

Amendment _
Rebate of Money Above Referendum C Estimates

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

- 2 ♦ caps the amount of money the state is allowed to spend each year under
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 each year,
6 and 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 new money on health care, public
12 education, transportation projects, and local fire and police pensions. Prior to adoption
13 of Referendum 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 through 2010 at the estimates published in the
16 2005 state ballot information booklet. It also lowers the cap on state spending for each
17 year after 2010. Amendment _ requires that money collected above these amounts be
18 refunded annually.

19 In September 2005, the total amount of additional spending for the five years
20 between 2006 and 2010 was estimated at \$3.7 billion. That amount is now estimated at
21 \$4.9 billion. Table 1 shows the two estimates for each year during this time period and
22 estimates for the Amendment _ refund.

1
2
3
4

Table 1
Estimates of Referendum C Spending
and the Total Refund under Amendment _
For Budget Years 2006 through 2010

	2006	2007	2008	2009	2010	Total
Estimates of Referendum C Spending Published in the 2005 Ballot Booklet	\$577 million	\$646 million	\$703 million	\$822 million	\$995 million	\$3.7 billion
Current Estimates of Referendum C Spending	\$1,017 million	\$927 million	\$978 million	\$1,044 million	\$919 million	\$4.9 billion
Estimated Refund under Amendment _	\$440 million	\$281 million	\$275 million	\$222 million	\$0 million	\$1.2 billion

5
6
7
8
9
10
11

The actual amount of Referendum C spending and Amendment _ refunds could be higher or lower than the numbers shown in Table 1, depending on the economy and the amount of money collected. Under Amendment _, if the state collects less than predicted in the 2005 ballot booklet during any year through 2010, total Referendum C spending during the five year period will be less than \$3.7 billion. Because the state develops and publishes estimates of tax revenue four times each year, the numbers shown in Table 1 will change over time.

Who receives a refund under Amendment _ and how is the refund calculated?
Full-time Colorado residents who file an income tax return with the state receive a refund for each person claimed as an exemption on their tax return. Exemptions are typically claimed for each family member. The amount refunded per person is calculated by dividing the total refund by the total number of exemptions claimed. Estimates of this amount through 2010 are shown in Table 2. For example, a married couple with two children would get four times the amount shown in Table 2.

26
27

Table 2
Estimated Refund Per Family Member Under Amendment _

2006	2007	2008	2009	2010	Total
\$112 per family member	\$69 per family member	\$66 per family member	\$52 per family member	\$0 per family member	\$299 per family member

28
29
30

Amendment _ requires the state to mail a separate check containing the refund to each qualifying person. The refund is provided to offset high home energy costs.

1 **Arguments For**

2 1) Amendment _ places a reasonable cap on the expansion of state government
3 while providing enough money to restore some of the services that were cut during the
4 recession. Last year, the legislature failed to create a rainy day fund to help the state
5 through future recessions despite the additional \$1 billion provided by Referendum C. It
6 also created \$5 million of new fees. Each new fee, which does not require voter approval,
7 increases the amount of money the state can spend in the future. Amendment_ reduces the
8 incentive to permanently expand government by creating new fee-funded programs.

9 2) Amendment _ holds the state accountable to the estimates provided to voters.
10 The public debate on Referendum C centered on \$3.7 billion, and some voters may have
11 believed it was the maximum amount of additional money they were allowing the state to
12 spend from 2006 to 2010. Voters likely did not plan on this estimate increasing by \$1.2
13 billion within eight months of the referendum's passage.

14 3) Rising energy costs are causing a hardship for Colorado families. The refunds
15 provided by Amendment _ offset some of the increased costs. Since everyone will receive
16 the same amount, poor families least able to afford rising energy costs will benefit the most
17 from Amendment _ . Regardless of income, however, all families know better than
18 government how best to spend their money.

19 **Arguments Against**

20 1) Passage of Amendment _ creates another budget shortfall. Two years of
21 refunds, or an estimated \$721 million, would have to be cut over a period of less than six
22 months from a budget that the legislature has already written according to current law.
23 Many of the services that were restored first and are important to create a healthy job
24 climate, such as higher education and transportation, would likely be targeted. Programs
25 such as the senior homestead exemption and tourism-promotion funding may also be cut
26 in order to rebate money under Amendment _ . Finally, refunding this money through a
27 separate process in October would cost \$1 million every year. The measure makes no
28 allowance to pay these costs.

29 2) It was clearly presented to voters that they were authorizing an amount of new
30 spending that could be higher or lower than the estimated \$3.7 billion. The question on
31 the ballot asked voters if the state could "retain and spend all state revenues" for five years.
32 The 2005 ballot booklet stated that "the exact amount of the spending increase could be
33 higher or lower" than \$3.7 billion. The additional \$1.2 billion translates to an increase in
34 state spending of just 2.4 percent over five years. If a recession occurs during the five-year
35 period, the additional spending after the Amendment _ refunds have been made could
36 easily end up to be less than \$3.7 billion.

1 3) The Amendment _ refund is not related to home energy costs. The amount of
2 the refund is based on the number of people listed on a tax return, regardless of income or
3 the amount of money spent on home energy. The legislature increased funding
4 significantly for heating and energy assistance programs during the past legislative session.
5 These need-based programs could actually be put at risk should Amendment _ pass. If they
6 are cut, people who need the most help paying their heating bills could be hurt.

7 **Estimate of Fiscal Impact**

8 Amendment _ is estimated to reduce state spending by \$1.2 billion over the next
9 three years. The largest reduction will come in 2007, when the state would be required to
10 refund money for both the 2006 and 2007 budget years. Table 3 summarizes the estimated
11 reductions in total dollars, as a percentage of the additional money the state is allowed to
12 spend under Referendum C, and as a percentage of allowable spending under state limits.

13 **Table 3**
14 **Estimated Impact on State Budget**
15 **from Amendment _**

	Budget Year 2007	Budget Year 2008	Budget Year 2009	Budget Year 2010
16 Spending Reduction 17 under Amendment _	\$721 million	\$275 million	\$222 million	\$0
18 Spending Reduction 19 as a Percentage of 20 Referendum C Money	78%	28%	21%	0%
21 Spending Reduction 22 as a Percentage of 23 Allowable Spending 24 under State Limits	8%	3%	2%	0%

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