

Be it Enacted by the People of the State of Colorado:

ARTICLE X OF THE CONSTITUTION OF THE STATE OF COLORADO IS AMENDED BY THE ADDITION OF A NEW SECTION TO READ:

SECTION 21. STATE AND LOCAL RAINY DAY FUNDS.

(1) **NO TAX RATE INCREASE.** NO TAX RATE INCREASES SHALL BE ALLOWED TO FUND RAINY DAY FUNDS, AND NOTHING IN THIS SECTION SHALL BE INTERPRETED AS INCREASING TAX RATES WITHOUT THE PERMISSION OF THE VOTERS.

(2) **STATE RAINY DAY FUND CREATED.** EFFECTIVE JANUARY 1, 2005, THE STATE SHALL BE REQUIRED TO ANNUALLY DEPOSIT AT LEAST ONE PERCENT OF ITS ANNUAL TAX REVENUE INTO A STATE RAINY DAY FUND UNTIL A RESERVE EQUAL TO TEN PERCENT OF THE STATE'S MOST RECENT GENERAL FUND BUDGET HAS BEEN ACCUMULATED. THE STATE EMERGENCY RESERVE PREVIOUSLY PROVIDED FOR IN SECTION 20(5) OF THIS ARTICLE SHALL BE ELIMINATED AND ITS CASH FUNDS TRANSFERRED INTO THE STATE RAINY DAY FUND. TO ENSURE THAT STATE RAINY DAY FUND REVENUES ARE AVAILABLE WHEN NEEDED, THESE REVENUES SHALL CONSIST OF CASH AND BONDS WITH A MATURITY OF TWO YEARS OR LESS.

(3) **FUNDING FROM EXCESS TAX REVENUES.** ANY EXCESS STATE REVENUES THAT WOULD OTHERWISE BE REFUNDED UNDER SECTION 20(7) OF THIS ARTICLE SHALL BE APPLIED TO COMPENSATE, IN WHOLE OR IN PART, FOR ANY REVENUE SHORTFALL IN THE GENERAL FUND SUPPORT OF LOCAL PUBLIC SCHOOLS INCLUDING APPROPRIATIONS MANDATED BY SECTION 17(5) OF ARTICLE IX OF THIS CONSTITUTION AND FOR ANY REVENUE SHORTFALL IN THE GENERAL FUND SUPPORT OF STATE AND COMMUNITY COLLEGES AND UNIVERSITIES. THESE ALLOCATIONS OF EXCESS REVENUES SHALL NOT COUNT AGAINST EXISTING REVENUE OR SPENDING LIMITS.

(4) **ALLOCATIONS FOR REVENUE SHORTFALLS.** IN ANY FISCAL YEAR IN WHICH THERE OCCURS A DECREASE FROM THE PRIOR FISCAL YEAR IN STATE TAX REVENUES AFTER ADJUSTMENT FOR POPULATION GROWTH AND INFLATION: 1) UP TO BUT NO MORE THAN HALF OF THE STATE RAINY DAY FUND MAY BE ALLOCATED TO ADDRESS THE REVENUE SHORTFALL; 2) SUCH USE OF STATE RAINY DAY FUND REVENUES SHALL COUNT AGAINST EXISTING SPENDING LIMITS; 3) UP TO HALF OF THE INCREASE IN REVENUE TO BE ALLOCATED AS MANDATED BY SECTION 17(1) OF ARTICLE IX OF THIS CONSTITUTION MAY BE DEFERRED, BUT THE REQUIRED PER PUPIL AND CATEGORICAL SPENDING SHALL BE FULLY RESTORED WITHIN THE FOLLOWING THREE FISCAL YEARS; AND, 4) NO REVENUES NEED TO BE ALLOCATED TO THE STATE RAINY DAY FUND.

(5) **ALLOCATIONS FOR DISASTERS.** IN RESPONSE TO A NATURAL OR MANMADE DISASTER SUCH AS A MAJOR FOREST FIRE OR A TERRORIST ACT, A TWO-THIRDS MAJORITY OF BOTH HOUSES OF THE GENERAL ASSEMBLY MAY ALLOCATE STATE RAINY DAY FUND RESERVES TO MITIGATE EXPENSES RELATED TO THE DISASTER. SUCH USE OF STATE RAINY DAY FUND RESERVES SHALL NOT COUNT AGAINST EXISTING SPENDING LIMITS.

(6) LOCAL CONTROL OF RAINY DAY FUNDS. ANY LOCAL DISTRICT GOVERNMENT MAY PROPOSE A LOCAL RAINY DAY FUND THAT IS TAILORED TO MEET THE NEEDS ASSOCIATED WITH A POTENTIAL OR ACTUAL REVENUE SHORTFALL OF THE CITIZENS OF THAT DISTRICT. SUCH PROPOSALS MAY EXCLUDE A DISTRICT FROM ANY PROVISIONS OF SECTION 20 OF THIS ARTICLE THAT AFFECT THE ABILITY OF A DISTRICT TO FUND ONE OR MORE DISTRICT SERVICES DURING A REVENUE SHORTFALL. SUCH PROPOSED RAINY DAY FUNDS MUST BE APPROVED BY A MAJORITY OF THE VOTERS OF THE DISTRICT TO BECOME EFFECTIVE.