDITOR'S REPORT AND SCHEDULE OF COMPUTATIONS REQUIRED UNDER ARTICLE X, SECTION 20, OF THE STATE CONSTITUTION (TABOR)</b>	
<b>Independent Auditor's Report .....</b>	<b>13</b>
<b>Schedule of Computations Required Under Article X, Section 20 Report .....</b>	<b>15</b>
<b>Notes to the TABOR Report .....</b>	<b>17</b>
<b>AUDITOR'S REPORT AND SCHEDULE OF TABOR REVENUE</b>	
<b>Independent Auditor's Report .....</b>	<b>23</b>
<b>Schedule of TABOR Revenue .....</b>	<b>25</b>
<b>APPENDICES</b>	
<b>Appendix A - Description of Revenue Categories .....</b>	<b>27</b>
<b>Appendix B - Description of Refunding Mechanisms .....</b>	<b>31</b>



## STATE OF COLORADO

JOANNE HILL, CPA  
State Auditor

OFFICE OF THE STATE AUDITOR  
303.869.2800  
FAX 303.869.3060

Legislative Services Building  
200 East 14th Avenue  
Denver, Colorado 80203-2211

### **SCHEDULE OF COMPUTATIONS REQUIRED UNDER ARTICLE X, SECTION 20, OF THE STATE CONSTITUTION (TABOR)**

#### **Authority, Purpose, and Scope**

The audit of TABOR revenue was conducted under the authority of Section 24-77-106.5, C.R.S., which requires the Office of the State Auditor to examine the *Schedule of Computations Required Under Article X, Section 20, of the State Constitution (TABOR)* and the *Schedule of TABOR Revenue*. We conducted this audit in accordance with generally accepted auditing standards. We performed our audit work during the period August 2003 through December 2003.

The purpose and scope of this audit was to:

- Express an opinion on the *Schedule of Computations Required Under Article X, Section 20, of the State Constitution (TABOR)*, as of June 30, 2003.
- Express an opinion on the *Schedule of TABOR Revenue*, as of June 30, 2003 and 2002.
- Evaluate compliance with applicable state laws, rules, and regulations.

We noted no instances of noncompliance for the fiscal years ended June 30, 2003 and 2002.

*For further information on this report, contact the Office of the State Auditor at 303.869.2800.*

---

# TABOR Revenue

---

## Description and Background

The Taxpayer's Bill of Rights (TABOR) was added as Article X, Section 20, of the Colorado Constitution in the November 1992 general election. TABOR limits increases in the State's revenue to the annual inflation rate plus the percentage change in the State's population. The State Controller annually prepares a *Schedule of TABOR Revenue* and a *Schedule of Computations Required Under Article X, Section 20 of the State Constitution (TABOR)*. These reports are audited as part of the annual financial audit.

## Prior Year Refunds

Fiscal Year 2003 is the second consecutive year that state revenue did not exceed the TABOR revenue limit since the fiscal year ended June 30, 1997. In Fiscal Year 2003 actual revenue was less than the TABOR revenue limit by about \$584.1 million. According to estimates by the Office of State Planning and Budgeting and Legislative Council, the State will not have surplus TABOR revenue in Fiscal Year 2004.

For Fiscal Years 1997 through 2001, there was a cumulative excess revenue of about \$3.4 billion that was refunded to taxpayers. With regard to excess revenue, Article X, Section 20 (7) (d) of the State's Constitution states that "if revenue from sources not excluded from fiscal year spending exceeds these limits in dollars for that fiscal year, the excess shall be refunded in the next fiscal year unless voters approve a revenue change as an offset." The State is not limited to refunding solely from general funds or ratably from those revenue sources in excess of the limit. Article X, Section 20 (1) says that "...districts may use any reasonable method for refunds under this section, including temporary tax credits or rate reductions. Refunds need not be proportional when prior payments are impractical to identify or return."

The excess revenue has been refunded in a variety of ways since the revenue surpluses first began in 1997. In both 1997 and 1998 the General Assembly decided to distribute the entire excess as a sales tax credit on each full-year resident's individual income tax return. In 1999 the excess of \$679.6 million was refunded through three mechanisms. In 2000 the excess of \$941.1 million was refunded through nine mechanisms.

In Fiscal Year 2001 there was an excess of \$927.2 million that was refunded through 15 credits. Through 2003, \$971.8 million has been refunded related to the 2001 excess. Refunds for 2001 exceeded the liability by \$44.6 million. The refunds exceeding the liability will lower revenue in the year in which they are paid. Appendix B provides a more detailed description of each refunding mechanism.

<b>Fiscal Year 2001 Refund Distribution Per Statute (Through June 30, 2003)</b>		
<b>Description</b>	<b>Statute Citation</b>	<b>Fiscal Year 2001 Refunds (Millions)</b>
Sales Tax Refund	Section 39-22-2003, C.R.S.	\$576.7
Other Credits:		
Business Personal Property Tax Credit	Section 39-22-124, C.R.S.	\$99.8
Colorado Capital Gains Modification and Expansion	Section 39-22-518, C.R.S.	78.0
Interest, Dividends, and Capital Gains to \$1,200/\$2,400	Section 39-22-104, C.R.S.	44.2
Motor Vehicle Registration Fees	Section 24-75-216, C.R.S.	34.0
Earned Income Credit	Section 39-22-123, C.R.S.	32.8
Child Care Credits	Section 39-22-119, C.R.S.	25.4
Interstate Commerce Sales and Use Tax Exemption	Section 39-26-106, C.R.S.	5.1
Income Tax Deduction for Charity	Section 39-22-104, C.R.S.	2.9
Income Tax Credit for the Cost of Health Benefits	Section 39-22-125, C.R.S.	2.4
Agriculture Value-Added Development	Section 39-22-527, C.R.S.	.5
Rural Health Care Providers	Section 39-22-126, C.R.S.	.2
Income Tax Credit for Foster Parents	Section 39-22-127, C.R.S.	.2
Individual Development Accounts <sup>1</sup>	Section 39-22-524, C.R.S.	-
High Technology Scholarships <sup>2</sup>	Section 39-22-523, C.R.S.	-
Subtotal Other Credits		\$325.5
Application of Fiscal Year 2000 Excess Refunds	Section 24-77-103.7, C.R.S.	\$69.6
<b>TOTAL REFUNDED</b>		<b>\$971.8</b>
<b>TOTAL AMOUNT TO BE REFUNDED</b>		<b>\$927.2</b>
<b>Excess of Refunds Over Liability</b>		<b>\$44.6</b>
<b>Source:</b> Department of Revenue information.		
<sup>1</sup> Amount is \$13,136.		
<sup>2</sup> Amount is \$3,336.		

## Revenue Reductions

Several revenue reductions were enacted during the 1999, 2000, and 2001 legislative sessions that will lower future TABOR revenue. Legislative Council estimated about a \$435.5 million revenue reduction in Fiscal Year 2003 due to these permanent tax cuts. The most significant reduction was in income taxes for individuals, estates, and trusts. The rate was reduced to 4.75 percent from 5 percent effective January 1, 1999, and was further reduced to 4.63 percent on January 1, 2000. The sales tax rate was reduced to 2.9 percent from 3 percent effective January 1, 2001. There are a variety of other permanent tax reductions that include low-income housing owner credits, redevelopment incentives for contaminated property, prepaid tuition tax exclusions, bingo equipment exclusions, sales and use tax exemptions for certain agricultural items, unemployment insurance tax credits, and oil and gas severance tax exemptions. There were no permanent tax cuts enacted during the 2003 legislative session. In addition, for those years when TABOR revenue exceeds the limit, taxpayers can receive a full or partial refund for a conservation easement instead of being required to carry forward an unused tax credit, and taxpayers can also receive a refund for certain child care costs.

Further, voters approved changes that affect TABOR. The table on the following page shows the voter approved changes that were enacted during Fiscal Year 2001 and the related Fiscal Year 2003 revenue:

<b>Impact of Voter Approved Revenue Changes</b>		
<b>Constitutional Amendment</b>	<b>Requirement</b>	<b>Fiscal Year 2003 Revenue</b>
Amendment 23 (effective December 28, 2000)	Created the State Education Fund and directs that a tax of 1/3 of 1 percent of federal taxable income is credited to the fund as follows: <ul style="list-style-type: none"> <li>• Individual income taxes of \$3.1 billion reduced by \$177.0 million;</li> <li>• Corporate income taxes of \$225.1 million reduced by \$10.8 million;</li> <li>• Fiduciary income taxes of \$12.7 million reduced by \$0.6 million.</li> </ul>	\$188,400,000
Amendment 14 (effective December 30, 1998)	Assessed a new fee on housed commercial swine feeding operations and exempts it from TABOR.	\$145,803
Amendment 20 (effective June 1, 1999)	Assessed a new application fee to obtain a Medicinal Marijuana identification card and exempts it from TABOR.	\$33,937
<b>Source:</b> State Controller's Office and Department of Revenue information.		

## Revenue Limits

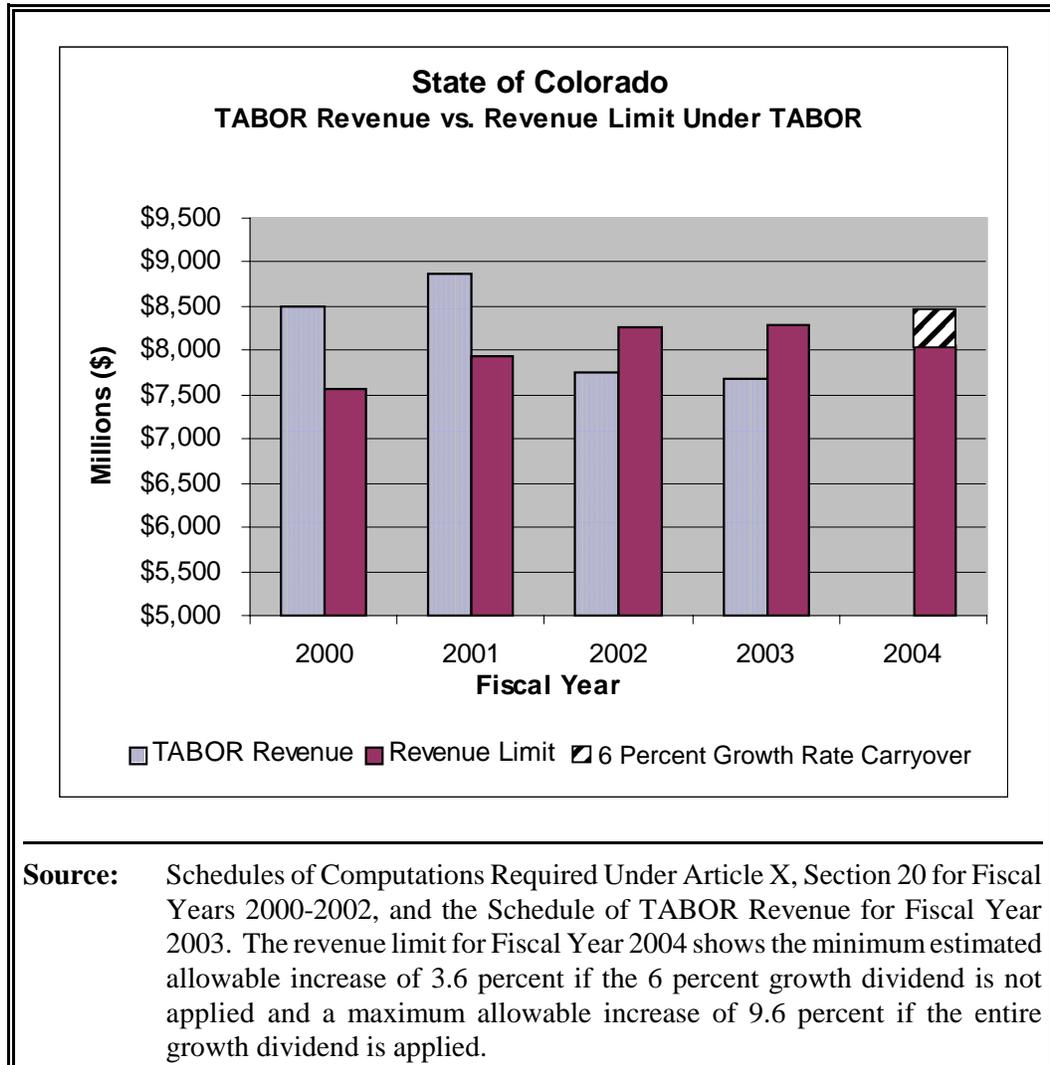
We reviewed the State Controller's computation of the TABOR revenue limit. The State Controller's Office reported the TABOR limit as \$8,296,786,375 and revenues as \$7,712,511,678. We found for Fiscal Year 2003, the audited TABOR limit was \$8,298,992,193, and the revenue was \$7,714,639,353. This is a \$2,205,818 increase in the TABOR limit and a \$2,127,675 increase in the revenue reported by the State Controller's Office. The difference in the revenue is due to interest revenue of \$1,919,339 erroneously recorded as exempt by the State Historical Society and revenue of \$208,336 earned but not recorded at the Department of Personnel and the Department of Revenue. During our testwork we also found adjustments that increased revenue by a net amount of about \$32.2 million; these adjustments were posted by the State Controller's Office and are reflected in the TABOR revenue for Fiscal Year 2003 reported by the State Controller. The increase in the TABOR limit reflects the increase in the revenue identified during our audit adjusted for inflation and population growth as required under TABOR.

Article X, Section 20 (7) (a) of the State's Constitution requires that the change in population growth, in conjunction with inflation, be used to determine the change in fiscal year spending. This section of the Constitution states that "population shall be determined by annual federal census estimates and such number shall be adjusted every decade to match the federal census." Based on the 2000 census, it was determined that the federal government underestimated Colorado's population during the 1990s. Because of this, the State refunded more money to taxpayers than would have been had the population estimates more accurately reflected population growth in Colorado.

During the 2002 legislative session, the General Assembly enacted legislation to recoup revenue lost to the State due to underestimates of population growth in prior years. Section 24-77-103 (2) (b) (II.5) (A), C.R.S., allows the percentage change used in calculating the TABOR growth rate to be reduced in years where actual revenue is less than the limitation on state fiscal year spending. In Fiscal Year 2002 the population growth rate of 6 percent was not used to calculate the TABOR growth rate due to actual revenue being less than the limit. Under statutes, the unused 6 percent can be carried forward for up to nine years. This allows the State to raise the TABOR limit in future years and retain future excess TABOR revenue up to the amount of the 6 percent.

In Fiscal Year 2003 the TABOR allowable growth rate was 6.9 percent, of which 2.2 percent is attributable to population growth reported by the U.S. Census Bureau and 4.7 percent is due to inflation as reported by the U.S. Bureau of Labor Statistics Consumer Price Index for Denver-Boulder. None of the unused 6 percent was applied. The graph on the following page compares the revenue limit computed each year to the TABOR revenue from Fiscal Year 2000 to Fiscal Year 2003, with an estimate of the Fiscal Year 2004 limit. The preliminary Fiscal Year 2004 revenue limit is included to highlight the fact that Fiscal Year 2003 revenue does not exceed the Fiscal Year 2004 limit.

The Office of State Planning and Budgeting estimated that the minimum TABOR growth rate was 3.6 percent for Fiscal Year 2004. If the entire growth dividend of 6 percent is applied, the maximum allowable TABOR growth rate would be 9.6 percent.



## Sources of TABOR Revenue

There are two types of revenue subject to the growth limitations set forth in TABOR—general funds and cash funds. General funds primarily include revenue from the general taxing authority of the State, such as individual and corporate income taxes. Cash funds generally include revenue from fees and other sources that are to be used for specific programs, such as education service fees and fuel/transportation taxes. In general, cash fund decreases come from two sources—either a change in the rate charged or a decrease in the usage of services. General funds decreased at a rate of 1.8 percent in Fiscal Year 2003 as compared with a 15.1 percent decrease in Fiscal

Year 2002, while cash funds increased at a rate of 2.3 percent in Fiscal Year 2003 as compared with a decrease of 5.7 percent for Fiscal Year 2002.

The following tables show the major sources of revenue in Fiscal Year 2003, with comparative figures for 2002 and 2001 separated by general-funded and cash-funded revenue. For those revenue sources used for both general- and cash-funded purposes, addition of amounts in the charts below is required to arrive at the totals of the individual revenue categories shown in the Schedule of TABOR Revenue on page 25.

**State of Colorado**  
**Sources of TABOR Revenue**  
**General-Funded Revenue**

	<b>Fiscal Year 2003</b>	<b>Fiscal Year 2002</b>	<b>2002 to 2003 % Change</b>	<b>Fiscal Year 2001</b>	<b>2001 to 2002 % Change</b>
<b>GENERAL-FUNDED REVENUE:</b>					
Individual Income Tax, Net	<sup>1</sup> \$ 2,932,538,532	\$ 3,071,852,841	-4.5%	\$ 3,835,338,129	-19.9%
Sales and Use Tax, Net	1,819,884,315	1,867,638,218	-2.6%	1,906,304,735	-2.0%
Corporate Income Tax, Net	<sup>2</sup> 214,306,883	164,661,376	30.2%	319,037,240	-48.4%
Insurance Taxes	171,273,668	154,588,623	10.8%	141,992,774	8.9%
Tobacco Products Tax, Net	64,711,879	65,550,423	-1.3%	67,987,018	-3.6%
Estate and Inheritance Tax	53,382,543	72,517,741	-26.4%	82,563,486	-12.2%
Interest and Investment Income	51,540,952	25,267,405	104.0%	44,986,292	-43.8%
Alcoholic Beverages Tax, Net	29,724,696	29,497,434	0.8%	29,297,194	0.7%
Court and Other Fines	27,037,745	25,857,347	4.6%	25,260,230	2.4%
Disproportionate Share Providers	15,593,540	11,171,358	39.6%	-	100.0%
Employment Taxes	14,567,909	-	100.0%	-	-
Fiduciary Income Tax, Net	<sup>3</sup> 12,105,030	13,815,708	-12.4%	31,594,182	-56.3%
Gaming and Other Taxes	5,003,982	6,221,565	-19.6%	6,706,402	-7.2%
Business Licenses and Permits	4,604,987	6,230,863	-26.1%	4,407,311	41.4%
Other General-Funded Revenue	4,177,696	4,978,885	-16.1%	5,355,966	-7.0%
<b>TOTAL GENERAL-FUNDED REVENUE</b>	<b>\$ 5,420,454,357</b>	<b>\$ 5,519,849,787</b>	<b>-1.8%</b>	<b>\$ 6,500,830,959</b>	<b>-15.1%</b>

**Source:** Office of the State Auditor analysis of the State Controller's Office data. This schedule does not include the adjustments as noted in the Independent Auditor's Report.

<sup>1</sup>The amount of Individual Income Tax for Fiscal Year 2003 was reduced by Amendment 23 transfers of \$177,012,000 from the amount shown on the Schedule of TABOR Revenue.

<sup>2</sup>The amount of Corporate Income Tax for Fiscal Year 2003 was reduced by Amendment 23 transfers of \$10,794,000 from the amount shown on the Schedule of TABOR Revenue.

<sup>3</sup>The amount of Fiduciary Income Tax for Fiscal Year 2003 was reduced by Amendment 23 transfers of \$594,000 from the amount shown on the Schedule of TABOR Revenue.

## Cash-Funded Revenue

	<u>Fiscal Year 2003</u>	<u>Fiscal Year 2002</u>	<u>2002 to 2003 % Change</u>	<u>Fiscal Year 2001</u>	<u>2001 to 2002 % Change</u>
<b>CASH-FUNDED REVENUE:</b>					
Education Tuition and Fees	\$ 742,346,344	\$ 646,161,262	14.9%	\$ 579,993,648	11.4%
Scholarship Allowances	(147,324,387)	(128,789,733)	-14.4%	-	-100.0%
Fuel and Transportation Taxes, Net	544,319,913	546,484,337	-0.4%	529,229,326	3.3%
Employment Taxes	206,516,253	170,292,023	21.3%	170,438,241	-0.1%
Motor Vehicle Licenses	151,048,546	151,414,842	-0.2%	148,724,924	1.8%
Interest and Investment Income	126,826,968	176,628,881	-28.2%	212,504,202	-16.9%
Gaming and Other Taxes	98,480,878	96,803,744	1.7%	90,033,599	7.5%
Business Licenses and Permits	76,546,747	64,448,613	18.8%	69,072,545	-6.7%
Court and Other Fines	59,365,984	55,725,587	6.5%	56,176,042	-0.8%
Insurance Taxes	55,659,719	55,083,246	1.0%	43,223,254	27.4%
Nonbusiness Licenses and Permits	52,392,415	53,347,068	-1.8%	54,530,534	-2.2%
Health Service Fees	36,153,286	22,241,347	62.5%	31,046,138	-28.4%
Local Governments and Authorities	35,259,754	39,216,761	-10.1%	32,242,950	21.6%
Unclaimed Money, Net	33,838,740	12,372,110	173.5%	16,718,931	-26.0%
General Government Service Fees	28,129,731	27,680,072	1.6%	20,800,121	33.1%
Other Charges for Services	26,606,368	34,560,735	-23.0%	44,001,632	-21.5%
Severance Tax	26,218,572	50,550,128	-48.1%	68,890,858	-26.6%
Rents	25,330,294	28,209,372	-10.2%	26,348,947	7.1%
Higher Education Auxiliary					
Sales and Services	22,862,230	31,508,030	-27.4%	31,284,545	0.7%
Driver's Licenses	21,058,598	21,444,506	-1.8%	20,070,114	6.8%
Certifications and Inspections	16,957,793	17,906,253	-5.3%	16,285,779	10.0%
Sales and Use Tax, Net	10,828,189	9,844,878	10.0%	11,900,123	-17.3%
Sales of Products	2,902,874	14,406,282	-79.8%	17,259,479	-16.5%
Hunting and Fishing Licenses	-	-	-	53,472,420	-100.0%
Other Cash-Funded Revenue	39,731,512	43,104,922	-7.8%	30,671,652	40.5%
<b>TOTAL CASH-FUNDED REVENUE</b>	<u>\$ 2,292,057,321</u>	<u>\$ 2,240,645,266</u>	<u>2.3%</u>	<u>\$ 2,374,920,004</u>	<u>-5.7%</u>
<b>TOTAL TABOR REVENUE</b>	<u>\$ 7,712,511,678</u>	<u>\$ 7,760,495,053</u>	<u>-0.6%</u>	<u>\$ 8,875,750,963</u>	<u>-12.6%</u>

**Source:** Office of the State Auditor analysis of the State Controller's Office data. This schedule does not include the adjustments as noted in the Independent Auditor's Report.



## STATE OF COLORADO

JOANNE HILL, CPA  
State Auditor

OFFICE OF THE STATE AUDITOR  
303.869.2800  
FAX 303.869.3060

Legislative Services Building  
200 East 14th Avenue  
Denver, Colorado 80203-2211

December 17, 2003

### **Independent Auditor's Report**

Members of the Legislative Audit Committee:

We have audited, in accordance with auditing standards generally accepted in the United States of America, the financial statements of the State of Colorado for the year ended June 30, 2003, and have issued our report thereon dated November 26, 2003. We have also audited the accompanying *Schedule of Computations Required Under Article X, Section 20, of the State Constitution (TABOR)*, as of June 30, 2003. This schedule is the responsibility of the State Controller's Office. Our responsibility is to express an opinion on this schedule based on our audit.

We conducted our audit of the schedule in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the *Schedule of Computations Required Under Article X, Section 20, of the State Constitution (TABOR)* is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the schedule. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall schedule presentation. We believe that our audit provides a reasonable basis for our opinion.

Our auditing procedures also included reconciling amounts contained in this report to the State's Comprehensive Annual Financial Report for the year ended June 30, 2003, and testing for irreconcilable conflicts between the State's financial statements and the provisions of TABOR. Additional procedures consisted of evaluating the State of Colorado's compliance with constitutional and statutory provisions of TABOR. Our audit does not provide a legal determination of the State's compliance with specified requirements.

The accompanying *Schedule of Computations Required Under Article X, Section 20, of the State Constitution (TABOR)* was prepared by the State Controller's Office pursuant to Section 24-77-106.5, C.R.S., which requires a financial report ascertaining compliance with state fiscal policies relating to Article X, Section 20, of the State Constitution (TABOR). Article 77 further requires a financial report to be prepared in conformity with generally accepted accounting principles unless an irreconcilable conflict exists between generally accepted accounting principles and TABOR, in which case the provisions of said constitutional provision shall control.

In our opinion, the *Schedule of Computations Required Under Article X, Section 20, of the State Constitution (TABOR)* referred to above presents fairly, in all material respects, the revenue, expenditures, changes in reserves, and spending limitation as determined under Article X, Section 20, of the State Constitution for the year ended June 30, 2003, in conformity with accounting principles generally accepted in the United States of America.

The *Schedule of Computations Required Under Article X, Section 20, of the State Constitution (TABOR)*, as of June 30, 2003, does not include audit adjustments to Fiscal Year 2002 TABOR revenue of \$2,063,440 that would have increased the TABOR spending limit for Fiscal Year 2003 by \$2,205,818 or audit adjustments that would have increased Fiscal Year 2003 TABOR revenue by \$2,127,675. The adjustments to TABOR revenue include an increase to Fiscal Year 2003 TABOR revenue of \$208,336 reported in our opinion dated October 9, 2003, on the *Schedule of TABOR Revenue* for the fiscal year ended June 30, 2003, and additional adjustments totaling \$1,919,339 for Fiscal Year 2003 and \$2,063,440 for Fiscal Year 2002 TABOR revenue that came to our attention subsequent to the issuance of that report. If these adjustments had been included in the *Schedule of Computations Required Under Article X, Section 20, of the State Constitution*, the TABOR spending limit for Fiscal Year 2003 would have been increased to \$8,298,992,193 from \$8,296,786,375; Fiscal Year 2003 TABOR revenue would have been increased to \$7,714,639,353 from \$7,712,511,678; and the amount under the adjusted Fiscal Year spending limit for Fiscal Year 2003 would have been increased to \$584,352,840 from \$584,274,697.

STATE OF COLORADO  
SCHEDULE OF COMPUTATIONS REQUIRED  
UNDER ARTICLE X, SECTION 20  
AS OF JUNE 2003

	FISCAL YEAR 2001-02	FISCAL YEAR 2002-03
<b>COMPUTATION OF NON-EXEMPT REVENUES</b>		
Total State Expenditures	\$ 20,853,663,720	\$ 21,636,295,013
Less Exempt Enterprises Expenses:		
Higher Education Enterprises	746,097,768	685,445,127
State Lottery	413,485,426	398,021,540
Student Loan Program	73,451,528	79,871,353
Wildlife Division	78,244,457	86,052,919
Correctional Industries (Note 6)	35,701,252	41,971,225
Student Obligation Bond Authority	50,631,476	84,998,298
Clean Screen Authority (Note 7)	-	32,535
State Nursing Homes (Note 8)	23,833,086	1,806,180
Subtotal Enterprise Expenses	<u>1,421,444,993</u>	<u>1,378,199,177</u>
Total District Expenditures	<u>19,432,218,727</u>	<u>20,258,095,836</u>
Less Exempt District Revenues:		
Interfund Transfers	5,855,484,177	5,427,904,274
Federal Funds	4,053,165,999	4,483,306,694
Gifts	363,633,277	391,225,264
Property Sales	23,738,774	6,004,867
Damage Awards	107,944,168	108,706,608
Exempt Investment Income	166,044,819	268,192,830
Other Sources and Additions (Note 9)	843,594,919	1,128,625,581
Voter Approved Revenue Changes (Note 10)	289,373,710	245,405,784
Subtotal Exempt District Revenues	<u>11,702,979,843</u>	<u>12,059,371,902</u>
Non-Exempt District Expenditures	7,729,238,884	8,198,723,934
District Reserve/Fund Balance Increase (Decrease)	22,972,338	(486,212,256)
Excess TABOR Revenues	-	-
Total Non-Exempt District Revenues	<u><u>7,752,211,222</u></u>	<u><u>7,712,511,678</u></u>
<b>COMPUTATION OF FUND BALANCE CHANGES</b>		
Beginning District Fund Balance	\$ 9,384,162,647	\$ 7,960,848,706
Prior Period District Fund Balance Adjustments (Note 11)	(1,390,536,271)	433,902
(Qualification)/Disqualification of Enterprises (Note 11)	(55,750,008)	1,753,744
District Reserve/Fund Balance Increase (Decrease)	22,972,338	(486,212,256)
Ending District Fund Balance	<u><u>\$ 7,960,848,706</u></u>	<u><u>\$ 7,476,824,096</u></u>
<b>COMPUTATION OF SPENDING LIMITATION</b>		
<b>FY 2001-02 Fiscal Year Spending Limitation</b>	\$ 7,752,211,222	
Fiscal Years 2001-02 Adjustments (Note 12)	(2,292,298)	
Qualification of Enterprises (Note 13)	(10,572,979)	
<b>FY 2001-02 Adjusted Fiscal Year Spending Limitation</b>	<u><u>\$ 7,739,345,945</u></u>	
Allowable TABOR Growth Rate (Note 14)		6.9%
<b>FY 2002-03 Unadjusted Fiscal Year Spending Limit</b>		8,273,360,815
Disqualification of Enterprises (Note 8)		23,425,560
<b>FY 2002-03 Adjusted Fiscal Year Spending Limit</b>		8,296,786,375
Less Fiscal Year 2002-03 Non-Exempt District Revenues		<u>(7,712,511,678)</u>
<b>Amount (Over)Under Adjusted Fiscal Year Spending Limit</b>		<u><u>\$ 584,274,697</u></u>

## NOTES TO THE TABOR REPORT

### NOTE 1. BASIS OF ACCOUNTING

Pursuant to Article 77 of Title 24, Colorado Revised Statutes, this report is prepared in accordance with generally accepted accounting principles (GAAP) except where an irreconcilable difference exists between GAAP, and state statute or the provisions of Section 20, Article X of the state constitution (TABOR).

The accounting principles used by the state are more fully described in the state's Comprehensive Annual Financial Report available from the State Controller's Office.

### NOTE 2. DEFINITION OF THE DISTRICT

TABOR defines the district as "the state or any local government, excluding enterprises." It further defines enterprise as "a government-owned business authorized to issue its own revenue bonds and receiving under 10 percent of annual revenue in grants from all Colorado state and local governments combined."

The General Assembly, for the purpose of implementing TABOR, stated in C.R.S. 24-77-102(16)(a) that "state" means the central civil government of the State of Colorado, which consists of the following:

- (I) the legislative, executive, and judicial branches of government established by Article III of the state constitution;
- (II) all organs of the branches of government specified in subparagraph (I) of paragraph (a) of this subsection (16), including the departments of the executive branch; the legislative houses and agencies; and the appellate and trial courts and court personnel; and
- (III) state institutions of higher education.

(b) "state" does not include:

- (I) any enterprise;
- (II) any special purpose authority.

The General Assembly has designated the State Lottery, the Guaranteed Student Loan Program, the Division of Correctional Industries, the Division of Wildlife, the State Fair Authority, Colorado Student Obligation Bond Authority, the Clean Screen Authority, the Statewide Tolling Authority, and the State Nursing Homes as enterprises excluded from the district. It further set up a mechanism in statute by which the governing boards of the institutions of higher education could designate certain auxiliary operations as enterprises, also exempt from TABOR.

Although the General Assembly has designated certain enterprises as exempt from TABOR, they must also meet certain criteria annually. The State Fair Authority did not meet those criteria in the previous and current fiscal year. The State Nursing Homes with the exception of the State Nursing at Walsenburg did not meet those criteria in the current year.

### NOTE 3. DEBT

Certificates of Participation, which are used by the state for long-term lease purchases, are not considered debt of the state for purposes of this report as provided by C.R.S. 24-30-202(5.5).

In interrogatories submitted by the General Assembly regarding House Bill 99-1325, the Colorado Supreme Court ruled that Revenue Anticipation Notes (RANS) issued by the Colorado Department of Transportation do not constitute debt of the state as defined in Section 3, Article XI of the constitution.

However, the Supreme Court ruled that they are a multiple-fiscal year obligation as defined by Section 20, Article X of the constitution, thus requiring an election before they could be issued. In November 1999 the voters approved the issuance of \$1.7 billion of Transportation RANS.

#### **NOTE 4. EMERGENCY RESERVES**

TABOR requires the reservation, for declared emergencies, of 3 percent or more of the Fiscal Year Spending, excluding debt service payments. This requirement for FY 2002-03 is \$231,375,350.

The state has designated \$51,456,993 of the Tobacco Litigation Settlement Fund, \$14,052,212 of the Employment Support Fund, \$32,880,638 of the Wildlife Cash Fund, and \$84,747,395 of the Severance Tax Trust Fund for this reserve.

The remaining amount of \$48,238,112 needed to meet the emergency reserve requirement comes from \$137.8 million of Capital Assets, Net of Related Debt, in the Wildlife Fund. In the event of an emergency that exceeded the financial assets in the reserve, these capital assets would have to be liquidated to satisfy the constitutional requirement.

#### **NOTE 5. STATUS OF REFUNDING**

There was no refund resulting from the state's computation of Fiscal Year 2002-03 or Fiscal Year 2001-02 fiscal year spending.

A class action suit has been brought against the state seeking damages equal to the cumulative sales tax refund. The state was required to refund \$3.25 billion since Fiscal Year 1996-97. The suit alleges that the refund program violates interstate commerce, equal protection and privileges, and immunity

clauses of the U.S. Constitution. It also alleges that the TABOR amendment, under which the refund was made, violates the equal protection and due process clauses of the Colorado Constitution.

#### **NOTE 6. CORRECTIONAL INDUSTRIES**

The General Assembly in the 2002 Legislative Session moved the Canteen Fund in the Department of Corrections to Correctional Industries, a TABOR exempt enterprise. The effect of this move was to make the Canteen Fund, formerly a fund in the district, into a qualified TABOR enterprise (see Note 13).

#### **NOTE 7. CLEAN SCREEN AUTHORITY**

The General Assembly in the 2002 Legislative Session created the Clean Screen Authority in the Department of Revenue. The purpose of this TABOR exempt enterprise is to provide remote sensing of vehicle exhaust emissions in order to comply with clean air requirements.

#### **NOTE 8. STATE NURSING HOMES DISQUALIFICATION**

In Fiscal Year 2002-03 the State Nursing Homes, with the exception of the State Nursing Home at Walsenburg, were disqualified as a group because of a substantial capital contribution by the state to the Fitzsimmons State Nursing Home. The addition of the Fiscal Year 2002-03 non-exempt revenues of the Nursing Homes to the district revenues increased the allowable spending limit by \$23,425,560.

The State Nursing Home at Walsenburg is operated by the Huerfano County Hospital and not the state, thus certain revenues passed

through the State to this home were not included in the disqualification.

**NOTE 9. OTHER SOURCES AND ADDITIONS**

This line item consists primarily of \$442.5 million of refunding bond proceeds for highway construction, \$614.4 million of investment and pension trust fund additions by participants, and \$22.6 million of reimbursements of prior year expenditures.

Other sources include \$12.2 million in capital lease financing, \$7.1 million from the Great Outdoors Colorado Authority to the Department of Natural Resources, \$7.1 million in accounts payable reversions and \$22.7 million in other exempt revenues and required governmental accounting entries.

**NOTE 10. VOTER APPROVED REVENUE CHANGES**

The voters in the 1998 general election approved an initiated law, C.R.S. 25-8-501.1, Regulation of Commercial Hog Facilities, adopting the permit fee. The state collected \$145,803 and \$233,495 from this revenue in Fiscal Years 2002-03, and 2001-02, respectively.

The voters in the 2000 general election approved an amendment that added Section 14 to Article XVIII of the state constitution. This amendment allowed the use of marijuana for medical purposes and authorized the Department of Public Health and Environment to charge a fee for the issuance of a permit for such purpose. The state collected \$33,937 and \$27,889 from this revenue in Fiscal Years 2002-03 and 2001-02, respectively

The voters in the 2000 general election approved an amendment that added Section 17 to Article IX of the state constitution. This amendment created the State Education Fund

and shifted the revenues from a tax of one-third of one percent on taxable income of individuals, corporations, estates, and trusts to this fund. It also exempted that revenue from TABOR.

The amendment was effective January 1, 2001 and resulted in \$245,226,044 and \$289,112,326 of revenues being excluded from Fiscal Year Spending in Fiscal Years 2002-03 and 2001-02, respectively.

**NOTE 11. DISTRICT RESERVES**

District reserves are the cumulative fund balances of the state, excluding the capital assets and non-fund liabilities of the governmental funds and fund balances of the exempt enterprises. The majority of these fund balances are not available for appropriation due to legal and contractual restrictions.

Net adjustments of \$433,902 to the beginning fund balances occurred for various reasons. This amount consists of two prior period adjustments. In Fiscal Year 2002-03 the Department of Regulatory Agencies accrued \$1,866,370 in revenue related to prior years. Thus, increasing the beginning district reserve balance by that amount.

Additionally, in Fiscal Year 2001-02, the State Controller's Office eliminated \$1,432,468 of intrafund payables between the district and the Higher Education Enterprises in its normal financial statement preparation process. The effect of that was to overstate the district beginning fund balance by that same amount. Thus, the beginning fund balance was reduced by the \$1,432,468 in Fiscal Year 2002-03 to correct for this previous year overstatement.

Qualification of enterprises consisted of the reduction of \$7,058,674 for the assets of the Canteen Fund that became part of Correctional Industries on July 1, 2002 (see

Note 6), and increased by \$8,812,418 for the assets of the nursing homes that were disqualified as TABOR enterprises (see Note 8).

**NOTE 12. SPENDING LIMIT  
ADJUSTMENTS**

The amount of \$(2,292,298) for spending limit adjustments is the net result of two errors in Fiscal Year 2001-02 revenues. The Department of Revenue overstated TABOR revenues \$4,158,668 by originally classifying Elderly Property Tax/Rent/Heat Rebate as an expenditure instead of a refund of tax revenue.

The Department of Regulatory Agencies understated Fiscal Year 2001-02 revenue by not accruing \$1,866,370 in professional license fees allocable to that year.

It is the policy of the state to correct the Fiscal Year Spending Limit base for any known errors that occurred in prior years even if they were not material to the state's financial statements.

**NOTE 13. ENTERPRISE  
QUALIFICATION**

TABOR specifies that qualification and disqualification of enterprises shall change the district bases.

The Canteen Fund in the Department of Corrections became qualified on July 1, 2002. The Fiscal Year 2001-02 TABOR base was reduced by \$10,572,979, which is the amount of the Canteen Fund's 2001-02 TABOR non-exempt revenues. This removes the Canteen Fund from the base before the TABOR growth limit is applied.

**NOTE 14. SOURCES OF TABOR**

**GROWTH LIMITS**

The allowable increase in state fiscal year spending equals the sum of inflation and the percentage change in state population in the prior calendar year, adjusted for voter approved revenue changes. Inflation is defined in C.R.S. 24-77-102(8) as "the percentage change in the consumer price index for the Denver-Boulder Consolidated Metropolitan Statistical Area For All Urban Consumers, All Goods, as published by the U.S. Department of Labor."

The percentage change for calendar year 2001 used in this report was provided by the Office of State Planning and Budgeting and consisted of 2.2 percent for population growth and 4.7 percent for inflation.

**NOTE 15. GROWTH DIVIDEND**

The 2000 Federal Census adjusted the change in the state's population between 1999 and 2000 by 6.0 percent to account for a larger than estimated population change in the state during the 1990s. If the estimates of the state's population change had been more accurate then the state would have been able to retain larger amounts of the TABOR non-exempt revenues to meet the needs generated by this growth.

Thus, the General Assembly passed legislation in the 2002 Session that recaptures the revenues lost because of the error in the population estimates. This is commonly referred to as the growth dividend. The growth limit of 6.9 percent between Fiscal Years 2001-02 and 2002-03 presented in the Schedule represents only the current inflation and population portion of the allowable growth. The 6.0 percent population adjustment that could have been included in the Fiscal Year 2002-03 growth limit will be deferred by the state and used to increase the allowable growth in the future.

The state may retain the growth dividend until the 6.0 percent is exhausted or until the current decade lapses, whichever occurs first.

#### **NOTE 16. FUTURE REFUNDS**

In the 1999 regular session, the General Assembly enacted mechanisms to refund Fiscal Year 1998-99 and subsequent years' excess revenue. In succeeding sessions the General Assembly has enacted additional mechanisms to refund the excess revenue. The laws enacted to refund the TABOR liability are:

1. An earned income tax credit of 10 percent.
2. An income tax credit for foster parents.
3. A business personal property tax credit.
4. An income tax credit for qualified individuals who save for post-secondary education, purchase a first home, or start a business.
5. An interest, dividend, and capital gains exclusion up to \$1,200 for individuals and \$2,400 for couples.
6. An income deduction for capital gains taken on assets purchased prior to May 9, 1994 and held for at least five years.
7. An income tax credit to health and dental care providers who practice in certain rural areas.
8. An income tax credit that is a percentage of the federal child care credit.
9. A reduction in the annual registration fees for motor vehicles.
10. An income tax credit for contributions to high technology scholarships.
11. An additional income tax deduction of another \$300 (\$600 for a couple) for interest, dividend, and capital gains over that listed above.
12. A sales tax refund when the sales tax rate exceeds 0.01 percent and is imposed

on new or used commercial trucks or other vehicles that are used in interstate commerce and have a gross weight of more than 26,000 pounds.

13. An income tax deduction for charitable contributions in excess of \$500 made by individuals who claim the standard deduction.
14. A sales tax exemption for certain pollution control devices.
15. An income tax credit for contributions to the Colorado Institute for Telecommunications Education.
16. An income tax credit for the cost of health benefit plans not paid by the employer or deducted from the individual's federal adjusted gross income.
17. An income tax credit for eligible agricultural value-added cooperatives.
18. An expansion of the capital gains modification to include capital gains realized in tax years beginning on or after January 1, 1999, as well as a reduction of the holding period from five years to one year.
19. Any remaining amount is given to all full-year Colorado residents 18 years and older as a refund of sales taxes.

The sales tax refund is a fixed amount for each of six tiers of federal adjusted gross income. The Department of Revenue calculates the amount of the individual refund for each tier as a statutory percentage of the total sales tax refund divided by the number of anticipated taxpayers in each tier.

Since the state does not have excess revenues in Fiscal Year 2002-03 none of the statutory refund mechanisms will be used until the state is required to make a refund of future year's excess revenues.



## STATE OF COLORADO

JOANNE HILL, CPA  
State Auditor

OFFICE OF THE STATE AUDITOR  
303.869.2800  
FAX 303.869.3060

Legislative Services Building  
200 East 14th Avenue  
Denver, Colorado 80203-2211

October 9, 2003

### Independent Auditor's Report

Members of the Legislative Audit Committee:

We are in the process of auditing, in accordance with generally accepted auditing standards, the *Schedule of Computations Required Under Article X, Section 20 of the State Constitution (TABOR)*, as of June 30, 2003, and have not yet issued our report. As part of that audit, we have audited the *Schedule of TABOR Revenue* of the State of Colorado for the years ended June 30, 2003 and 2002. The *Schedule of TABOR Revenue* is the responsibility of the State Controller's Office. Our responsibility is to express an opinion on this schedule based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the *Schedule of TABOR Revenue* is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts in the schedule. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall schedule presentation. We believe that our audits provide a reasonable basis for our opinion.

The accompanying *Schedule of TABOR Revenue* was prepared for the purpose of demonstrating compliance with state fiscal policies relating to Article X, Section 20 of the State Constitution (TABOR) with regard to TABOR revenue. The schedule has been prepared in conformity with accounting principles generally accepted in the United States of America unless an irreconcilable conflict exists between generally accepted accounting principles and TABOR, in which case the provisions of said constitutional provision shall control. The schedule is not intended to be a complete presentation of the State's revenue.

In our opinion, the accompanying *Schedule of TABOR Revenue* presents fairly, in all material respects, the revenue as determined under Article X, Section 20 of the State Constitution for the years ended June 30, 2003 and 2002, in conformity with accounting principles generally accepted in the United States of America.

The *Schedule of TABOR Revenue* does not include audit adjustments of \$208,336. If the adjustments had been included revenue, as determined under Article X, Section 20 of the State Constitution, for the year ended June 30, 2003, would have been increased to \$7,712,720,014 from \$7,712,511,678.

**State of Colorado**  
**Schedule of TABOR Revenue**

	<b>Fiscal Year 2003</b>	<b>Fiscal Year 2002</b>	<b>Increase (Decrease)</b>	<b>Percent Change</b>
Individual Income Tax	\$ 3,109,550,532	\$ 3,330,181,841	\$ (220,631,309)	-6.6%
Corporate Income Tax	225,100,883	178,034,376	47,066,507	26.4%
Fiduciary Income Tax	12,699,030	15,013,708	(2,314,678)	-15.4%
Education Fund Transfers (Amend. 23)	(188,400,000)	(272,900,000)	84,500,000	31.0%
<b>TOTAL INCOME TAX</b>	<b>3,158,950,445</b>	<b>3,250,329,925</b>	<b>(91,379,480)</b>	<b>-2.8%</b>
Sales Tax, Net	1,694,232,732	1,736,839,780	(42,607,048)	-2.5%
Use Tax, Net	136,479,772	140,643,316	(4,163,544)	-3.0%
Tobacco Products Tax, Net	64,711,879	65,550,423	(838,544)	-1.3%
Alcoholic Beverages Tax, Net	30,078,294	30,049,568	28,726	0.1%
Other Excise Taxes, Net	201,466	208,201	(6,735)	-3.2%
<b>TOTAL EXCISE TAX</b>	<b>1,925,704,143</b>	<b>1,973,291,288</b>	<b>(47,587,145)</b>	<b>-2.4%</b>
Fuel and Transportation Taxes, Net	544,319,913	546,484,337	(2,164,424)	-0.4%
Insurance Taxes	226,933,387	209,671,869	17,261,518	8.2%
Employment Taxes	221,084,162	170,292,023	50,792,139	29.8%
Gaming and Other Taxes	103,484,860	103,025,309	459,551	0.4%
Estate and Inheritance Taxes	53,382,543	72,517,741	(19,135,198)	-26.4%
Severance Tax	26,218,572	50,550,128	(24,331,556)	-48.1%
<b>TOTAL OTHER TAXES</b>	<b>1,175,423,437</b>	<b>1,152,541,407</b>	<b>22,882,030</b>	<b>2.0%</b>
Education Tuition and Fees	742,346,344	646,161,262	96,185,082	14.9%
Scholarship Allowances	(147,324,387)	(128,789,733)	(18,534,654)	-14.4%
Motor Vehicle Licenses	151,048,546	151,414,842	(366,296)	-0.2%
Business Licenses and Permits	81,151,734	70,932,479	10,219,255	14.4%
Nonbusiness Licenses and Permits	53,031,793	53,951,345	(919,552)	-1.7%
Health Service Fees	36,153,286	22,306,573	13,846,713	62.1%
General Government Service Fees	28,458,344	27,962,557	495,787	1.8%
Other Charges for Services	26,626,820	34,022,557	(7,395,737)	-21.7%
Driver's Licenses	21,058,598	21,444,506	(385,908)	-1.8%
Certifications and Inspections	17,817,793	18,809,230	(991,437)	-5.3%
Public Safety Service Fees	3,314,843	3,133,362	181,481	5.8%
Employee Benefit Fees	444,320	578,114	(133,794)	-23.1%
Welfare Service Fees	348,322	315,031	33,291	10.6%
<b>TOTAL LICENSES, PERMITS AND FEES</b>	<b>1,014,476,356</b>	<b>922,242,125</b>	<b>92,234,231</b>	<b>10.0%</b>
Interest and Investment Income	178,367,920	195,854,630	(17,486,710)	-8.9%
Court and Other Fines	86,403,729	81,582,934	4,820,795	5.9%
Miscellaneous Revenue	37,379,728	39,852,006	(2,472,278)	-6.2%
Local Governments and Authorities	35,259,754	39,216,761	(3,957,007)	-10.1%
Unclaimed Money, Net	33,838,740	12,372,110	21,466,630	173.5%
Rents	25,330,294	27,832,795	(2,502,501)	-9.0%
Higher Education Auxiliary				
Sales and Services	22,862,230	31,508,030	(8,645,800)	-27.4%
Disproportionate Share Providers	15,593,540	11,171,358	4,422,182	39.6%
Sales of Products	2,921,362	14,415,853	(11,494,491)	-79.7%
Prior Year Audit Adjustments	-	8,283,831	(8,283,831)	-100.0%
<b>OTHER REVENUE</b>	<b>437,957,297</b>	<b>462,090,308</b>	<b>(24,133,011)</b>	<b>-5.2%</b>
<b>TOTAL TABOR REVENUE AND PRIOR YEAR ADJUSTMENTS</b>	<b>\$ 7,712,511,678</b>	<b>\$ 7,760,495,053</b>	<b>\$ (47,983,375)</b>	<b>-0.6%</b>

---

# Appendix A

---

## Description of Revenue Categories

Category	Description
<b>INCOME TAX</b>	
Individual Income Tax, Net	Tax paid on wages, unearned income, and other income of individuals, net of refunds on property tax credits, income tax intercepts (e.g., IRS, child support), and tax checkoffs
Corporate Income Tax, Net	Taxes based on the net profits of corporations
Fiduciary Income Tax, Net	Taxes on trust and estate income
Education Fund Transfers	Reduction of income taxes for transfers made to the State Education Fund
<b>EXCISE TAX</b>	
Sales Tax, Net	Taxes collected by retailers on consumer purchases of tangible personal property
Use Tax, Net	Taxes remitted by the end consumer of tangible personal property purchased at retail prices
Tobacco Products Tax, Net	Tax on the sale, use, consumption, handling, or distribution of tobacco products
Alcoholic Beverages, Net	Taxes collected from retailers who sell alcohol products
Other Excise Taxes, Net	Tax for occupational license renewals, tourism and promotion, and certain penalties
<b>OTHER TAXES</b>	
Fuel and Transportation Taxes, Net	Gross ton mileage tax on motor carriers and taxes on diesel, gasoline, aviation jet fuel, aviation gasoline and other fuels

<b>Category</b>	<b>Description</b>
Insurance Taxes	Taxes on insurance premiums collected by insurance companies
Employment Taxes	Employment insurance paid by employers for funding unemployment benefits
Gaming and Other Taxes	Taxes on gaming facilities based on percentages of income
Estate and Inheritance Tax	Taxes collected on the assets of estates
Severance Tax	Mineral extraction taxes, net of refunds on coal, oil and gas, molybdenum, and metallic minerals
<b>LICENSES, PERMITS AND FEES</b>	
Education Tuition and Fees	Tuition and other education-related fees collected by state colleges and universities from students
Scholarship Allowances	The difference between the stated charge for tuition and other education-related fees collected by state colleges and universities and the actual amount that is paid by students
Motor Vehicle Licenses	Collection of fees for license plates and tags
Business Licenses and Permits	Licenses and permits for special functions of a business (e.g., alcoholic beverage licenses, tobacco products licenses, business registrations and waste management permits)
Nonbusiness Licenses and Permits	Environmental response surcharges, park passes, snowmobile passes, off highway vehicle fees, distributive data processing fees, motorcycle operator safety training, waste tire recycling, etc.
Health Service Fees	Fees collected for health services, including laboratory test fees and animal diagnostic lab fees, and children's health plan premiums

<b>Category</b>	<b>Description</b>
General Government Service Fees	Service charges by various agencies to the public (e.g., filing fees charged by the Department of State, charges by the Motor Vehicle Division for driving record inquiries, and certain fees charged by the Department of Agriculture and Department of Natural Resources)
Other Charges for Services	Various fees, the majority of which are collected by the State Fair, Public Utilities Commission, the Division of Banking, and the Oil and Gas Conservation Fund, which are used to ensure compliance with applicable regulations
Driver's Licenses	Fees for driver's licenses
Certifications and Inspections	Emission inspection stickers, emission registration, emission inspection station licenses, and other fees
Public Safety Service Fees	Fees for firefighter response, fire service education and training, search and rescue fund fees
Employee Benefit Fees	Fees collected for 457 deferred compensation plan and 401 (a) defined contribution plan
Welfare Service Fees	Child abuse registry fees
<b>OTHER REVENUE</b>	
Interest and Investment Income	Interest income, finance charges, and gains/losses on investments
Court and Other Fines	Fines and forfeits levied by the courts
Miscellaneous Revenue	Revenue not included in another category (e.g., charges by colleges and universities for services to outside entities and operating transfers from TABOR exempt enterprises and auxiliaries to other non-exempt state agencies)

<b>Category</b>	<b>Description</b>
Local Governments and Authorities	Funds from counties, cities, special districts, etc. primarily in the form of grants
Unclaimed Money, Net	Abandoned property, unclaimed insurance proceeds, and unclaimed interests in business association; net of claims paid and allowance for future claims payments
Rents	Income from the lease of state land to private parties
Higher Education Auxiliary Sales and Services	Revenues from library fees, internal service center fees, athletic camp fees
Disproportionate Share Providers	Donations under the Medicaid disproportionate share program from University Hospital and Denver Health Medical Center, and donations from private and public sources
Sales of Products	Sales of publications, maps, materials, and supplies
Prior Year Audit Adjustments	Effect of errors in classifications of TABOR revenue in prior years

---

# Appendix B

---

## Description of Refunding Mechanisms

Mechanism (Effective Date)	Description
Business Personal Property Tax Credit (July 1, 1999)	When the excess TABOR revenue exceeds \$170 million annually adjusted for inflation, a personal property tax credit is allowed for 16 percent of the aggregate amount of personal property tax paid, plus the lesser of 84 percent of the amount paid or \$588. This is an increase from the Fiscal Year 2000 amount of the lesser of \$500 plus 13.37 percent of the amount exceeding \$500 or the amount of actual taxes paid.
Colorado Capital Gains Modification (January 1, 2000)	When the excess TABOR revenue exceeds \$260 million annually adjusted for inflation, a deduction is provided for capital gains taken on assets purchased prior to May 9, 1994 that were held for at least five years prior to a gain on the disposition. Both individuals and corporations are eligible for the deduction.
Expanded Colorado Capital Gains Modification (January 1, 2001)	When the excess TABOR revenue exceeds \$430 million annually adjusted for inflation, the exemption allowed in the Colorado Capital Gains Modification Act is expanded to include Colorado capital gains made for any tax year beginning on or after January 1, 1999. It reduces the holding period of the asset for such capital gains exclusions from five years to one year. The credit is equal to the amount of income attributable to qualifying Colorado gains receiving capital treatment and included in federal taxable income.
Interest, Dividends, and Capital Gains to \$1,200/\$2,400 (January 1, 2000)	When the excess TABOR revenue exceeds \$220 million annually adjusted for inflation, taxpayers may deduct the lesser of \$1,200 or their total amount of interest, dividend, and capital gains income on their state income tax return. Married taxpayers will be allowed to deduct up to \$2,400 of such income.

<b>Mechanism (Effective Date)</b>	<b>Description</b>
Motor Vehicle Registration Fees (July 1, 2001)	When the excess TABOR revenue exceeds \$330 million annually adjusted for inflation, there is a reduction in the annual registration fees for passenger vehicles, trucks, truck tractors, and certain trailers. Revenue lost to the Highway Users Tax Fund is replaced by General Fund revenue.
Earned Income Credit (January 1, 1999)	When the excess TABOR revenue exceeds \$50 million annually adjusted for inflation, an earned income credit of 10 percent of the taxpayer's federal earned income tax credit may be claimed. This percentage increased from the 8.5 percent allowed in Fiscal Year 1999.
Child Care Credits (January 1, 2000)	When the excess TABOR revenue exceeds \$290 million annually adjusted for inflation, a credit of 20 or 70 percent of an individual's federal child care credits may be claimed. The credit allowed depends on the taxpayer's income level with a maximum allowable income of \$64,000. In addition, the credit increased from \$200 per child to \$300 per child for tax years beginning on or after January 1, 2000. The bill also allows in-home child care providers to claim credits for their own children.
Interstate Commerce Sales and Use Tax Exemption (January 1, 2001)	When the excess TABOR revenue exceeds \$350 million annually adjusted for inflation, a refund for sales taxes paid above a rate of 0.01 percent that are imposed on new or used commercial trucks, truck tractors, tractors, semi trailers, or vehicles used in interstate commerce with a gross vehicle weight in excess of 26,000 pounds is allowed.
Income Tax Deduction for Charity (January 1, 2001)	When the excess TABOR revenue exceeds \$350 million annually adjusted for inflation, an income tax credit for charitable contributions in excess of \$500 for individuals who claim the basic standard deduction on their federal return is allowed.

<b>Mechanism (Effective Date)</b>	<b>Description</b>
Income Tax Credit for Cost of Health Benefits (January 1, 2000)	When the excess TABOR revenue exceeds \$400 million annually adjusted for inflation, an income tax credit for health benefit plans not paid for by an employer or deducted from federal adjusted gross income is allowed. The credit is capped at \$500, with qualifying income capped at \$25,000 for individuals without dependents, \$30,000 for joint filers without dependents, and \$35,000 for individual or joint filers with dependents. The credit is only available to the extent of the individual's tax liability.
Agriculture Value-Added Development (January 1, 2001)	When the excess TABOR revenue exceeds \$400 million annually adjusted for inflation, an income tax credit to eligible agricultural value-added cooperatives for new or ongoing rural agricultural business projects is allowed. The credit is equal to the lesser of 50 percent of the member's investment or \$15,000, up to an aggregate amount of \$1.5 million per project and \$4 million per year.
Rural Health Care Providers (January 1, 2000)	When the excess TABOR revenue exceeds \$285 million annually adjusted for inflation, a temporary income tax credit will be provided for health care professionals who reside and practice in areas of Colorado that are understaffed. The definition of health care provider has been expanded to include dentists. This credit is equal to the taxpayer's income tax liability but is not to exceed the taxpayer's student loan obligation. This credit is effective from January 1, 2000 to January 1, 2008.
Income Tax Credit for Foster Parents (January 1, 2001)	When the excess TABOR revenue exceeds \$200 million annually adjusted for inflation, an income tax credit for providing foster care to children under 18 years of age is allowed. The credit is equal to the lesser of 100 percent of the nonreimbursed expenses of providing foster care to children or \$500.

<b>Mechanism (Effective Date)</b>	<b>Description</b>
Individual Development Accounts (January 1, 2001)	When the excess TABOR revenue exceeds \$190 million annually adjusted for inflation, a tax credit is allowed for contributors of matching funds for the Individual Development Accounts program. The program permits the establishment of accounts for eligible individuals or dependents for funding of post-secondary education, for purchasing a first home, or for capitalizing a business. Contributions to these accounts are exempt from income taxation.
High Technology Scholarships (January 1, 2001)	When the excess TABOR revenue exceeds \$330 million annually adjusted for inflation, an income tax credit for 25 percent of the contributions made to the Colorado high technology scholarship program is allowed. The income tax credit may not exceed 15 percent of income taxes due.
Income Tax Modification for Interest, Dividends, and Capital Gains (January 1, 2001)	When the excess TABOR revenue exceeds \$350 million annually adjusted for inflation, taxpayers may deduct the lesser of \$1,500 or their total amount of interest, dividend, and capital gains income on their income tax return. Married taxpayers will be allowed to deduct up to \$3,000 of such income. This is an increase of \$300 for single taxpayers and \$600 for married taxpayers from Fiscal Year 2000.
Pollution Control Providers (July 1, 1999)	When the excess TABOR revenue exceeds \$350 million annually adjusted for inflation, certain pollution control equipment is exempt from state sales and use tax, including solid waste, noise pollution, wind power, solar and thermal generation equipment.
Telecommunication Education (January 1, 2001)	When the excess TABOR revenue exceeds \$350 million annually adjusted for inflation, an income tax credit for 15 percent of monetary contributions made to the Colorado Institute for Telecommunication Education is allowed. The credit cannot be carried forward or refunded.

**Mechanism (Effective Date)**

**Description**

Tangible Personal Property used for Research and Development  
(January 1, 2002)

When the excess TABOR revenue exceeds \$358.4 million annually adjusted for inflation, a 50 percent sales tax credit for the sale, purchase, storage, use, or consumption of tangible personal property used in Colorado directly for research and development is allowed.

Sales Tax Refund  
(January 1, 1999)

When there is excess TABOR revenue after the above mechanisms have been applied, a tiered income bracket system will be used to distribute the excess sales tax as a credit to be taken on individual income tax returns.

The electronic version of this report is available on the Web site of the  
Office of the State Auditor  
**[www.state.co.us/auditor](http://www.state.co.us/auditor)**

A bound report may be obtained by calling the  
Office of the State Auditor  
**303.869.2800**

Please refer to the Report Control Number below when requesting the report.

**Report Control Number 1580**