

Amendment _
Rebate of Money Above Referendum C Estimates

Note: Appropriate numbers will be inserted after the release of the June forecast.

1 **Amendment _ is a proposed amendment to the Colorado Constitution that:**

- 2 ♦ caps the amount of money the state is allowed to spend due to passage of
3 Referendum C at the estimates published in the 2005 state ballot
4 information booklet; and

- 5 ♦ requires the state to refund the money it collects above the caps, and
6 specifies how and when the money is refunded.

7 **Summary and Analysis**

8 ***What is Referendum C?*** Referendum C is a voter-approved statute that allows the
9 state to spend all the money it collects over its constitutional limit for five years, from 2006
10 to 2010. Each year thereafter, the state can continue to spend additional money up to a new
11 cap. Referendum C requires the state to spend the additional money on health care, public
12 education, transportation projects, and local fire and police pensions. Prior to Referendum
13 C, this money was refunded to taxpayers.

14 ***How does Referendum C relate to Amendment _?*** Amendment _ caps the money
15 the state can spend above its limit each year to the estimates published in the 2005 state
16 ballot information booklet. Money collected above these estimates is required to be
17 refunded.

18 Table 1 compares the estimates of additional spending under Referendum C
19 published in the 2005 ballot booklet with current estimates. It also shows estimates of the
20 Amendment _ refund. For the five years between 2006 and 2010, the total amount of
21 additional spending was estimated in September 2005 at \$3.7 billion and is now estimated
22 at \$X billion. The actual amount could be higher or lower, depending on the economy and
23 the amount of money collected. Because the state develops and publishes estimates four
24 times each year, the numbers shown in Table 1 will change over time as updated
25 information is available.

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Table 1
Estimates of Additional Spending and the Total Refund Under Amendment _
For Budget Years 2006 through 2010

	2006	2007	2008	2009	2010	Total
Estimates of Additional Spending under Referendum C Published in the Ballot Booklet	\$577 million	\$646 million	\$703 million	\$822 million	\$995 million	\$3.7 billion
Current Estimates of Additional Spending under Referendum C	\$X million	\$X million	\$X million	\$X million	\$X million	\$X billion
Estimated Refund under Amendment _	\$X million	\$X million	\$X million	\$X million	\$X million	\$X million

13 *Who will receive a refund and how is the refund calculated?* Full-time Colorado
14 residents who file an income tax return with the state receive a refund for each person
15 claimed as an exemption on their tax return. The amount refunded per person is calculated
16 by dividing the total refund by the total number of exemptions claimed. Estimates of this
17 amount through 2010 are shown in Table 2. For example, a married couple with two
18 children would get four times the amount shown in Table 2.

19 **Table 2**
20 **Estimated Refund Per Person Under Amendment _**

2006	2007	2008	2009	2010	Total
\$X per person	\$X per person	\$X per person	\$X per person	\$X per person	\$X per person

24 Amendment _ requires the state to mail a separate check containing the refund to
25 each qualifying person. Each check is required to be labeled as a "Home Energy
26 Adjustment Tax Refund."

27 **Arguments For**

28 1) Amendment _ places a reasonable cap on the expansion of state government
29 while providing enough money to restore some of the services that were cut during the
30 recession. Last year, the legislature spent everything it collected rather than saving some
31 money for future recessions and created \$5 million of new fees. Each new fee, which does
32 not require voter approval, increases the amount of money the state can spend in the future.
33 This measure eliminates the incentive Referendum C created to permanently expand
34 government.

1 2) Amendment _ holds the state accountable to the estimates provided to voters.
2 The public debate on Referendum C centered on \$3.7 billion, and some voters may have
3 believed it was the maximum amount of additional money they were allowing the state to
4 spend over the five years between 2006 and 2010. Voters likely did not plan on this
5 estimate increasing 14 percent within six months of the referendum's passage (*The*
6 *numbers in this sentence will change with the next forecast*).

7 3) Rising energy, health care, and other costs are causing hardship for Colorado
8 families. These families know better than government how best to spend their money.
9 This measure offsets some of the increased costs.

10 **Arguments Against**

11 1) Passage of Amendment _ creates another budget crisis. Two years of refunds,
12 or an estimated \$X million, would have to be cut over a period of less than six months
13 from a budget that the legislature has already written according to current law. Many of
14 the services that were restored first and are important to create a healthy business climate,
15 such as adequate funding for higher education and transportation, would likely be targeted.
16 Finally, refunding this money through a separate process in October would be costly. The
17 measure makes no allowance to pay those costs.

18 2) It was clearly presented to voters that they were authorizing an amount that
19 could be higher or lower than the estimated \$3.7 billion. The question on the ballot asked
20 the voters if the state could "retain and spend all state revenues" for five years. The 2005
21 ballot booklet stated that "the exact amount of the spending increase could be higher or
22 lower" than \$3.7 billion. If a recession occurs during the five-year period, the additional
23 spending could still be less than \$3.7 billion.

24 3) The amount of the refund is based on the total number of income tax
25 exemptions, without regard to individual need or changes in energy prices. The legislature
26 increased funding significantly for heating and energy assistance programs during the past
27 legislative session. These need-based programs would actually be put at risk should
28 Amendment _ pass. If they were cut, people who need the most help paying their heating
29 bills would be hurt.

30 **Estimate of Fiscal Impact**

31 Amendment _ is estimated to reduce state spending by \$X over the next five years.
32 The largest reduction will come in 2007, when the state would be required to refund money
33 for both the 2006 and 2007 budget years. Table 3 summarizes the estimated reductions,
34 both in total dollars and as a percentage of the additional money the state is allowed to
35 spend under Referendum C.

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Table 3
Estimated Reduction in State Spending
from Amendment _

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	2006	2007	2008	2009	2010
State Spending Reduction under Amendment _	\$X million	\$X million	\$X million	\$X million	\$X million
Spending Reduction as a Percentage of Additional Referendum C Money	X.X%	X.X%	X.X%	X.X%	X.X%

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The state would incur costs of about \$950,000 annually to make the required refunds. These costs include expenses for personnel, computer reprogramming, postage, and call center support.