

*Be it enacted by the people of the State of Colorado:*

ARTICLE X OF THE CONSTITUTION 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.** 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 ARTICLE X, SECTION 20(5) 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 MUST 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 ARTICLE X, SECTION 20(7) SHALL BE ALLOCATED FIRST TO PROVIDE THE REQUIRED ANNUAL FUNDING OF THE STATE RAINY DAY FUND AND THEN APPLIED TO GENERAL FUND SUPPORT OF LOCAL PUBLIC SCHOOLS AND HIGHER EDUCATION. THESE ALLOCATIONS OF EXCESS TAX 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 ARTICLE IX, SECTION 17(1) MAY BE DEFERRED, BUT THE REQUIRED PER-PUPIL SPENDING MUST 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 REVENUES SHALL NOT COUNT AGAINST EXISTING SPENDING LIMITS.

(6) **RESUMPTION OF REFUNDS.** AFTER TEN YEARS OF STATE RAINY DAY FUND DEPOSITS, THE VOTERS SHALL BE GIVEN THE OPPORTUNITY TO RECONSIDER THIS ALLOCATION OF EXCESS TAX REVENUES THROUGH A REFERRED BALLOT ISSUE, THE BALLOT TITLE OF WHICH SHALL BE, "SHALL THE STATE INDEFINITELY SUSPEND THE ALLOCATION OF EXCESS TAX REVENUE FOR THE STATE RAINY DAY FUND, LOCAL SCHOOL DISTRICTS AND HIGHER EDUCATION, SO THAT TAX REFUNDS UNDER ARTICLE X, SECTION 20(7) OF THE COLORADO CONSTITUTION MAY BE RESUMED?"

(7) **LOCAL CONTROL OF LOCAL RAINY DAY FUNDS.** ANY LOCAL DISTRICT GOVERNMENT MAY PROPOSE A LOCAL RAINY DAY FUND THAT IS TAILORED TO MEET THE NEEDS OF THE CITIZENS OF THAT DISTRICT. SUCH PROPOSALS MAY EXCLUDE THEIR DISTRICT, EITHER PERMANENTLY OR FOR A STATED TIME PERIOD, FROM ANY PROVISIONS OF ARTICLE X, SECTION 20 THAT AFFECT DISTRICT REVENUES, DEBT OR SPENDING. SUCH PROPOSED RAINY DAY FUNDS MUST BE APPROVED BY A MAJORITY OF THE VOTERS OF THE DISTRICT TO BECOME EFFECTIVE.