



Legislative Council Staff

Nonpartisan Services for Colorado's Legislature

Memorandum

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This is not a legal opinion.

TO: Joint Budget Committee
FROM: Greg Sobetski, Chief Economist, 303-866-4105
SUBJECT: Population Component of TABOR Limit Growth Factor

This memo presents recent Legislative Council Staff (LCS) findings regarding the implications of the current-law calculation method for population growth used to determine the TABOR growth limit, which has the effect of not adjusting the TABOR limit for population growth or decline that the Census Bureau identifies in its revised estimates. The current population growth calculation method does not usually impact the TABOR limit. However, in some cases, including for the FY 2025-26 TABOR limit, the choice of calculation method may have substantial budgetary consequences, as discussed below.

TABOR Limit Growth Factor

TABOR limits state fiscal year spending, the amount of revenue that the state may retain and spend or save in a given fiscal year, to an amount grown annually by the sum of inflation and population growth.¹

The TABOR limit² is calculated each fiscal year using inflation and population growth from the prior calendar year. For example, the FY 2025-26 limit will incorporate 2024 inflation and population growth, meaning the percentage change in the consumer price index and the percentage change in the state population between 2023 and 2024.

¹ Colo. Const. art. X, § 20 (7)(a).

² Both the TABOR limit base amount ("fiscal year spending limit") and the Referendum C cap ("excess state revenues cap").

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Calculating Population Growth

TABOR does not include a definition of population growth, but specifies that the limit is adjusted by “the percentage change in state population in the prior calendar year,” and that “population shall be determined by annual federal census estimates and such number shall be adjusted every decade to match the federal census.”³

State law provides specific instructions directing how population growth is calculated for the purposes of the TABOR limit.⁴

The U.S. Census Bureau issues annual estimates population for each state each December. The December release includes estimates of each state's population as of July 1 of the ending year, and revised estimates of each state's population for each July 1 since the most recent decennial census.

For TABOR purposes, except during years when the decennial census is conducted, state law provides that population growth should be calculated by comparing the December estimate for the ending year's population to that same December's estimate for the previous year.⁵ As an example, the FY 2025-26 population growth component is calculated by comparing the December 2024 estimate of the July 2024 population to the December 2024 estimate of the July 2023 population. This methodology was added to state law in 1993 following the passage of TABOR and has not been changed since.⁶

Issue for Consideration

The current calculation has the effect of not adjusting the TABOR limit for higher or lower population levels that the Census Bureau identifies in a revised estimate for the base year from which the state population is growing. Because the sum of population growth and inflation is rounded to the nearest tenth of a percentage point for the purposes of the TABOR limit calculation, the current calculation methodology does not usually impact the TABOR limit. However, in some cases, including for the FY 2025-26 TABOR limit as discussed below, the Census Bureau's population revision is substantial enough to have budgetary consequences.

Example 1. In December 2015, the Census Bureau estimated the July 1, 2015, state population at 5,456,574. This estimate was used for the FY 2016-17 TABOR limit growth

³ Colo. Const. art. X, § 20 (7)(a).

⁴ Section 24-77-103 (2)(b), C.R.S.

⁵ Section 24-77-103 (2)(b)(I), C.R.S.

⁶ Senate Bill 93-74.



factor, such that the FY 2016-17 TABOR limit incorporated population growth up to 5,456,574.

In December 2016, the Census Bureau revised the estimate of the July 1, 2015, state population to 5,448,819, a downward revision of 7,755. The Census Bureau estimated the July 1, 2016, state population at 5,540,545. State law directed that the population component of the FY 2017-18 TABOR limit growth factor be 1.7 percent, growing from the 5,448,819 base level.

As a result, the TABOR limit growth factor for FY 2017-18 was 4.5 percent instead of 4.3 percent, because the limit counted 7,755 people twice, once in FY 2016-17 and once in FY 2017-18.

Example 2. In December 2022, the Census Bureau estimated the July 1, 2022, state population at 5,839,926. This estimate was used for the FY 2023-24 TABOR limit growth factor, such that the FY 2023-24 TABOR limit incorporated population growth up to 5,839,926.

In December 2023, the Census Bureau revised the estimate of the July 1, 2022, state population to 5,841,039, an upward revision of 1,113. The Census Bureau estimated the July 1, 2023, state population at 5,877,610. State law directed that the population component of the FY 2024-25 TABOR limit growth factor be 0.63 percent, growing from the 5,841,039 base level.

As a result, the TABOR limit growth factor for FY 2024-25 was 5.8 percent instead of 5.9 percent, because the limit did not count 1,113 people, since they were not included in the FY 2023-24 base level nor added to the FY 2024-25 growth factor.

Over the past ten fiscal years, there were three years (FY 2017-18, FY 2018-19, and FY 2020-21) when downward revisions to estimates resulted in population double-counting and a greater TABOR limit growth factor, and two years (FY 2019-20 and FY 2024-25) when upward revisions resulted in population not being counted and a lesser TABOR limit growth factor. In four years (FY 2015-16, FY 2016-17, FY 2021-22, and FY 2023-24), revisions to population estimates were small enough that they did not affect the growth factor due to rounding. The FY 2022-23 growth factor was based on population growth from 2020 to 2021; because the decennial census occurred in 2020, revisions to the July 1, 2020, population estimate would not have affected the FY 2022-23 growth factor regardless of their direction or magnitude.



FY 2025-26 Implications

In December 2024, the Census Bureau increased its estimate of the July 1, 2023, state population from 5,877,610, the level estimated in December 2023 and used in the FY 2024-25 TABOR limit calculation, to 5,901,339, an upward revision of 23,729. Similar to Example 2 above, this population was not included in the FY 2024-25 base level nor, under current law, will it be added to the FY 2025-26 growth factor.

The U.S. Bureau of Labor Statistics estimates 2024 inflation in the Denver-Aurora-Lakewood combined statistical area at 2.3 percent.

Table 1 shows how the FY 2025-26 TABOR limit growth factor is calculated under current law, versus how it would be calculated if population growth were measured from the base amount used for calculation of the FY 2024-25 TABOR limit. In both cases, the estimated growth factor differs slightly from the sum of the inflation and population growth rates shown due to rounding.

Table 1
FY 2025-26 TABOR Limit Growth Factor

Amount	Current Law	Alternative Population Growth Calculation
FY 2024-25 Limit (Referendum C Cap)	\$19.12 billion	\$19.12 billion
2024 Inflation	2.3 percent	2.3 percent
2023 Population	5,901,339	5,877,610
2024 Population	5,957,493	5,957,293
2024 Population Growth	1.0 percent	1.4 percent
FY 2025-26 TABOR Limit Growth Factor	3.2 percent	3.6 percent
FY 2025-26 Limit (Referendum C Cap)	\$19.73 billion	\$19.81 billion

As shown in Table 1, if the 2023 estimate of 2023 population were used for the FY 2025-26 TABOR limit growth factor, the FY 2025-26 would be \$19.81 billion, \$76.5 million more than expected under current law.



Comparison with the December Forecast

Based on an incorrect understanding of current law, both the December 2024 LCS and OSPB forecasts anticipated that the FY 2025-26 TABOR limit growth factor would compare the December 2024 estimate of the state's July 2024 population to the December 2023 estimate of the state's July 2023 population. Accordingly, the two forecasts anticipated higher TABOR limit growth factors for FY 2025-26 than now expected under current law. The current law expectation is 3.2 percent, confirmed by the Office of the State Controller. The December 2024 LCS estimate was 3.8 percent, and the December 2024 OSPB estimate was 3.7 percent. As a result, the current law expectation is below the December 2024 LCS estimate by \$114.7 million and below the December 2024 OSPB estimate by \$95.6 million. Had the forecasts incorporated the 3.2 percent growth factor now expected under current law, they would show less money available to be spent or saved in FY 2025-26, by \$114.7 million in the LCS case and by \$95.6 million in the OSPB case, and a correspondingly higher TABOR refund obligation.