



## **Summary of Legislation**

This reengrossed bill, as well as all amendments adopted on 2<sup>nd</sup> Reading in the Senate, refers a measure to the voters of the state at the November 2005 General Election. The measure seeks voter approval to authorize the state to retain and spend all state revenues in excess of the limitation on state fiscal year spending for the period commencing July 1, 2005 through June 30, 2010, and authorizes the state to retain and spend a capped amount of state revenues in excess of the limitation for FY 2010-11 and for each succeeding fiscal year, based on a formula that includes annual adjustments for inflation and changes in state population.

The General Fund Exempt Account would be created in the state General Fund, and would consist of moneys equal to the amount of state revenues in excess of the limitation on state fiscal year spending that the state retains for a given fiscal year. Moneys in the account would be appropriated or transferred by the General Assembly for the following purposes:

- to fund health care;
- to fund public elementary and high school education and higher education;
- to fund pension plans for firefighters and police officers, so long as statutorily required; and
- to pay for strategic transportation projects included in the Department of Transportation's strategic transportation project investment program.

The bill defines "excess state revenues cap" for a given fiscal year to mean either of the following: (1) if the voters approve a bonded debt increase at the November 2005 statewide election, an amount equal to the highest total state revenues for a fiscal year from FY 2005-06 through FY 2009-10, adjusted for inflation and the percentage change in state population, plus \$100 million, and adjusting for the qualification or disqualification of enterprises and debt service changes; or (2) if the voters do not approve a bonded debt increase at the November 2005 statewide election, the definition of "excess state revenues cap" would not include \$100 million.

The bill requires the Director of Research of the Legislative Council to annually prepare a financial report that identifies the amount of excess state revenues that the state retained in the prior fiscal year, and a description of how the excess state revenues were spent. A link to the financial report would be provided on the official website of the General Assembly.

Since the bill would only become effective upon approval by the voters, the bill is assessed as having a state conditional fiscal impact.

## **State Revenues**

The bill would allow the state to retain and spend all state surplus revenues that are greater than the limitation of state fiscal year spending for designated purposes beginning with FY 2005-06. The amount that would be retained is estimated to be \$393.8 million in FY 2005-06, \$579.7 million in FY 2006-07, and \$583.7 million in FY 2007-08.

**State Summary**

Based on the revenue estimates provided in the March 2005, Revenue Estimate by Legislative Council Staff updated for actual inflation in 2004, and assuming passage of HB05-1310, Table 1 summarizes the projected impact of HB05-1194 on state revenues. The additional state revenue would allow the annual growth rate in General Fund appropriations to reach the maximum 6.0 percent level beginning in FY 2005-06.

**Table 1. Projected Fiscal Impact of HB05-1194 (Millions of Dollars)**

	<b>FY 2005-06</b>	<b>FY 2006-07</b>	<b>FY 2007-08</b>	<b>FY 2008-09</b>	<b>FY 2009-10</b>
General Fund Appropriations	\$233.8	\$431.8	\$457.7	\$485.2	\$561.5
SB 97-1 Diversion	150.6	140.0	124.9	188.4	265.7
Cash Fund Paybacks					33.6
Excess General Fund Reserve					17.0
4.0 Percent Statutory Reserve	9.4	17.3	18.3	19.4	22.5
TABOR Surplus Liability	(393.8)	(579.7)	(583.7)	(674.6)	(880.8)

**Other State Impacts**

Table 2 shows the projected impact to the various refund mechanisms currently in place based on the amount that would be retained in the state General Fund in the previous fiscal year. Blank cells in the table indicate that the mechanism is not forecasted to be triggered and used to refund revenue during that fiscal year.

It should be noted that the measure seeks voter approval to allow the state to retain revenue that would otherwise be refunded to taxpayers by the amounts for each TABOR refund mechanism identified in the table.

**Table 2. Impact of HB05-1194 on Current TABOR Refund Mechanisms (Millions of Dollars)**

	<b>FY 2006-07</b>	<b>FY 2007-08</b>	<b>FY 2008-2009</b>	<b>FY 2009-2010</b>
HB 99-1383 & HB 00-1049 Earned Income Credit	(\$41.0)	(\$40.4)	(\$41.2)	(\$42.1)
HB 01-1313 Foster Care Issues	(\$0.2)	(\$0.2)	(\$0.2)	(\$0.2)
HB 99-1311 Business Personal Property	(\$117.7)	(\$123.6)	(\$129.7)	(\$136.2)
HB 99-1237 Capital Gains	(\$36.8)	(\$36.0)	(\$35.3)	(\$34.6)
HB 00-1063 Rural Health Providers (ends after FY 2007)	(\$0.2)	(\$0.2)	n/a	n/a
HB 00-1351 Child Care Credit	(\$28.6)	(\$29.0)	(\$29.4)	(\$29.8)
HB 01-1081 Research and Development		(\$15.2)	(\$15.9)	(\$16.5)
HB 00-1227 Lower Motor Vehicle Fees		(\$41.6)	(\$43.0)	(\$44.5)
HB 00-1355 High Technology Scholarship Program*		(\$0)	(\$0)	(\$0)
HB 00-1257 Pollution Control Equipment		(\$1.0)	(\$1.0)	(\$1.0)
HB 00-1052 Contribution to Telecommunication Education		(\$0.5)	(\$0.5)	(\$0.5)
HB 00-1053 Exclude Charitable Contributions		(\$3.7)	(\$3.8)	(\$4.0)
HB 00-1259 Trucks at 0.01 Percent Sales Tax Rate		(\$7.0)	(\$7.3)	(\$7.6)
HB 99-1137 and HB 00-1171 Interest, Dividends, and Capital Gains Exclusion		(\$45.4)	(\$47.2)	(\$49.5)
HB 01-1086 Ag Coop Tax Credit		(\$0.5)	(\$0.5)	(\$0.5)
HB00-1104 Purchase Private Health Benefit Plans		(\$2.7)		(\$2.7)
HB00-1209 Colorado Capital Gains 1 to 5 Years				
Sales Tax Refund	(\$169.4)	(\$232.6)	(\$228.5)	(\$304.9)
<b>Total</b>	<b>(\$393.8)</b>	<b>(\$579.7)</b>	<b>(\$583.7)</b>	<b>(\$674.6)</b>

\*Less than \$10,000

**Election Expenditure Impacts (For Informational Purposes Only)**

The bill refers a measure to the voters at the 2005 general election. This measure will be published in newspapers and an analysis of the measure will be included in the Blue Book mailed to all registered voter households prior to the election. Under current law, costs for these functions will be paid through a General Fund line item in the Long Appropriations Bill. The estimated 2005 general election costs for the Blue Book are outlined in Table 3.

<b>Table 3. Estimated Costs of Producing the 2005 Blue Book and Distributing to All Registered Voter Households</b>	
Printing	\$120,000
Postage	\$275,000
Translation	\$5,000
Newspaper Publication (English & Spanish)	\$200,000
<b>Total Expenses (for estimated 3 issues)</b>	<b>\$600,000</b>
<b>Average Expense Per Issue</b>	<b>\$200,000</b>

**State Appropriations**

The fiscal note implies that no additional appropriation or spending authority is required in FY 2005-06 in order to implement the bill.

**Departments Contacted**

Legislative Council Staff      Revenue      Secretary of State