



# FINAL FISCAL NOTE

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<b>Drafting Number:</b>	LLS 19-0810	<b>Date:</b>	June 18, 2019
<b>Prime Sponsors:</b>	Rep. Becker; McCluskie	<b>Bill Status:</b>	Referred to Voters
	Sen. Court; Priola	<b>Fiscal Analyst:</b>	Greg Sobetski   303-866-4105 Greg.Sobetski@state.co.us

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<b>Bill Topic:</b>	VOTER APPROVAL RETAIN REVENUE - EDUCATION & TRANSPORTATION
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<b>Summary of Fiscal Impact:</b>	<input checked="" type="checkbox"/> State Revenue <input checked="" type="checkbox"/> State Expenditure <input checked="" type="checkbox"/> State Transfer	<input checked="" type="checkbox"/> TABOR Refund <input type="checkbox"/> Local Government <input type="checkbox"/> Statutory Public Entity
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Beginning in FY 2019-20, this bill permits the state to retain all revenue collected in excess of the state TABOR limit and to spend this revenue for public schools, higher education, and transportation projects. The bill requires approval by voters to become law.

<b>Appropriation Summary:</b>	No appropriation is required.
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<b>Fiscal Note Status:</b>	This fiscal note reflects the bill as approved by the General Assembly and referred to voters at the 2019 statewide election.
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## Summary of Legislation

HB 19-1257 is designated as Proposition CC and referred to voters at the 2019 statewide election. With voter approval, Proposition CC permits the state to retain and spend or save all revenue it collects in FY 2019-20 and subsequent years as a voter-approved revenue change under the TABOR amendment. Revenue retained under Proposition CC is required to be spent for:

- public schools;
- higher education; and
- roads, bridges, and transit.

The Office of the State Auditor is required to contract for an annual financial audit of funds retained and appropriated or transferred under Proposition CC.

**House Bill 19-1258.** If Proposition CC is approved by voters, HB 19-1258 directs allocations of revenue retained under the measure in thirds to public school, higher education, and transportation.

## Background

**TABOR revenue limit.** Article X, Section 20, of the Colorado Constitution (TABOR) limits annual growth in state fiscal year spending, the amount of collected revenue that the state may retain and spend or save each year. Revenue is subject to this TABOR limit unless it satisfies a constitutional exception. The largest exceptions are for federal funds, revenue collected by enterprises, and revenue changes approved by voters.

The TABOR limit is set each year according to inflation, population growth, and voter-approved revenue changes. Under Referendum C, a voter-approved revenue change described below, the TABOR limit equals the amount of revenue collected in FY 2007-08, grown each year by inflation plus population growth. Revenue collected in excess of the TABOR limit (Referendum C cap) is refunded to taxpayers in the following fiscal year.

Additional background information on the TABOR revenue limit is available here: [http://leg.colorado.gov/sites/default/files/the\\_tabor\\_revenue\\_limit.pdf](http://leg.colorado.gov/sites/default/files/the_tabor_revenue_limit.pdf)

**Referendum C.** HB 05-1194 was referred to voters as Referendum C and approved at the 2005 statewide election. As a voter-approved revenue change, Referendum C permitted the state to retain and spend all revenue collected during a "timeout period" between FY 2005-06 and FY 2009-10. Additionally, Referendum C allows the state to retain and spend revenue up to a capped amount determined by the greatest amount of TABOR revenue collected during the timeout period, grown each year by inflation plus population growth. Revenue retained under Referendum C must be spent for health care, education, firefighter and police officer retirement plans, and transportation projects.

## **State Revenue**

**Conservation easement income tax credits.** The bill increases General Fund revenue by an estimated \$3.0 million in future fiscal years when the state would otherwise refund a TABOR surplus under current law. Because a forecast of state revenue subject to TABOR is unavailable beyond FY 2020-21, the timing of the revenue increase is indeterminate.

Under current law, the state income tax credit for donation of a conservation easement becomes partially refundable in tax years when the state refunds a TABOR surplus. Taxpayers claiming a conservation easement credit, or carrying forward credits from prior tax years, receive up to \$50,000 as a refundable credit in these years. Proposition CC eliminates future TABOR refund obligations, eliminating partial refundability of the tax credit and thereby increasing state income tax revenue in future years by an estimated \$3.0 million per tax year.

## **State Transfers**

While this bill does not require any new transfers of state funds, HB 19-1258 requires that one-third of revenue retained under Proposition CC be transferred to the Highway Users Tax Fund (HUTF).

## **State Expenditures**

The bill increases state expenditures for all future years when the state would otherwise be required to issue TABOR refunds. In these years, General Fund obligations for TABOR refunds will be eliminated and state expenditures for P-12 education, higher education, and transportation will correspondingly increase as directed by HB 19-1258.

Under the March 2019 Legislative Council Staff forecast, the state is not expected to collect revenue in excess of the TABOR limit in either FY 2019-20 or FY 2020-21, and Proposition CC is not expected to increase state expenditures in either FY 2020-21 or FY 2021-22. To the extent that state revenue exceeds forecast expectations, Proposition CC may increase state expenditures in these years. Because a forecast of state revenue subject to TABOR is not available beyond FY 2020-21, the impact of Proposition CC on state expenditures beyond FY 2021-22 cannot be estimated.

**Retained revenue.** Proposition CC requires retained revenue to be spent for public schools and higher education, in addition to roads, bridges, and transit. HB 19-1258 requires that two-thirds of revenue retained under Proposition CC be appropriated from the General Fund for education and higher education.

**TABOR refunds.** Proposition CC eliminates the state obligation to refund revenue collected in excess of the TABOR limit for FY 2019-20 and all future fiscal years. No TABOR surplus is currently expected for FY 2019-20 or FY 2020-21. A forecast of state revenue subject to TABOR is not available for fiscal years beyond FY 2020-21. For years when the state would collect a TABOR surplus under current law, the obligation for subsequent TABOR refunds is eliminated.

**Audit.** The bill requires the Office of the State Auditor in the Legislative Branch to contract for an annual financial audit of revenue retained and appropriated or transferred under Proposition CC. Contracting for this audit can be accomplished within existing appropriations for audits under the annual legislative appropriations act.

**Election expenditure impact — existing appropriations.** This bill includes a referred measure that will appear before voters at the November 2019 statewide election. While no additional appropriation is required in this bill, certain election costs are incurred by the state when ballot measures are referred to voters. These costs, paid using existing appropriations, are in two areas. First, current law requires the state to reimburse counties for costs incurred conducting a ballot measure election, paid from the Department of State Cash Fund in the Secretary of State's Office, estimated at \$3.2 million in FY 2019-20. Second, the text and title of the measure must be published in one legal newspaper per county and an analysis of the measure must be included in the Ballot Information Booklet mailed to all registered voter households, paid from the Ballot Analysis Revolving Fund in the Legislative Department, which is estimated to cost \$920,000 in FY 2019-20. Publication costs increase by approximately \$115,000 per measure beyond this base amount for each additional referred or initiated measures placed on the ballot.

### **Effective Date**

The bill was adopted by the General Assembly and referred to voters as Proposition CC. If approved by voters at the 2019 statewide election, the bill takes effect upon proclamation of the Governor, no later than 30 days after the official canvass of the vote is completed.

**State and Local Government Contacts**

Counties  
Higher Education  
Legislative Council Staff Economics Section  
Municipalities  
Revenue  
State  
Transportation

Education  
Information Technology  
Local Affairs  
Personnel  
School Districts  
State Auditor