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SCHEDULE OF COMPUTATIONS REQUIRED UNDER ARTICLE X, SECTION 20, OF THE STATE CONSTITUTION (TABOR)



FEBRUARY 2015

FINANCIAL AUDIT

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DIANNE E. RAY, CPA

STATE AUDITOR

December 12, 2014

Members of the Legislative Audit Committee:

This report contains the results of the financial audit of the Schedule of Computations Required Under Article X, Section 20, of the State Constitution (TABOR) as of June 30, 2014, and the Schedule of TABOR Revenue as of June 30, 2014. The audit was conducted under the authority of Section 24-77-106.5, C.R.S., which requires the State Auditor to conduct an audit of the Schedule of Computations Required Under Article X, Section 20, of the State Constitution (TABOR).

The audited figures for TABOR revenue, TABOR Revenue Limit, TABOR Excess State Revenues Cap, and Revenue Under the Excess State Revenues Cap for Fiscal Year 2014 are as follows:

FISCAL YEAR 2014 TABOR REVENUE		$ 11,691,904,580
(LESS): FISCAL YEAR 2014 TABOR REVENUE LIMIT	$(9,566,585,725)	
(LESS): FISCAL YEAR 2014 EXCESS OF THE TABOR REVENUE LIMIT ALLOWED TO RETAIN AND SPEND	$(2,125,318,855)	
TOTAL FISCAL YEAR 2014 EXCESS STATE REVENUES CAP		(11,852,382,690)
FISCAL YEAR 2014 REVENUE (UNDER) OVER EXCESS STATE REVENUES CAP		$ (160,478,110)

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TABOR
REVENUE

AUTHORITY, PURPOSE, AND SCOPE

This audit was conducted under the authority of Section 24-77-106.5, C.R.S., which requires that the State Auditor conduct an audit of the *Schedule of Computations Required Under Article X, Section 20, of the State Constitution (TABOR)*. The audit was conducted in accordance with generally accepted auditing standards. We performed our audit work during the period July 2014 through December 2014.

The purpose and scope of the audit were to:

- Express an opinion on the Schedule of Computations Required Under Article X, Section 20, of the State Constitution (TABOR) as of June 30, 2014.

- Evaluate compliance with regulatory provisions.

We issued an unqualified opinion on the *Schedule of Computations Required Under Article X, Section 20, of the State Constitution (TABOR)*. In addition, we noted no instances of noncompliance for the fiscal year ended June 30, 2014.

DESCRIPTION AND BACKGROUND

The Taxpayer's Bill of Rights (TABOR) was added as Article X, Section 20 of the Colorado Constitution in the November 1992 general election. TABOR limits increases in the State's revenue to the annual inflation rate plus the percentage change in Colorado's population. The State Controller annually prepares a *Schedule of Computations Required Under Article X, Section 20 of the State Constitution and the Schedule of TABOR Revenue* (collectively called the TABOR financial report). The *Schedule of TABOR Revenue* is audited as a performance audit, and the *Schedule of Computations Required Under Article X, Section 20 of the State Constitution* is audited as part of the annual statewide financial audit.

FISCAL YEAR 2014 TABOR REVENUE

For Fiscal Year 2014, TABOR revenue was $11,691,904,580. The Office of the State Controller (OSC) recorded adjustments subsequent to the issuance of the Schedule of TABOR Revenue audit for the fiscal year ended June 30, 2014, dated September 15, 2014, that increased Fiscal Year 2014 TABOR revenue by $8,774,607. The TABOR Revenue Limit did not change as a result of these adjustments. The following exhibit shows the effect of the adjustments:

CHANGE IN TABOR REVENUE WITH ADJUSTMENTS			
	EXCESS STATE REVENUES CAP	TABOR REVENUE	AMOUNT UNDER EXCESS STATE REVENUES CAP
SCHEDULE OF TABOR REVENUE PERFORMANCE AUDIT FY 2014	$ 11,852,382,690	$ 11,683,129,973	$ 169,252,717
ADJUSTMENTS	$ 0	$ 8,774,607	$ 8,774,607
SCHEDULE OF COMPUTATIONS REQUIRED UNDER TABOR	$ 11,852,382,690	$ 11,691,904,580	$ 160,478,110
SOURCE: Office of the State Auditor's Analysis of the Office of the State Controller's data.			

These adjustments increased TABOR revenue for Fiscal Year 2014 from $11,683,129,973 to $11,691,904,580, and the Excess State Revenues Cap remained at $11,852,382,690.

During Fiscal Year 2005, the General Assembly enacted House Bill 05-1194, which was the enabling legislation for Referendum C. In November 2005, Referendum C was approved by a vote of the people and became effective as of July 1, 2005. Referendum C allowed the State to retain and expend all revenue in excess of the constitutional limit on fiscal year spending for each of the five fiscal years commencing with Fiscal Year 2006, and changed the basis on which TABOR refunds are calculated. Beginning in Fiscal Year 2011, the State is allowed to retain and spend the amount of revenue in excess of the TABOR Revenue Limit and up to the "Excess State Revenues Cap." The "Excess State Revenues Cap" is defined as the highest total state TABOR revenue earned between Fiscal Years 2006 and 2010, adjusted for inflation and population growth for each subsequent year, the qualification/disqualification of enterprises, and debt service changes.

Calculation of the Fiscal Year TABOR Revenue Limit continues to apply, but the new Excess State Revenues Cap replaces it as the limit that triggers taxpayer refunds. The following figures show the TABOR revenue, TABOR Revenue Limit, TABOR Excess State Revenues Cap, and revenue under the Excess State Revenues Cap for Fiscal Year 2014:

FISCAL YEAR 2014 TABOR REVENUE		$ 11,691,904,580
(LESS): FISCAL YEAR 2014 TABOR REVENUE LIMIT	$(9,566,585,725)	
(LESS): FISCAL YEAR 2014 EXCESS OF THE TABOR REVENUE LIMIT ALLOWED TO RETAIN AND SPEND	$(2,125,318,855)	
TOTAL FISCAL YEAR 2014 EXCESS STATE REVENUES CAP		(11,852,382,690)
FISCAL YEAR 2014 REVENUE (UNDER) OVER EXCESS STATE REVENUES CAP		$ (160,478,110)

The effect of Referendum C causes Fiscal Year 2014 revenue to be under the Excess State Revenues Cap by approximately $160 million. Therefore, there is no TABOR refund for Fiscal Year 2014.

REFUNDING

Article X, Section 20(7)(d) of the State Constitution states that, "If revenue from sources not excluded from fiscal year spending exceeds these limits in dollars for that fiscal year, the excess shall be refunded in the next fiscal year unless voters approve a revenue change as an offset." The State is not limited to refunding solely from general funds or ratably from those revenue sources in excess of the limit. Article X, Section 20(1) also states, "...districts may use any reasonable method for refunds under this section, including temporary tax credits or rate reductions. Refunds need not be proportional when prior payments are impractical to identify or return."

Prior to the enactment of Senate Bill 10-212, excess revenue was refunded to the taxpayers through a variety of means. With the enactment of Senate Bill 10-212, three mechanisms for refunding state surplus revenues exist, including one with a threshold amount—the Earned Income Tax Credit. The other two refunding mechanisms in place are the Temporary State Income Tax Rate Reduction and the State Sales Tax Refund. Based on current law, the mechanism used to refund surplus revenues will depend on the amount of the revenues to be refunded. Appendices B1 and B2 provide more detail regarding refunding mechanisms.

REVENUE REDUCTIONS

There were no permanent tax cuts enacted during the 2014 Legislative Session.

In prior years, voters have approved new taxes that are not subject to the provisions of TABOR. The exhibit below shows all voter-approved changes, the year of voter approval, and the related decrease in Fiscal Years 2014 and 2013 revenues subject to TABOR:

IMPACT OF VOTER-APPROVED
REVENUE CHANGES ON TABOR REVENUE

	DECREASE IN TABOR REVENUE	
	FISCAL YEAR 2014	FISCAL YEAR 2013
AMENDMENT 14 (1998)		
Assesses a fee on commercial hog facilities.	$274,023	$273,073
AMENDMENT 20 (2000)		
Assesses an application fee to obtain a Medical Marijuana identification card.	$2,994,712	$3,776,829
AMENDMENT 23 (2000)		
Creates the State Education Fund, which receives all state revenue collected from a tax of 1/3 of 1 percent of federal taxable income as follows:		
Individual income taxes	$421,723,000	$445,704,000
Corporate income taxes	55,303,000	38,852,000
Fiduciary income taxes	1,772,000	1,782,000
Total for Amendment 23	$478,798,000	$486,338,000
AMENDMENT 35 (2004)		
Assesses a statewide tax on cigarette and tobacco products.	$138,937,308	$143,422,695
AMENDMENT 50 (2008)		
Assesses a tax on extended limited gaming.	$9,664,337	$9,591,704
AMENDMENT 64 (2012)		
Assess a tax on Retail Marijuana	$12,042,780	0
TOTAL REDUCTIONS IN TABOR REVENUE	$642,711,160	$643,402,301

SOURCE: Office of the State Auditor's analysis of the Office of the State Controller's data. Amounts do not include transfers, interest, or unrealized gains and losses.

ADJUSTMENTS TO REFUNDS

House Bill 05-1310 requires that in Fiscal Year 2006 and future years, TABOR revenue in excess of the TABOR Revenue Limit be reduced by any amounts overrefunded in the prior year. Any unused amount is to be carried forward and decrease future refund liabilities until the excess is depleted. During our Fiscal Year 2014 audit, no overrefund was identified in the previous Fiscal Years 2006 through 2013 that would affect the TABOR revenue in excess of the Excess State Revenues Cap for Fiscal Year 2014.

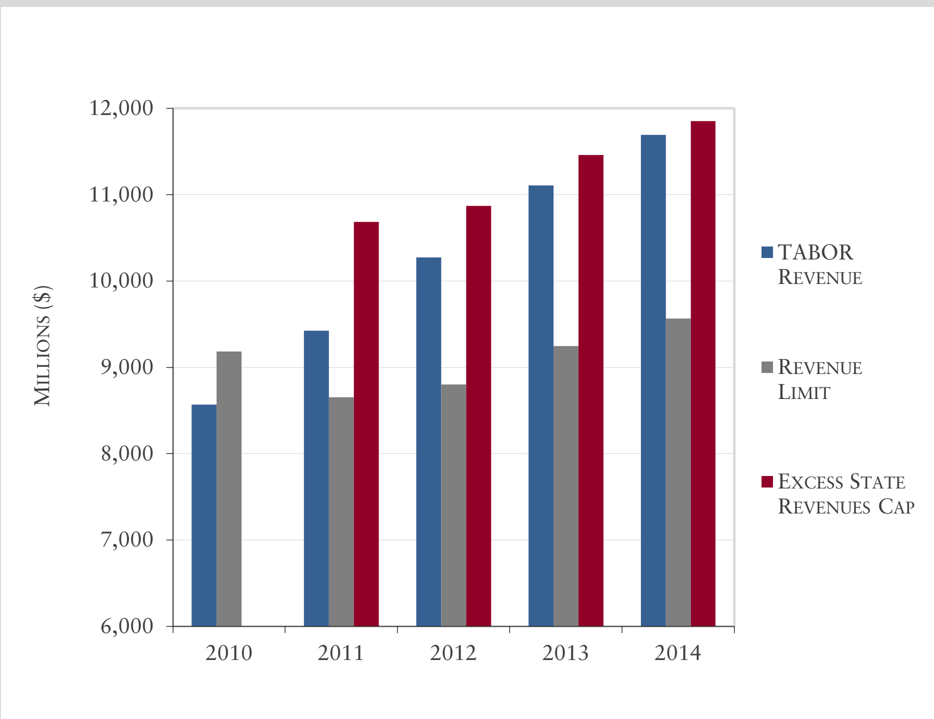
In Fiscal Year 2006, the Office of the State Controller identified and posted prior year adjustments totaling $2,871,444 that increased the Fiscal Year 2005 TABOR refund liability. In Fiscal Year 2008, $28,223 in adjustments was identified that increased the Fiscal Year 2005 TABOR refund liability. In Fiscal Year 2014, there were no adjustments identified that impact prior years' TABOR refund liability. Section 24-77-103.8, C.R.S., states that, "Any amount of state revenues in excess of the limitation on state fiscal year spending for the 2001-02 fiscal year and for every fiscal year thereafter that voters statewide did not authorize the state to retain and spend and that are required to be refunded pursuant to section 20(7)(d) of article X of the state constitution, but that are not refunded by the state as required...shall be added to and refunded with subsequent fiscal years' state revenues in excess of the limitation on state fiscal year spending that are required to be refunded...." Because there has not been a refund year since Fiscal Year 2005, $2,899,667 is being carried forward on the State's financial statements, which will be paid out in the next refund year.

REVENUE LIMIT

Article X, Section 20(7)(a) of the State Constitution requires the TABOR Revenue Limit to be the lesser of the prior fiscal year's actual revenue adjusted for inflation and the change in population, or the prior fiscal year's TABOR Revenue Limit adjusted for inflation and the change in population. We reviewed the State Controller's computations of the Fiscal Year 2014 TABOR Revenue Limit and the Excess State Revenues Cap. The prior year actual revenue with adjustments was $9,566,585,725 while the prior year TABOR Revenue Limit with adjustments was $11,852,382,690. However, under Referendum C the actual limit on Fiscal Year 2014 TABOR Revenue is the Excess State Revenues Cap—$11,852,382,690.

The chart below compares the TABOR Revenue Limit computed each year to the TABOR revenue from Fiscal Year 2010 to Fiscal Year 2014. As of Fiscal Year 2011, both the TABOR Revenue Limit and the Excess State Revenues Cap will be calculated independently. However, the State will be allowed to retain and spend the amount of revenue in excess of the TABOR Revenue Limit and up to the Excess State Revenues Cap as set forth in Referendum C.

STATE OF COLORADO
TABOR REVENUE VS. REVENUE LIMIT
AND THE EXCESS STATE REVENUES CAP



SOURCE: Schedules of Computations Required Under Article X, Section 20 for Fiscal Years 2010-2014. Office of the State Auditor's analysis of the Office of the State Controller's data for Fiscal Year 2014.

SOURCES OF TABOR REVENUE

There are two types of revenue subject to the growth limitations set forth in TABOR — general funds and cash funds. General funds primarily include revenue from the general taxing authority of the State, such as individual and corporate income taxes. Cash funds generally include revenue from fees and other sources that are to be used for specific programs, such as education service fees and fuel/transportation taxes. General funds increased by 5.0 percent in Fiscal Year 2014, while cash funds increased by 6.2 percent in Fiscal Year 2014. Overall, TABOR revenue increased by 5.3 percent in Fiscal Year 2014. The following exhibits show the major sources of revenue in Fiscal Year 2014, with comparative figures for Fiscal Year 2013, separated by general-funded and cash-funded revenue. The Schedule of TABOR Revenue on page 31 combines the general fund, shown on page 9, and cash fund revenue presented on page 10.

STATE OF COLORADO
SOURCES OF TABOR REVENUE
GENERAL FUND REVENUE
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

GENERAL FUND REVENUE	Fiscal Year 2014	Fiscal Year 2013	2013 to 2014 % Change
Individual Income Tax, Net[1]	$5,224,325,302	$5,114,790,948	2.1%
Sales and Use Tax, Net	2,657,616,024	2,454,454,528	8.3%
Corporate Income Tax, Net[1]	665,362,734	597,441,383	11.4%
Insurance Taxes	239,059,118	210,415,209	13.6%
Tobacco Products Tax, Net	53,462,368	53,851,429	-0.7%
Alcoholic Beverages Tax, Net	40,337,006	39,211,611	2.9%
Fiduciary Income Tax, Net[1]	48,323,488	34,002,352	42.1%
Interest and Investment Income	14,925,038	17,188,344	-13.2%
Court and Other Fines	8,129,137	7,566,620	7.4%
Business Licenses and Permits	7,036,456	4,893,664	43.8%
Miscellaneous Revenue	2,333,516	2,665,762	-12.5%
Gaming and Other Taxes	617,384	689,627	-10.5%
General Government Service Fees	493,620	550,608	-10.4%
Other General Revenue[2]	569,714	177,546	220.9%
TOTAL GENERAL FUND REVENUE	$8,962,590,905	$8,537,899,631	5.0%

SOURCE: Office of the State Auditor's analysis of the Office of the State Controller's data.
[1] Net of Amendment 23 transfers, interest, gains and losses, and other financial sources.
[2] Includes Nonbusiness Licenses and Permits, Estate and Inheritance Taxes, Certifications and Inspections, Sales of Products, Child Welfare Service Fees, and Other Charges for Services.

STATE OF COLORADO
SOURCES OF TABOR REVENUE
CASH FUND REVENUE
FOR THE FISCAL YEAR JUNE 30, 2014

CASH FUND REVENUE	Fiscal Year 2014	Fiscal Year 2013	2013 to 2014 % Change
Health Service Fees	$ 633,638,515	$ 718,788,307	-11.8%
Fuel and Transportation Taxes, Net	575,457,506	554,403,825	3.8%
Motor Vehicle Registrations	238,192,200	231,107,330	3.1%
Severance Taxes	260,821,948	131,173,685	98.8%
Court and Other Fines	167,329,876	167,077,383	0.2%
Other Charges For Services	147,522,222	143,590,897	2.7%
Business Licenses and Permits	147,613,626	129,124,669	14.3%
Gaming and Other Taxes	95,824,618	94,897,462	1.0%
Interest and Investment Income	45,061,124	45,790,240	-1.6%
Rents and Royalties	47,512,429	45,411,040	4.6%
Local Governments and Authorities	44,876,434	26,139,529	71.7%
General Government Service Fees	50,906,419	42,415,050	20.0%
Sales and Use Tax, Net	48,420,449	42,825,789	13.1%
Driver's Licenses	29,484,105	32,134,527	-8.2%
Nonbusiness Licenses and Permits	33,442,359	32,232,217	3.8%
Miscellaneous Revenue	30,216,857	27,718,343	9.0%
Certifications and Inspection	21,190,611	20,349,904	4.1%
Employment Taxes	28,634,556	25,723,693	11.3%
Insurance Taxes	17,803,877	22,882,646	-22.2%
Public Safety Service Fees	33,135,910	21,364,943	55.1%
Higher Education Auxiliary Sales and Services	7,500,331	4,512,599	66.2%
Educational Fees	6,825,518	6,129,967	11.3%
Other Program Revenue[1]	3,791,425	3,525,793	7.5%
TOTAL CASH FUND REVENUE EXCLUDING TABOR ENTERPRISE	2,715,202,915	2,569,319,838	5.7%
DISQUALIFICATIONS			
Adams State[2]	14,110,760	-	N/A
QUALIFICATIONS			
Colorado Geological Survey[3]	-	121,424	N/A
TOTAL CASH FUND REVENUE	2,729,313,675	2,569,441,262	6.2%
TOTAL NONEXEMPT REVENUE	$11,691,904,580	$11,107,340,893	5.3%

SOURCE: Office of the State Auditor's analysis of the Office of the State Controller's data.

[1] Includes Sales of Products; Child Welfare Service Fees; Alcoholic Beverage Tax, Net; Other Excise Taxes, Net; Disproportionate Share Providers; and Tobacco Products Tax, Net.

[2] In Fiscal Year 2014, Adams State University did not qualify as a TABOR enterprise for Fiscal Year 2014. Adams State revenues are no longer exempt from the provisions of TABOR. As a result, TABOR revenues increased by $14,110,760.

[3] The Colorado Geological Survey was transferred from the Department of Natural Resources to the Colorado School of Mines on January 31, 2013, and partial year revenues are reflected in the qualification amount. Colorado Geological Survey revenues are exempt from the provisions of TABOR.

AUDITOR'S

REPORT & SCHEDULE OF COMPUTATIONS REQUIRED UNDER ARTICLE X, SECTION 20 OF THE STATE CONSTITUTION (TABOR)

Dianne E. Ray, CPA
State Auditor

December 12, 2014

Independent Auditor's Report

Members of the Legislative Audit Committee:

Report on the Schedule

We have audited the accompanying *Schedule of Computations Required Under Article X, Section 20, of the State Constitution (TABOR)* (Schedule), as of June 30, 2014, and the related notes.

Management's Responsibility for the Schedule

Office of the State Controller is responsible for the preparation and fair presentation of this Schedule in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the Schedule that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on the Schedule based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the Schedule is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the Schedule. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the Schedule, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the Schedule in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the Schedule.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the *Schedule of Computations Required Under Article X, Section 20, of the State Constitution (TABOR)* referred to above presents fairly, in all material respects, the revenues, expenditures, changes in reserves, and spending limitation as determined under Article X, Section 20, of the State Constitution for the year ended June 30, 2014, in accordance with accounting principles generally accepted in the United States of America.

Other Matter

We have audited, in accordance with auditing standards generally accepted in the United States of America, the financial statements of the State of Colorado for the year ended June 30, 2014, and our report thereon dated December 12, 2014, expressed an unmodified opinion on those financial statements.

Report on Other Legal and Regulatory Requirements

Our auditing procedures also included reconciling amounts contained in this Schedule to the State's Comprehensive Annual Financial Report for the year ended June 30, 2014, and testing for irreconcilable conflicts between the State's financial statements and the provisions of TABOR. Additional procedures consisted of evaluating the State of Colorado's compliance with constitutional and statutory provisions of TABOR. Our audit does not provide a legal determination of the State's compliance with specified requirements.

The accompanying Schedule was prepared by the Office of the State Controller pursuant to Section 24-77-106.5, C.R.S., which requires a financial report ascertaining compliance with state fiscal policies relating to Article X, Section 20, of the State Constitution. Article 77 further requires a financial report to be prepared in conformity with generally accepted accounting principles unless an irreconcilable conflict exists between generally accepted accounting principles and TABOR, in which case the provisions of said constitutional provision shall control.

STATE OF COLORADO
SCHEDULE OF COMPUTATIONS REQUIRED
UNDER ARTICLE X, SECTION 20
AS OF JUNE 30, 2014

	FISCAL YEAR 2012-13	FISCAL YEAR 2013-14
COMPUTATION OF NONEXEMPT REVENUES		
Total State Expenditures	$ 37,259,054,162	$ 38,786,499,993
Less Exempt Enterprises Expenses:		
Higher Education Enterprises	7,373,986,683	7,847,346,334
Unemployment Compensation Section	1,057,649,102	760,174,178
College Assist	668,427,892	602,270,498
State Lottery	578,103,343	547,956,437
CollegeInvest	485,898,323	527,016,026
Parks and Wildlife	208,142,861	209,798,705
Correctional Industries	62,520,606	64,207,401
State Nursing Homes	50,074,366	53,951,013
Petroleum Storage Tank Fund	38,787,125	35,765,093
Statewide Transportation Enterprise	4,862,098	22,197,016
Statewide Bridge Enterprise	8,690,299	11,383,446
Clean Screen Authority	5,295,666	5,585,870
Brand Board	4,725,962	4,992,832
Capitol Parking Authority	1,085,175	962,569
Subtotal Enterprise Expenses	10,548,249,501	10,693,607,418
Total District Expenditures	26,710,804,661	28,092,892,575
Less Exempt District Revenues:		
Interfund Transfers	8,287,178,044	7,953,077,495
Federal Funds	6,439,494,941	7,193,469,489
Other Sources and Additions (Note 7)	740,101,340	807,382,278
Voter Approved Revenue Changes (Note 8)	646,836,853	656,638,991
Property Sales	139,918,557	183,650,122
Gifts	70,614,091	127,988,145
Damage Awards	166,655,849	108,447,800
Exempt Investment Income	(43,966,946)	45,650,993
Subtotal Exempt District Revenues	16,446,832,729	17,076,305,313
Nonexempt District Expenditures	10,263,971,932	11,016,587,262
District Reserve/Fund Balance Increase (Decrease)	843,368,961	675,317,318
Total Nonexempt District Revenues	11,107,340,893	11,691,904,580

COMPUTATION OF DISTRICT FUND BALANCE CHANGES		
Beginning District Fund Balance	$ 5,259,747,850	$ 6,122,074,058
Prior Period District Fund Balance Adjustments (Note 12)	13,106,626	(1,720,287)
(Qualification)/Disqualification of Enterprises (Note 15)	5,850,621	48,510,762
District Reserve/Fund Balance Increase (Decrease)	843,368,961	675,317,318
Ending District Fund Balance	$ 6,122,074,058	$ 6,844,181,851

FISCAL YEAR 2013-14 COMPUTATION OF SPENDING LIMITATIONS	FISCAL YEAR SPENDING	EXCESS STATE REVENUES CAP
FY 2012-13 Limit	$ 9,247,466,372	$ 11,460,241,749
Errors in Prior Years (Note 14)		-
Other Agency Prior Year Revenues from Disqualified Enterprises (Note 15)	(138,229)	(138,229)
Other Agency Revenues From Qualification of Enterprises (Note 15)	106,897	106,897
Qualification of Enterprises (Note 15)	(121,424)	(121,424)
FY 2012-13 Adjusted Limit	$ 9,247,313,616	$ 11,460,088,993
Allowable TABOR Growth Rate (Note 13)	3.3%	3.3%
FY 2013-14 Unadjusted Limit	$ 9,552,474,965	$ 11,838,271,930
Disqualification of Enterprises (Note 15)	14,110,760	14,110,760
FY 2013-14 Adjustments	-	-
FY 2013-14 Adjusted Limit	9,566,585,725	11,852,382,690
Less Fiscal Year 2013-14 Nonexempt District Revenues	(11,691,904,580)	(11,691,904,580)
Amount (Over)Under Adjusted Limit	$ (2,125,318,855)	$ 160,478,110

Under(Over) Statement of Prior Years' Refunds Carried Forward to Next Refund Year	$ 2,899,667
FY2004-05 Amount in Excess of the Limit - Not Refunded at June 30, 2014	$ 705,716
FY2013-14 Retention of Revenues in Excess of the Limit (not refundable) CRS 24-77-103.6(1)(b)	$ 2,125,318,855

NOTES TO THE TABOR SCHEDULE OF REQUIRED COMPUTATIONS

NOTE 1. PURPOSE OF THE SCHEDULE OF REQUIRED COMPUTATIONS

The purpose of the Schedule of Required Computations is to determine and document compliance with Title 24 Article 77 of the Colorado Revised Statutes, which is the implementing statute for Article X Section 20 of the State Constitution (TABOR). The report is required to include at a minimum State fiscal year spending, reserves, revenues, and debt. The schedule also includes a calculation of the limit on fiscal year spending, a calculation of the excess State revenues cap under Referendum C (see Note 9), and the amount required to be refunded or the amount of excess revenue retained by law, as well as all related adjustments.

TABOR has many provisions including a requirement for a vote of the people for new taxes or tax rate increases and a limit on the amount of fiscal year spending. Fiscal year spending is defined as District expenditures and reserve increases except those expended from exempt sources, such as, gifts, federal funds, damage awards, property sales, reserves, and other items. This definition, while focused on spending is essentially a limitation on revenue retention because reserve increases are unspent revenues. Therefore, the terms fiscal year spending and nonexempt revenue are used interchangeably throughout these notes.

The limit on revenue retention is based on an allowable growth percentage (see Note 12) applied to the lesser of the prior year's revenues or the prior year's limit. Revenues in excess of the limit are required to be refunded to taxpayers unless voters approve retention of the excess. In the 2005 general election, voters approved Referendum C, which allowed the State to retain revenues in excess of the limit for a five-year period. Beginning in Fiscal Year 2010-11, under Referendum C provisions, revenues are refunded only when they exceed the excess State revenues cap (see Note 9).

NOTE 2. BASIS OF ACCOUNTING

Pursuant to Article 77 of Title 24, Colorado Revised Statutes, this report is prepared in accordance with generally accepted accounting principles (GAAP) for governmental entities except where an irreconcilable difference exists between GAAP, and State statute or the provisions of Article X Section 20 of the State Constitution (TABOR).

The accounting principles used by the State are more fully described in the State's Comprehensive Annual Financial Report available from the Office of the State Controller.

NOTE 3. DEFINITION OF THE DISTRICT

TABOR defines the District as "the State or any local government, excluding enterprises." It further defines enterprise as "a government-owned business authorized to issue its own revenue bonds and receiving under 10 percent of annual revenue in grants from all Colorado state and local governments combined."

The General Assembly, for the purpose of implementing TABOR, stated in C.R.S. 24-77-102(16) (a) that "State" means the central civil government of the State of Colorado, which consists of the following:

(I) the legislative, executive, and judicial branches of government established by Article III of the State Constitution;

(II) all organs of the branches of government specified in subparagraph (I) of paragraph (a) of this subsection (16), including the departments of the executive branch; the legislative houses and agencies; and the appellate and trial courts and court personnel; and

(III) State institutions of higher education.

(b) "State" does not include:

(I) any enterprise;

(II) an institution or group of institutions of higher education that has been designated as an enterprise;

(III) any special purpose authority;

(IV) any organization declared to be a joint governmental entity.

The General Assembly has designated the following as enterprises excluded from the District:

- State Lottery,
- College Assist,
- CollegeInvest,
- Division of Parks and Wildlife,
- State Nursing Homes,
- Division of Correctional Industries,
- Petroleum Storage Tank Fund,
- State Fair Authority,
- Division of Brand Inspection,
- Clean Screen Authority,
- Capitol Parking Authority,
- Statewide Transportation Enterprise,
- Statewide Bridge Enterprise,
- Unemployment Insurance Enterprise.

It further established a statutory mechanism that allows governing boards of the institutions of higher education to designate certain auxiliary operations as enterprises, which are also exempt from TABOR. Senate Bill 189 enacted in the 2004 legislative session expanded the authority for each governing board of the State institutions of higher education to designate the entire institution as a TABOR exempt enterprise. The Board of Regents of the University of Colorado designated the entire University of Colorado as an enterprise during Fiscal Year 2004-05, and the remaining boards designated their institution as enterprises in Fiscal Year 2005-06. The Auraria Higher Education Center Board of Directors did not designate all of its activities as a TABOR enterprise, but it continues to have selected activities designated as a TABOR enterprise.

Although the General Assembly and governing boards have designated certain enterprises as exempt from TABOR, those enterprises must continue to meet the criteria of a government-owned business authorized to issue its own revenue bonds and annually receiving less than 10 percent of its revenue in grants from all Colorado state and local governments combined. The State Fair Authority remained disqualified for Fiscal Year 2013-14.

NOTE 4. DEBT

Certificates of Participation, which are used by the State for long-term lease purchases, are not considered debt of the State for purposes of this report as provided by C.R.S. 24-30-202(5.5).

In interrogatories submitted by the General Assembly regarding House Bill 99-1325, the Colorado Supreme Court ruled that Transportation Revenue Anticipation Notes (TRANS) issued by the Colorado Department of Transportation do not constitute debt of the State as defined in Article XI Section 3 of the State Constitution. However, the Supreme Court ruled that the TRANS are a multiple-fiscal year obligation as defined by Article X Section 20 of the State Constitution, thus requiring an approving election before issuance. In November 1999 the voters approved the issuance of $1.7 billion of TRANS.

NOTE 5. EMERGENCY RESERVES

TABOR requires the reservation, for declared emergencies, of 3 percent or more of fiscal year spending, excluding bonded debt service payments. This requirement for FY 2013-14 totals $350,757,137. At June 30, 2014, the net assets of the following funds were designated as the reserve, up to the limits set in the Long Appropriations Act:

- Major Medical Fund – $83,000,000.
- Wildlife Cash Fund – $34,000,000.
- Perpetual base account of the Severance Tax Fund – $33,000,000. The $33,000,000 designation was reduced by $2,500,000 since that amount was transferred out of the TABOR emergency reserve to the Disaster Emergency Fund per the Governor's Executive Orders to pay the cost of fighting fires in the State.

- Colorado Water Conservation Board Construction Fund – $33,000,000.
- Controlled Maintenance Trust Fund – $48,000,000. In addition to this amount, $9,500,000 of the Fiscal Year 2012-13 designation was carried forward into Fiscal Year 2013-14. The adjusted $57,500,000 designation by the Legislature has been reduced by $50,850,000 since that amount was transferred out of the TABOR emergency reserve to the Disaster Emergency Fund per the Governor's Executive Orders to pay the cost of fighting wildfires and recovering from the floods within the State.
- Unclaimed Property Tourism Promotion Trust Fund - $5,000,000.

The 2013 legislative session Long Appropriations Act designated up to $93,600,000 of State properties as the remainder of the Fiscal Year 2013-14 emergency reserve. The estimate of the needed reserve was based on the December 2013 revenue estimate prepared by Legislative Council. Because the revenues subject to the TABOR reserve requirement were more than estimated, the amount designated for the reserve was $21,157,137 less than required by the State Constitution. There is no process by which the General Assembly can adjust the designated reserve after the end of the legislative session when the total TABOR revenues are finally known. In the event of an emergency that exceeded the financial assets in the reserve, the designated Wildlife Cash Fund capital assets and general capital assets would have had to be liquidated to meet the constitutional requirement.

NOTE 6. STATUS OF REFUNDING

When refunds are required they are distributed to individual State taxpayers based on a statutory mechanism as discussed in Note 16. The Department of Revenue makes the distributions of the TABOR refund through the income tax refund process using estimates of the number of taxpayers expected to qualify for the TABOR refund. Because the exact number of qualifying taxpayers cannot be known in advance, the estimates may result in over or under distribution of the required refund throughout the four-year period allowed for amended tax returns.

As required by statute, under-distributions of refunds are carried forward to subsequent years and added to the required refund. Over-distributions of refunds are also carried forward to subsequent years and are used to offset any future refund liability. The statute requires the over/under refund carry forward to be applied in the year following the year in which the refund is required to be made, which results in a two year lag between the recording of the excess revenue and the adjustment for over or under refunds of those excess revenues.

At the beginning of Fiscal Year 2013-14 the State had an outstanding TABOR refund liability of $705,716 related to Fiscal Year 2004-05 nonexempt revenues in excess of the limit. Because of late filed and amended tax returns, the State may continue to adjust the outstanding unrefunded balance for up to four years after the excess revenues are recorded. At the end of Fiscal Year 2013-14, the same $705,716 liability remained to be refunded. Since Referendum C precluded refunds through Fiscal Year 2009-10, and the State has not exceeded the excess State revenues cap in Fiscal Years 2010-11, 2011-12, 2012-13, or 2013-14, the unrefunded balance is being carried forward on the Schedule of Required Computations and will be added to the next refund that is required by Referendum C, TABOR, and the related implementing statutes.

NOTE 7. OTHER SOURCES AND ADDITIONS

The $807.4 million reported in this line item primarily comprises: $342.2 million of pension and other employee benefit trust fund investment earnings and additions by participants; $214.7 million of Certificate of Participation (COPs) proceeds, $236.0 million of permanent and trust fund additions, reimbursements of prior year expenditures, reversions, and other miscellaneous exempt revenues; and $14.4 million of local government expenditures recorded by the State as revenues and expenditures to meet grant matching-funds requirements.

NOTE 8. VOTER APPROVED REVENUE CHANGES

When State voters approve a revenue change, the resulting revenues are exempt from the TABOR limit on fiscal year spending. The following revenue changes were approved by voters:

- In the 1998 general election, voters approved a citizen-initiated law, C.R.S. 25-8-501.1 – Regulation of Commercial Hog Facilities, which instituted a permit fee. The State collected $274,023 and $273,073 from this exempt source in Fiscal Years 2013-14 and 2012-13, respectively.
- In the 2000 general election, voters approved a citizen-initiated amendment that added Section 14 to Article XVIII of the State Constitution. This amendment allowed the use of marijuana for medical purposes and authorized the Department of Public Health and Environment to charge a fee for the issuance of a permit for such purpose. The State recorded $3,174,259 and $3,770,714 including interest and unrealized gains/losses from this revenue source in Fiscal Years 2013-14 and 2012-13, respectively.
- In the 2000 general election, voters approved a citizen-initiated amendment that added Section 17 to Article IX of the State Constitution. This amendment

created the State Education Fund and diverted the revenues from a tax of one-third of one percent on taxable income of individuals, corporations, estates, and trusts from the General Fund to the State Education Fund. It also exempted the revenue from TABOR. The amendment was effective January 1, 2001, and resulted in $490,420,006 and $487,610,257 of tax revenues, interest, and unrealized gains/losses, being excluded from fiscal year spending in Fiscal Years 2013-14 and 2012-13, respectively.

- In the 2004 general election, voters approved a citizen-initiated amendment that added Section 21 to Article X of the State Constitution. The amendment authorized additional cigarette and tobacco taxes (3.2 cents per cigarette and 20 percent of manufacturer's list price for other tobacco products) effective January 1, 2005. The amendment specified the use of the tax revenue generated for specific health related programs, and it exempted the revenue from the TABOR limitations. The State recorded $141,063,587 and $145,591,105 of tax revenues, interest, transfers, and unrealized gains/losses from this exempt source in Fiscal Year 2013-14 and 2012-13, respectively.
- In the 2005 general election, Colorado voters approved Referendum C – a measure referred to the voters by the Legislature. The referendum allowed the State to retain revenues in excess of the TABOR limit for a period of five years, and it stated that the excess revenue retained qualified as a voter approved revenue change. However, in order to determine the amount retained, the Schedule of Required Computations includes the retained amount as nonexempt revenue. Therefore, the retained amount is not reported in this note as a voter approved revenue change (see Note 9).
- In the 2008 general election, voters approved an amendment required to implement locally approved changes to the parameters for Limited Gaming under Section 9(7) of Article XVIII of the Colorado Constitution. This amendment allowed the residents of Central City, Black Hawk, and Cripple Creek to vote to extend casino hours, approve additional games and increase the maximum single bet limit. It required distribution of most of the gaming tax revenue that resulted from the new gaming limits to Colorado community colleges and to gaming cities and counties, and it exempted the new revenue from state and local revenue and spending limits. The State collected $9,664,337 and $9,591,704 of extended limited gaming revenue in Fiscal Year 2013-14 and 2012-13, respectively.
- In the 2013 general election, Colorado voters approved Proposition AA, a measure referred to the voters by the Legislature. The proposition authorized a 15 percent state excise tax on the

average wholesale price of retail marijuana, and, in addition to the existing 2.9 percent state sales tax, an additional 10 percent state sales tax on retail marijuana and retail marijuana products, effective January 1, 2014. The amendment specified the use of the excise tax revenue generated for public school construction (for the first $40.0 million collected) with any additional excise revenue generated to be used for marijuana regulation.

For the additional state sales tax, 15 percent of the revenues generated will be allocated to the cities and counties that allow retail marijuana sales to consumers. The measure was silent as to the use of the revenue by cities and counties. In addition, the remaining amount of sales tax revenue generated will be used for health, public safety, and education costs, in addition to funding the regulatory structure. The excise tax and additional sales tax revenue are exempted from the TABOR limitations.

The State recorded $3,016,026 in state excise tax and $9,026,754 of additional state sales tax revenues from these exempt sources in Fiscal Year 2013-14.

NOTE 9. REFERENDUM C

Referendum C was placed on the ballot by the General Assembly and was approved by the voters in the November 2005 election. It contained the following provisions:

- The State was authorized to retain and spend all revenues in excess of the limit on fiscal year spending after July 1, 2005, and before July 1, 2010 (five fiscal years). The authorization constituted a voter approved revenue change.
- After July 1, 2010, the State is allowed to retain revenues in excess of the limit on fiscal year spending up to a newly defined excess State revenues cap (ESRC). The excess State revenues cap is the highest population and inflation-adjusted nonexempt revenue amount in the period from July 1, 2005, to June 30, 2010, also adjusted for qualification and disqualification of enterprises. This provision effectively disabled the ratchet down provision of TABOR during the five-year period. (The ratchet down is a term used to describe the TABOR provision that requires each year's base for calculating the limit to be the lesser of the prior year's revenues or the prior year's limit.)
- A General Fund Exempt Account was created within the General Fund to consist of the retained revenues for each fiscal year of the retention period. The Legislature shall appropriate the moneys in the account for health care, education (including related capital projects), firefighter and police pension funding (for local governments), and strategic transportation projects.

- The Director of Research of the Legislative Council is required to report the amount of revenues retained with a description of how the retained revenues were expended.
- The State Controller's annual report demonstrating compliance with the statutes implementing TABOR is required to include the amount of revenues that the State is authorized to retain and expend.

With the end of the Referendum C five-year excess revenue retention period, the State was subject to an ESRC starting in Fiscal Year 2010-11. Calculation of the original TABOR limit continues to apply, but the ESRC replaces the previous TABOR limit for triggering taxpayer refunds.

Since the inception of Referendum C in Fiscal Year 2005-06 the State has retained $9,822,797,388; $3,593,602,662 during the initial five-year revenue retention period, and an additional $6,229,194,726 as a result of the ESRC limit exceeding the Fiscal Year Spending limit in Fiscal Years 2010-11, 2011-12, 2012-13, and 2013-2014.

NOTE 10. TABOR ELECTION PROVISIONS

Article X Section 20 of the State Constitution (TABOR) provides that if the first year of a tax increase exceeds the Blue Book estimate for those taxes, the State must refund the combined excess of tax revenues generated. Any excess must be refunded to the taxpayers in the next fiscal year, unless the State receives voter approval to keep the revenue.

A legal analysis by the Office of Legislative Legal Services has concluded that the provisions of TABOR indicate a refund must occur if revenue subject to TABOR that is collected by the State in Fiscal Year 2014-15 exceeds the estimate of $12.08 billion that was shown in the Blue Book analysis of Proposition AA. Any refund associated with the estimates for Proposition AA should not exceed the actual amount of new marijuana tax collected.

Although it is not expected that the retail marijuana excise and sales taxes collected in Fiscal Year 2014-15 will be more than the Blue Book estimate for those taxes, it is expected that the revenue subject to TABOR may be over the Blue Book estimate. The estimated amount to be refunded to the taxpayers in Fiscal Year 2015-16 related to Proposion AA (retail marijuana taxes) is approximately $30.5 million.

NOTE 11. DISTRICT RESERVES

District reserves are the cumulative fund balances of the State reported in the State's Comprehensive Annual Financial Report at the fund level rather than the government-wide level. District reserves therefore exclude capital assets, liabilities that are not recorded in governmental funds at the fund level (primarily long-term liabilities), as well as net assets of the TABOR enterprises. The majority of these funds include balances not available for general appropriation due to legal and contractual restrictions.

NOTE 12. PRIOR PERIOD DISTRICT FUND BALANCE ADJUSTMENTS

Total Prior Period District Fund Balance Adjustments decreased the TABOR District fund balances in total by $1,720,287.

A. PRIOR PERIOD ADJUSTMENTS

The prior period adjustments of fund balance reported in the State's Comprehensive Annual Financial Report increased the TABOR District fund balances by $1,433,302 as follows:

- The Department of Personnel and Administration increased the District's beginning net assets by $1,433,302 when Central Services Internal Services Fund failed to record accumulated depreciation related to its fleet management activities in prior years.

B. ACCOUNTING CHANGES

As reported in the State's Comprehensive Annual Financial Report, during Fiscal Year 2013-14, the State implemented GASB Statement No. 65 - **ITEMS PREVIOUSLY REPORTED AS ASSETS AND LIABILITIES.** As a result of this implementation, the beginning net assets of the District were decreased by $3,153,589 in the reclassification of deferred debt issuance costs (decrease to beginning net assets in the amount of $4,004,272) and the reclassification of long-term loans receivable for loan commitment fee (increase to beginning net assets in the amount of $850,683).

NOTE 13. SOURCES OF TABOR GROWTH LIMIT

The allowable percentage increase in State fiscal year spending equals the sum of inflation and the percentage change in State population in the calendar year ending six months prior to the start of the fiscal year. Inflation is defined in C.R.S. 24-77-102(8) as "the percentage change in the consumer price index for the Denver-Boulder Consolidated Metropolitan Statistical Area For All Urban Consumers, All Goods, as published by the U.S. Department of Labor."

The 3.3 percent allowable growth rate comprises a 1.9 percent increase for population growth (census date population for 2012 compared to census date population for 2011) and a 1.4 percent increase for inflation.

NOTE 14. SPENDING LIMIT ADJUSTMENTS

With the addition of the excess State revenue cap calculation, adjustments may impact Fiscal Year Spending, the ESRC, or both.

In Fiscal Year 2013-14, there were no adjustments to either fiscal year spending or the excess State revenues cap (ESRC) before the application of the 3.3 allowable growth rate.

NOTE 15. ENTERPRISE QUALIFICATION AND DISQUALIFICATION

The TABOR amendment to the State Constitution specifies that qualification and disqualification of enterprises shall change the District base. In order to ensure comparability between the base and current year nonexempt revenue, when an activity qualifies as an enterprise the base is reduced by the activity's prior year nonexempt revenue offset by revenue that would have been counted as nonexempt due to the activity's interaction with other State agencies. When a TABOR enterprise becomes disqualified, its current year nonexempt revenue is added to the base after application of the population and inflation growth adjustment and its prior year payments to other State agencies are removed from the base (before application of the allowable growth rate).

During Fiscal Year 2013-14, a portion of Adams State University's activities was disqualified as a TABOR enterprise. Because of this, the following adjustments have been made:

- The Fiscal Year 2013-14 unadjusted fiscal year spending limit and the unadjusted excess State revenues cap were decreased by $138,229 to remove Fiscal Year 2012-13 nonexempt revenue recorded by State agencies that received payments from Adams State University. This adjustment is necessary so that the revenue counted in the Fiscal Year 2012-13 fiscal year spending limit is comparable to the Fiscal Year 2013-14 nonexempt district revenues. Because Adams State University is not a fully qualified enterprise in Fiscal Year 2013-14, payments received from the disqualified activities are internal to the State's TABOR district, and therefore, not counted against the Fiscal Year 2013-14 fiscal year spending limit. This adjustment removed from the base the comparable revenues received by State agencies in Fiscal Year 2012-13 and is shown on the Other Agency Prior Year Revenues from Disqualified Enterprises line.
- The Fiscal Year 2012-13 unadjusted fiscal year spending limit and the unadjusted excess State revenues cap was increased by $14,110,760 in order to make the disqualification of the

portion of Adams State University's disqualified activities neutral in regard to measuring excess fiscal year spending. Since the program was counted as a TABOR exempt enterprise in Fiscal Year 2012-13, the revenues were not counted in the prior fiscal year and were not reflected in the base (prior to this adjustment). For Fiscal Year 2013-14, the revenues are counted, since this portion of Adams State University is part of the District. In order for the two years to be comparable, a portion of revenues for Adams State University for Fiscal Year 2013-14 have been added to the unadjusted fiscal year spending limit and are shown on the Disqualification of Enterprises line.

On January 31, 2013, the Colorado Geological Survey was transferred from the Department of Natural Resources to the Colorado School of Mines, a TABOR enterprise. With this transfer, the Colorado Geological Survey is a qualified TABOR enterprise. Due to this transfer, the following adjustment has been made:

- The Qualification of Enterprises line, and the Other Agency Revenues From Qualification of Enterprises line in the Fiscal Year 2013-14 Computation of Spending Limitations section of the report show ($121,424) and $106,897 respectively, which are both related to the transfer of the Colorado Geological Survey. Because the transfer was made mid-year in Fiscal Year 2013, a portion of the transfer was reflected in the Fiscal Year 2013 report, with the remainder being reflected in the current report.

The Qualification/Disqualification of Enterprises line in the Computation of District Fund Balance Changes section on the Schedule of Required Computations shows a net increase in fund balance of $48,510,762, which was related to the disqualification of some of Adams State University's activities. Since the transfer of Colorado Geological Survey occurred mid-year in Fiscal Year 2012-13, the entire fund balance adjustment has already been reflected in the Fiscal Year 2012-13 report.

NOTE 16. TREATMENT OF AMOUNTS HELD FOR FUTURE REFUND

CRS 24-77-103.5 requires that errors in the amount to be refunded be corrected in the year that they are discovered. In Fiscal Year 2013-14, no errors were identified that affected the prior year TABOR refunds that are being carried forward under Referendum C. The $2,899,667 of net understatement of prior year refunds will be refunded in the first fiscal year in which the State is required to distribute a TABOR refund. The unrefunded amount of $705,716 from Fiscal Year 2004-05 will also be refunded at that time.

NOTE 17. FUTURE REFUNDS

In the 2010 legislative session, Senate Bill 212 removed all prior alternative mechanisms for refunding TABOR revenues in excess of the fiscal year spending limit except for the earned income tax credit refund mechanism. Also passed in the 2010 session, House Bill 10-1002 created a temporary income tax rate reduction, applicable beginning in Fiscal Year 2010-11, as an additional refunding mechanism. The Department of Revenue reported that after the adjustment for personal income the earned income tax credit mechanism will be applied when the refund exceeds $94.5 million.

After application of the temporary income tax rate reduction from 4.63 percent to 4.50 percent and the earned income tax credit mechanism, any remaining amount is distributed to all full-year Colorado residents 18 years and older as a refund of sales taxes. When the refund is estimated to be under $15 for each qualified taxpayer, an identical amount is refunded to each qualified taxpayer. When the sales tax refund is estimated to be over $15 for each qualified taxpayer, a fixed amount is set for each of six tiers of federal adjusted gross income. The Department of Revenue calculates the amount of the individual refund for each tier as a statutory percentage of the total sales tax refund divided by the number of anticipated taxpayers in each tier.

Due to total nonexempt district revenues falling below the excess State revenues cap, there was no refund required for Fiscal Year 2013-14, and therefore, none of the refund mechanisms discussed above were active in Fiscal Year 2013-14.

SCHEDULE

OF TABOR REVENUE

STATE OF COLORADO
SCHEDULE OF TABOR REVENUE
GENERAL AND CASH FUNDS COMBINED
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

	Fiscal Year 2013-14	Fiscal Year 2012-13	Increase (Decrease)	2013 to 2014 % Change
Individual Income Taxes, Net	$ 5,224,325,302	$ 5,114,790,948	$ 109,534,354	2.1%
Corporate Income Taxes, Net	665,362,734	597,441,383	67,921,351	11.4%
Fiduciary Income Taxes, Net	48,323,488	34,002,352	14,321,136	42.1%
TOTAL INCOME TAX	5,938,011,524	5,746,234,683	191,776,841	3.3%
Sales Tax, Net	2,464,772,521	2,254,552,532	210,219,989	9.3%
Use Tax, Net	241,263,952	242,727,785	(1,463,833)	-0.6%
Tobacco Products Tax, Net	53,462,748	53,851,890	(389,142)	-0.7%
Alcoholic Beverages Tax, Net	41,045,233	39,903,741	1,141,492	2.9%
Other Excise Taxes, Net	322,126	204,064	118,062	57.9%
TOTAL EXCISE TAX	2,800,866,580	2,591,240,012	209,626,568	8.1%
Fuel and Transportation Taxes, Net	575,457,506	554,403,825	21,053,681	3.8%
Insurance Taxes	256,862,995	233,297,855	23,565,140	10.1%
Severance Taxes	260,821,948	131,173,685	129,648,263	98.8%
Gaming and Other Taxes	96,442,002	95,587,089	854,913	0.9%
Employment Taxes	28,634,556	25,723,693	2,910,863	11.3%
Estate and Inheritance Taxes	434,103	13,596	420,507	3092.9%
TOTAL OTHER TAXES	1,218,653,110	1,040,199,743	178,453,367	17.2%
Health Service Fees	633,638,515	718,788,307	(85,149,792)	-11.8%
Motor Vehicle Registrations	238,192,200	231,107,330	7,084,870	3.1%
Other Charges for Services	147,541,147	143,661,740	3,879,407	2.7%
Business Licenses and Permits	154,650,082	133,963,819	20,686,263	15.4%
General Government Service Fees	51,400,039	42,965,658	8,434,381	19.6%
Driver's Licenses	29,484,105	32,134,527	(2,650,422)	-8.2%
Nonbusiness Licenses and Permits	33,546,479	32,346,417	1,200,062	3.7%
Certifications and Inspections	21,203,097	20,370,696	832,401	4.1%
Public Safety Service Fees	33,135,910	21,364,943	11,770,967	55.1%
Educational Fees	6,825,518	6,129,967	695,551	11.3%
Welfare Service Fees	810,736	893,211	(82,475)	-9.2%
TOTAL LICENSES, PERMITS, AND FEES	1,350,427,828	1,383,726,615	(33,298,787)	-2.4%
Court and Other Fines	175,459,013	174,644,003	815,010	0.5%
Interest and Investment Income	59,986,162	62,978,584	(2,992,422)	-4.8%
Rents and Royalties	47,512,429	45,411,040	2,101,389	4.6%
Local Governments and Authorities	44,876,434	26,139,529	18,736,905	71.7%
Miscellaneous Revenue	32,550,380	30,384,105	2,166,275	7.1%
Higher Education Auxiliary Sales and Services	7,500,331	4,512,599	2,987,732	66.2%
Sales of Products	1,950,029	1,748,556	201,473	11.5%
TOTAL OTHER REVENUE	369,834,778	345,818,416	24,016,362	6.9%
SUBTOTAL TABOR REVENUE BEFORE DISQUALIFICATION/QUALIFICATION OF TABOR ENTERPRISES	11,677,793,820	11,107,219,469	570,574,351	5.1%
Disqualification of TABOR Enterprises	14,110,760		14,110,760	N/A
Qualification of TABOR Enterprises		121,424	(121,424)	N/A
TOTAL QUAL/DISQUAL OF TABOR ENTERPRISES	14,110,760	121,424	13,989,336	N/A
TOTAL TABOR REVENUE	$ 11,691,904,580	$ 11,107,340,893	$ 584,563,687	5.3%

SOURCE: Office of the State Auditor's analysis of the Office of the State Controller's data.

APPENDIX A

DESCRIPTION OF REVENUE CATEGORIES

The revenue categories described in Appendix A correspond to the categories presented on the Schedule of TABOR Revenue – page 31.

INCOME TAX

Individual Income Tax, Net

Taxes paid on wages, unearned income, and other income of individuals, net of refunds on property tax credits, income tax intercepts (e.g., IRS and child support), tax checkoffs, and Amendment 23 transfers to the State Education Fund.

Corporate Income Tax, Net

Taxes based on the net profits of corporations net of Amendment 23 transfers to the State Education Fund.

Fiduciary Income Tax, Net

Taxes on trust and estate income net of Amendment 23 transfers to the State Education Fund.

EXCISE TAX

Sales Tax, Net

Taxes collected by retailers on consumer purchases of tangible personal property net of refunds.

Use Tax, Net

Taxes remitted by the end consumer of tangible personal property purchased at retail prices net of refunds.

Tobacco Products Tax, Net

Taxes on the sale, use, consumption, handling, or distribution of tobacco products net of refunds.

Alcoholic Beverages Tax, Net

Taxes collected from retailers who sell alcohol products net of refunds.

Other Excise Taxes, Net

Taxes for occupational license renewals and certain penalties net of refunds.

OTHER TAXES

Fuel and Transportation Taxes, Net

Gross ton mileage tax on motor carriers and taxes on diesel, gasoline, aviation jet fuel, aviation gasoline, and other fuels net of refunds.

Insurance Taxes, Net

Taxes on insurance premiums collected by insurance companies net of refunds.

Severance Taxes, Net

Mineral extraction taxes, net of refunds on coal, oil and gas, molybdenum, and metallic minerals net of refunds.

Gaming and Other Taxes, Net

Taxes on gaming facilities based on percentages of income net of refunds.

Employment Taxes, Net

Employment insurance paid by employers for funding unemployment benefits net of refunds.

Estate and Inheritance Taxes, Net

Taxes collected on the assets of estates net of refunds.

LICENSES, PERMITS, AND FEES

Health Service Fees

Hospital Provider Fees and other fees collected other for health services including laboratory test fees, genetic testing, vital records fees, and children's health plan premiums.

Motor Vehicle Registrations

Collection of fees for license plates, tags, and registrations.

Business Licenses and Permits

Licenses and permits for special functions of a business (e.g., alcoholic beverage licenses, tobacco products licenses, business registrations, health licenses, child care licenses, and waste management permits).

Other Charges for Services

Various fees, the majority of which are collected by Public Utilities Commission, the Division of Banking, and the Oil and Gas Conservation Fund, which are used to ensure compliance with applicable regulations.

General Government Service Fees

Service charges by various agencies to the public (e.g., filing fees charged by the Department of State, charges by the Motor Vehicle Division for driving record inquiries, and certain fees charged by the Department of Agriculture and Department of Natural Resources).

Public Safety Service Fees

Fees for firefighter response, fire service education and training, search and rescue fund fees.

Nonbusiness Licenses and Permits

Environmental response surcharges, park passes, motorcycle operator safety training, waste tire recycling, etc.

Driver's Licenses

Fees for driver's licenses and ID cards.

Certifications and Inspections

Emission inspection stickers, emission registration, emission inspection station licenses, and other fees.

Educational Fees

Conference fees and teacher certification fees collected primarily by the Department of Education.

Child Welfare Service Fees

Child abuse registry fees.

OTHER REVENUE

Court and Other Fines

Fines and forfeits levied by the courts.

Interest and Investment Income

Interest income, finance charges, and gains/losses on investments.

Rents and Royalties

Income from the lease of state land to private parties.

Local Governments and Authorities

Funds from counties, cities, special districts, etc., primarily in the form of grants.

Miscellaneous Revenue

Revenue not included in another category.

Higher Education Auxiliary Sales and Services

Revenue from library fees, internal service center fees, athletic camp fees.

Sales of Products

Sales of publications, maps, materials, and supplies.

APPENDIX B1

DESCRIPTION OF TABOR REVENUE REFUNDING MECHANISMS

STATE SALES TAX REDUCTION

(January 1, 1999)

Depending on the amount of excess TABOR revenues to be refunded, a tiered income bracket system will be used to distribute the surplus as a sales tax credit to be taken on individual income tax returns.

AMOUNT OF TABOR REFUND: Up to $94.5 million.

EARNED INCOME TAX CREDIT

(January 1, 1999)

When excess TABOR revenue exceeds $50 million plus the personal income growth rate for Colorado adjusted annually since Fiscal Year 2000 ($94.5 million as of June 30, 2014), an earned income credit of 10 percent of the taxpayer's federal earned income tax credit may be claimed. After this credit, any excess TABOR revenues between $94.5 and $279.5 million will be refunded through the State Sales Tax Refund.

AMOUNT OF TABOR REFUND: $94.5 to $279.5 million.

TEMPORARY INCOME TAX RATE REDUCTION

(July 1, 2010)

Starting with income tax year 2011, the state income tax rate will be temporarily reduced from the rate of 4.63 percent to 4.50 percent when the state experiences excess TABOR revenues large enough to support the rate reduction. The amount of the excess must exceed: (1) $50 million plus the personal income growth rate for Colorado adjusted annually since Fiscal Year 2000 ($94.5

million as of June 30, 2014), plus (2) the estimated tax rate reduction refund amount of $197.7 million as of June 30, 2014. Any TABOR Revenues in excess of $279.5 million will be refunded through the State Sales Tax Refund.

AMOUNT OF TABOR REFUND: $279.5 million or more.

APPENDIX B2

REFUNDING MECHANISM THRESHOLDS

(As applicable to Fiscal Year 2014)

Refunding Mechanism	Original Threshold	Fiscal Year 2014 Threshold[1]
Earned Income Credit	$ 50,000,000	$ 94,500,000

SOURCE: Office of the State Auditor's analysis of Department of Revenue data.

[1] Thresholds are adjusted annually by the personal income growth rate for Colorado. With the enactment of Senate Bill 10-212, the Earned Income Tax Credit became the only mechanism with a threshold for refunding state surplus revenues.

APPENDIX C

TABOR HISTORY: FISCAL YEARS 1993 - 2014

The following provides highlights of certain legislation or voter-approved changes affecting the Office of the State Controller's *Schedule of TABOR Revenue* contained in this report. The fiscal year in which the change was effective and a brief summary of the legislation or voter-approved change is provided below.

1993

VOTER APPROVAL. The Taxpayer's Bill of Rights (TABOR) was added as Article X, Section 20 of the Colorado Constitution in the November 1992 general election. TABOR limits increases in the State's revenue to the annual inflation rate plus the percentage change in Colorado's population unless voters approve a revenue change.

1997 AND 1998

REFUNDS. The TABOR Revenue Limit was exceeded for the first time during the fiscal year ended June 30, 1997, and again for fiscal year ended June 30, 1998. The General Assembly decided to distribute the entire excess from general funds as a sales tax credit on each full-year resident's individual tax return.

1999—2001

REFUNDS. TABOR revenue exceeded the TABOR Revenue Limit for each of these years, resulting in refunds. In 1999, the excess was refunded through three mechanisms; in 2000, nine mechanisms were used, and in 2001, the excess was refunded through 15 mechanisms.

REVENUE REDUCTIONS. During the period, there were several revenue reductions enacted that lowered the amount of TABOR revenue to be received in subsequent years. The most significant reduction was the lowering of income tax rates effective January 1, 1999, for individuals, estates, and trusts from 5 percent to 4.75 percent, and a further reduction effective January 1, 2000, of the rate to 4.63 percent. Effective January 1, 2001, the sales tax rate was reduced from 3 percent to 2.9 percent. Other permanent tax reductions include the establishment of low-income housing owner credits, redevelopment incentives for contaminated property, sales and use tax exemptions for certain agricultural items, unemployment insurance tax credits, and oil and gas severance tax exemptions.

CONSTITUTIONAL AMENDMENT. Amendment 14 was approved by the voters in November 1998 and authorized a permit fee that is exempt from TABOR for the regulation of commercial hog facilities.

2001

CONSTITUTIONAL AMENDMENTS. Voters approved changes that lowered revenue subject to TABOR requirements through some constitutional amendments. The amendment having the largest impact on decreasing revenue subject to TABOR was Amendment 23, passed in November 2000. The Amendment created the State Education Fund, funded through a transfer of an amount equivalent to a tax of 1/3 of 1 percent of federal taxable income. This essentially reduces the State's TABOR revenue by the amount of the transfer. At this same time, voters also approved Amendment 20 that authorized a fee for patients receiving an identification card for the medical use of marijuana. The resulting revenues are TABOR exempt.

2002

GROWTH DIVIDEND. TABOR states that the TABOR Revenue Limit will be the lesser of the current fiscal year's revenue or the prior fiscal year's TABOR Revenue Limit adjusted by the population growth and the inflation factor. The population growth is adjusted every decade to match the federal census. Based on the 2000 census, it was determined that the federal government underestimated Colorado's population during the 1990s, resulting in greater TABOR refunds than required.

In 2002, the General Assembly enacted Senate Bill 02-179 to account for underestimates of population growth in prior years, adding a carry-forward mechanism for a census-related adjustment in population growth. This can be applied to future calculations of the TABOR Revenue Limit for up to 9 years. This carry-forward is referred to as the growth dividend. The growth dividend determined from the 2000 census allowed the State to raise the TABOR Revenue Limit by $565.3 million. This amount was fully utilized during Fiscal Years 2004 and 2005.

2004

QUALIFIED ENTERPRISES. The TABOR amendment allows qualified enterprises to be exempt from TABOR requirements. Over the years, the General Assembly has enacted statutes to designate certain state entities as TABOR-exempt enterprises. One of the most significant of these bills was Senate Bill 04-189, which enabled higher education governing boards to designate a qualified institution or group of institutions to be exempt from TABOR requirements. In 2004, the University of Colorado was approved as a TABOR-exempt enterprise. In 2005, 10 additional higher education institutions were approved as TABOR-exempt enterprises. Once designated as a TABOR-exempt enterprise, the institution will retain the designation as long as it continues to meet the requirements for an enterprise.

2005 AND 2006

REFERENDUM C. Referendum C was approved by the voters in the November 2005 election. Referendum C allows the State to retain and spend all revenue in excess of the TABOR Revenue Limit annually for 5 fiscal years starting with Fiscal Year 2006. After July 1, 2010, the State is allowed to retain revenues in excess of the TABOR Revenue Limit up to a newly defined

"Excess State Revenues Cap." The Excess State Revenues Cap is defined as the highest total state revenue earned between Fiscal Years

2006 and 2010, adjusted for inflation and population growth for each subsequent year.

For Fiscal Years 2006, 2007, and 2008, the amounts of excess revenue that the State was allowed to retain and spend were $1,116,134,410, $1,308,040,131, and $1,169,428,121, respectively, for a 3-year total of $3,593,602,662. The funds retained by the State were to be applied toward education; healthcare; roads, bridges, and other strategic transportation projects; and retirement plans for firefighters and police officers. TABOR Revenue did not exceed the TABOR Revenue Limit in Fiscal Years 2009 and 2010.

CONSTITUTIONAL AMENDMENT. Amendment 35 was passed by voters in November 2004. The Amendment assesses a statewide TABOR-exempt tax of 64 cents per pack of cigarettes and 20 percent on tobacco products. The Amendment requires that the revenue be used for health care services and tobacco education and cessation programs.

OVERREFUNDS. Prior to July 1, 2005, state statutes provided a mechanism to apply refunds paid in excess of the TABOR refund liability ("overrefunds") for one fiscal year against the following year's TABOR refund liability, if one exists. Effective Fiscal Year 2005 under House Bill 05-1310, the State Controller was required to change the methodology for calculating the TABOR Revenue Limit for Fiscal Years 2002 through 2004 by applying the overrefunds after the TABOR Revenue Limit was set. This resulted in an increase of $92.7 million to the Fiscal Year 2005 TABOR Revenue Limit.

In addition, the State Controller was required to reduce the Fiscal Year 2005 TABOR revenue in excess of the TABOR Revenue Limit for the total amount of overrefunds paid during Fiscal Years 2002 through 2004. This resulted in a $127.8 million reduction to the TABOR refund liability for Fiscal Year 2005.

House Bill 05-1310 requires that, in Fiscal Year 2006 and future years, TABOR revenue in excess of the TABOR Revenue Limit be reduced by any amounts overrefunded in the prior year. Any unused amount is to be carried forward and decrease future refund liabilities until the excess is depleted.

2008

CONSTITUTIONAL AMENDMENT. Amendment 50 was passed by voters in November 2008. The Amendment made several revisions to gaming limits. Casinos pay taxes on income from gaming and pay various fees and fines. Most of the revenue the state receives from new gaming limits is to be used for financial aid and classroom instruction at the state's community colleges and distributed to the gaming communities.

2011

REFUND MECHANISMS. The General Assembly enacted Senate Bill 10-212, which repealed the following TABOR surplus refund mechanisms except for the Earned Income Tax Credit and the Sales Tax Refund, effective July 1, 2010:

REFUNDING MECHANISM	ORIGINAL THRESHOLD[1]
Earned Income Credit[1]	$ 50,000,000
Charitable Contributions Deduction	$ 100,000,000
Foster Parents Credit	$ 200,000,000
Business Personal Property Tax Credit	$ 170,000,000
Child Care Credits	$ 290,000,000
Tangible Personal Property Used for Research and Development	$ 358,400,000
Motor Vehicle Registration Fees	$ 330,000,000
High Technology Scholarship Program Credit	$ 330,000,000
Interest, Dividends, and Capital Gains Deduction	$ 350,000,000
Pollution Control Provisions	$ 350,000,000
Interstate Commerce Sales and Use Tax Refund	$ 350,000,000
Agriculture Value-Added Development Credit	$ 400,000,000
Cost of Health Benefits Credit	$ 400,000,000
Sales Tax Refund[1]	Remaining

[1] Still in effect under current law.
[2] Thresholds were adjusted annually by the personal income growth rate for Colorado.

For any year in which a refund of TABOR surplus revenue is required, the remaining refund mechanism with a threshold in statute is the

Earned Income Tax Credit. In addition, House Bill 05-1317 created a TABOR refund mechanism that—starting with income tax year 2010—reduces the state income tax rate from the rate of 4.63 percent to 4.50 percent when the state experiences a revenue surplus large enough to support the rate reduction. The Temporary Income Tax Rate Reduction follows the Earned Income Tax Credit refund mechanism. See Appendices B1 and B2.

2013

EARNED INCOME TAX CREDIT. The General Assembly enacted Senate Bill 13-001 concerning income tax credits to support working families. A permanent and refundable state earned income tax credit was established for all income tax years regardless if there is a refund of excess state revenues required by the taxpayer's bill of rights (TABOR) through the Earned Income Tax Credit (EITC) refund mechanism. The credit is equal to 10 percent of a resident individual's federal earned income tax credit. When a refund of revenue surplus is required, the Earned Income Tax Credit is considered to count toward the EITC TABOR refund mechanism threshold.

CONSTITUTIONAL AMENDMENT. Amendment 64 "Use and Regulation of Marijuana," passed in November 2012, required the general assembly to enact an excise tax to be levied upon wholesale sales of marijuana. The Amendment requires that the first $40 million raised annually goes to school capital construction. Proposition AA "Marijuana Products Sales Tax," passed in November 2013, assesses a statewide TABOR-exempt tax of 15 percent excise tax to be levied upon wholesale sales of marijuana.