



Economic and Budget
Outlook

The Basics of TABOR

TABOR and Revenue
Management

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Economic and Budget Outlook



The Spring of this Recovery

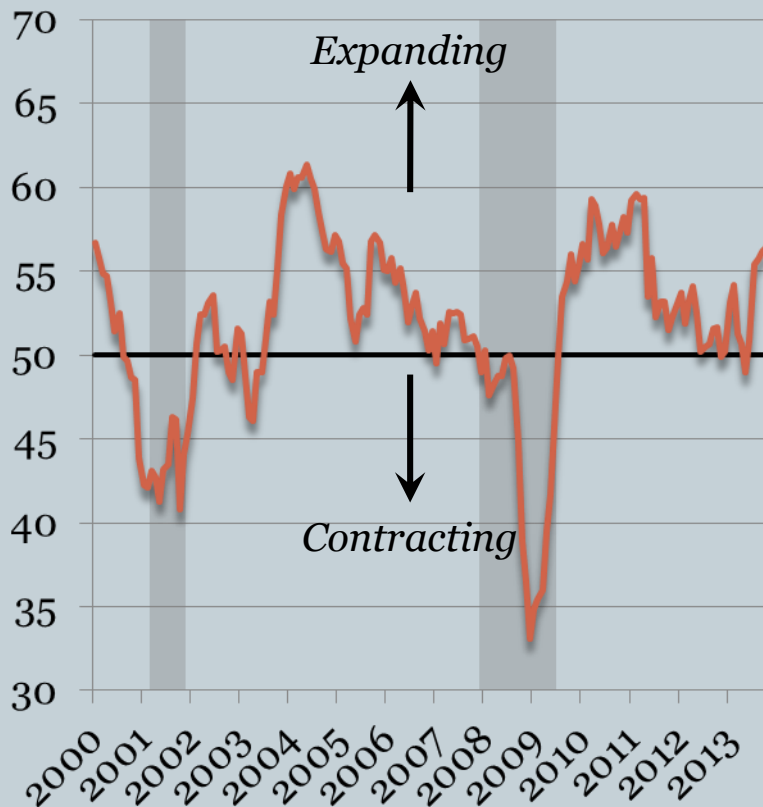


- **The Private Sector is Rebounding**
 - Business is doing well
 - Manufacturing subject to cycles, but holding its own
 - The labor market continues to improve
 - The housing market is in recovery
 - Households and banks are in better financial shape



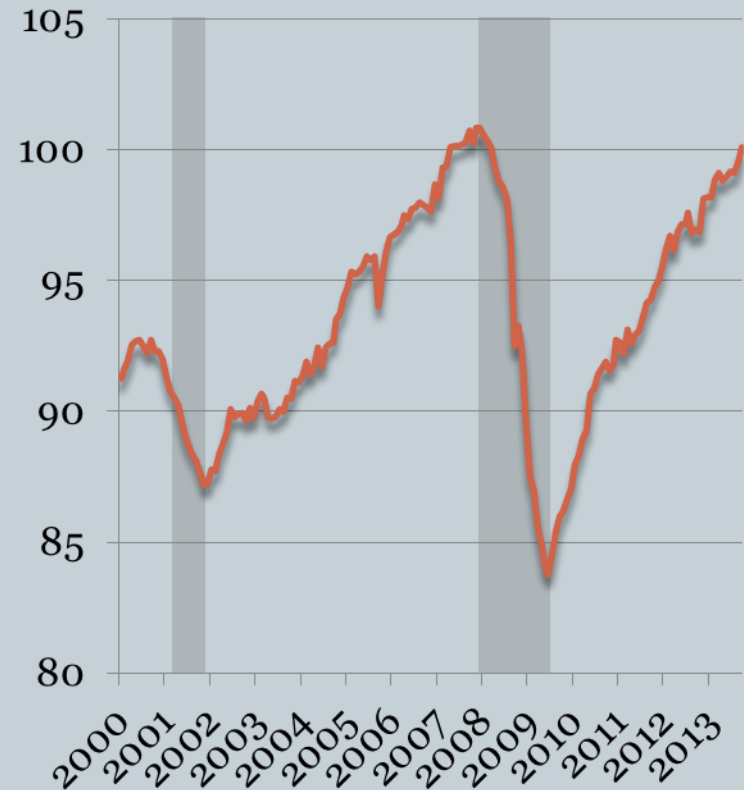
U.S. Manufacturing Rebounding

ISM Purchasing Manufacturer's Index



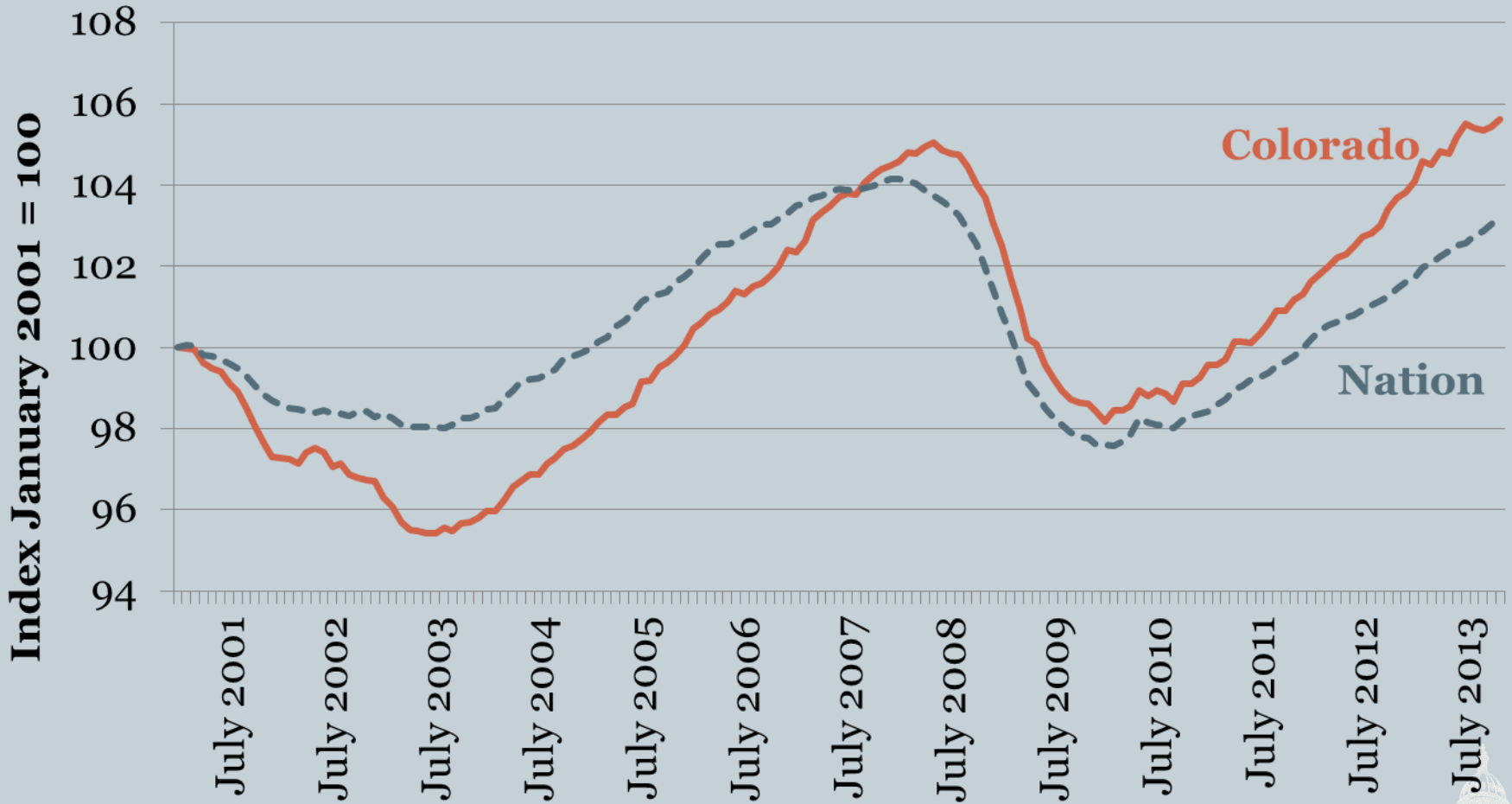
Source: Institute for Supply Management.

Industrial Production Index



Source: Federal Reserve. Index 2007 = 100

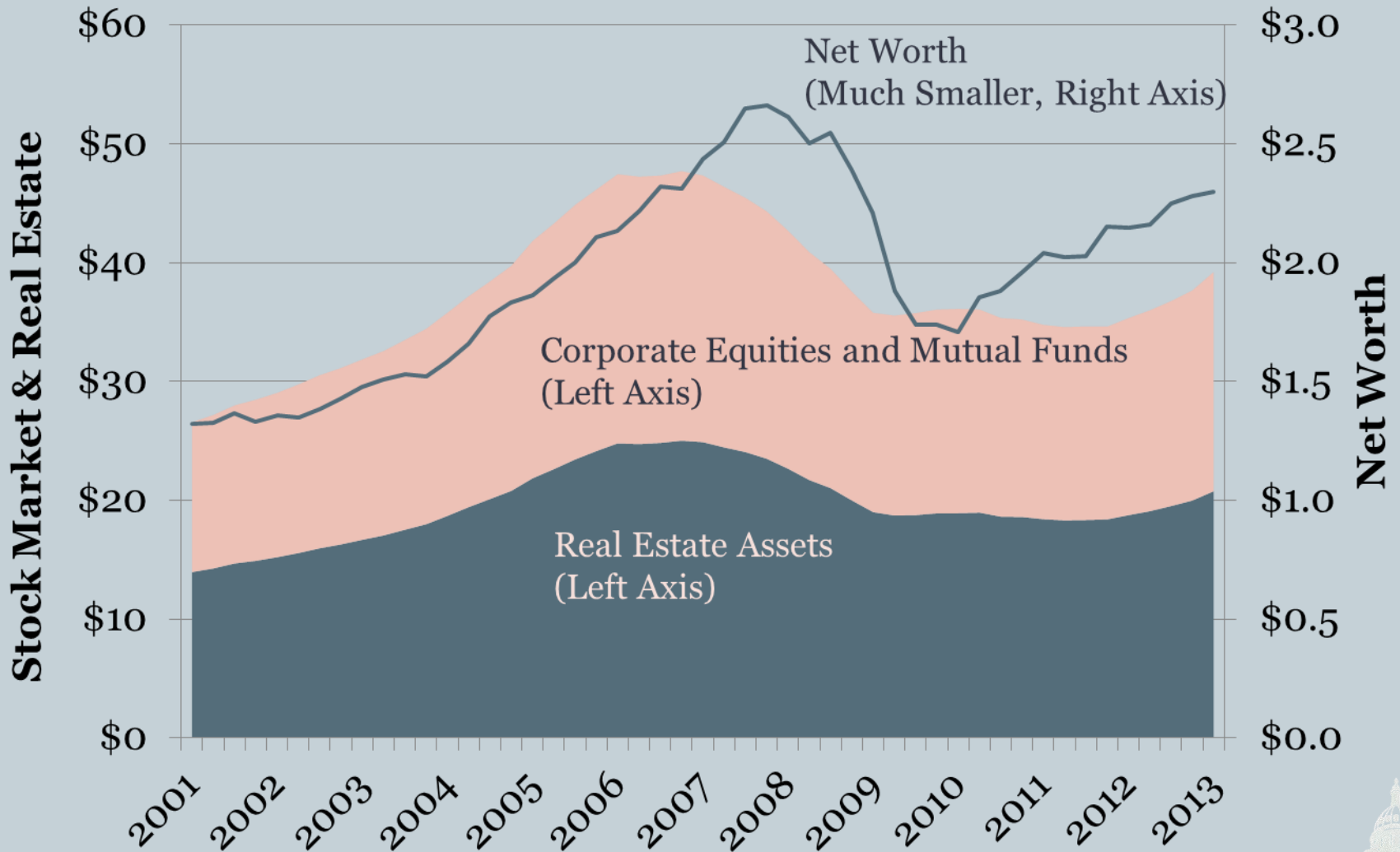
Employment: Colorado Outpacing U.S.



Source: U.S. Bureau of Labor Statistics. Re-benchmarked seasonally adjusted three-month moving averages.
Data through November.



U.S. Household Wealth Moving Up

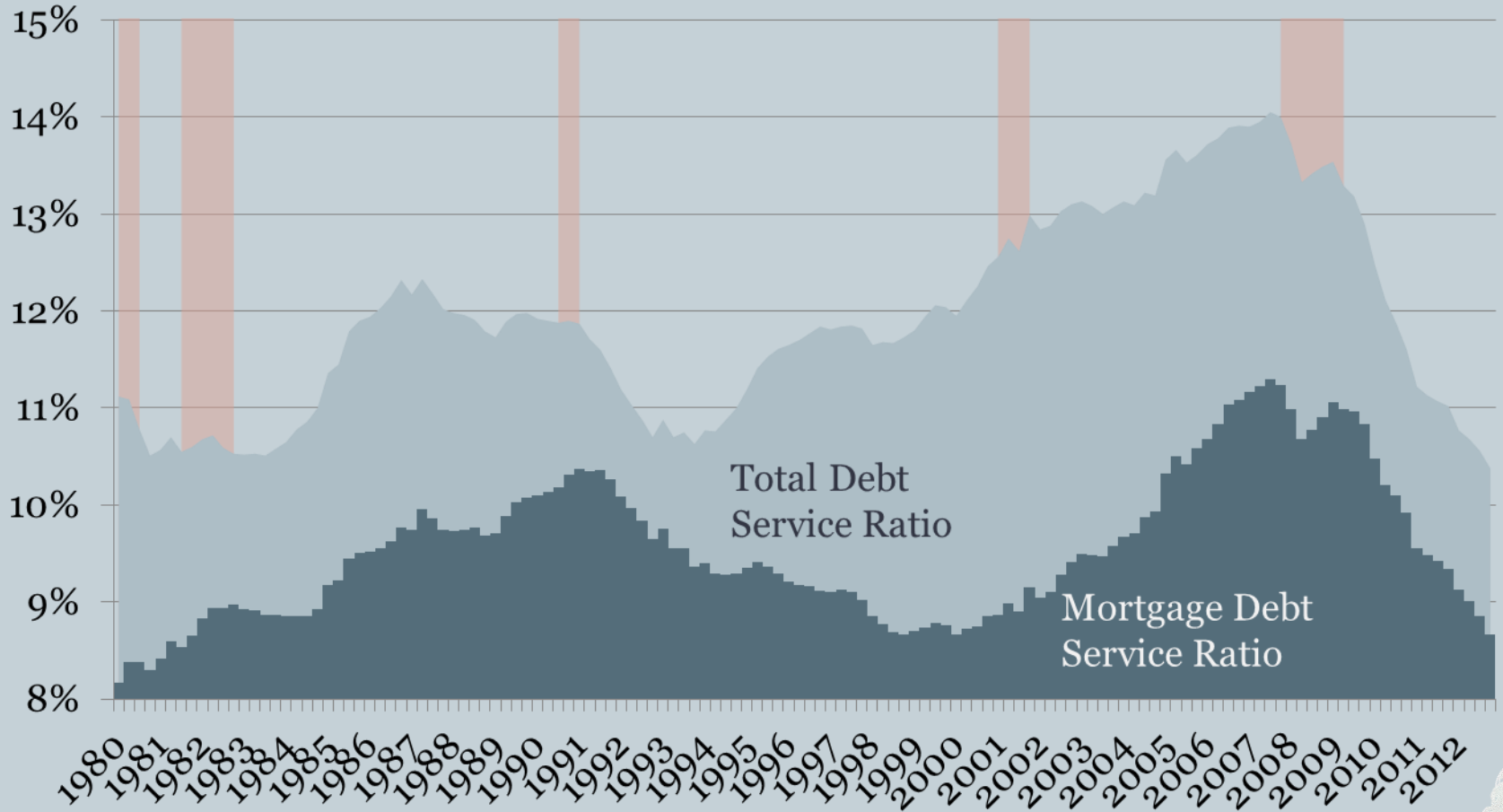


Source: Federal Reserve Flow of Funds Data, Table B100.



Households Continue To Deleverage

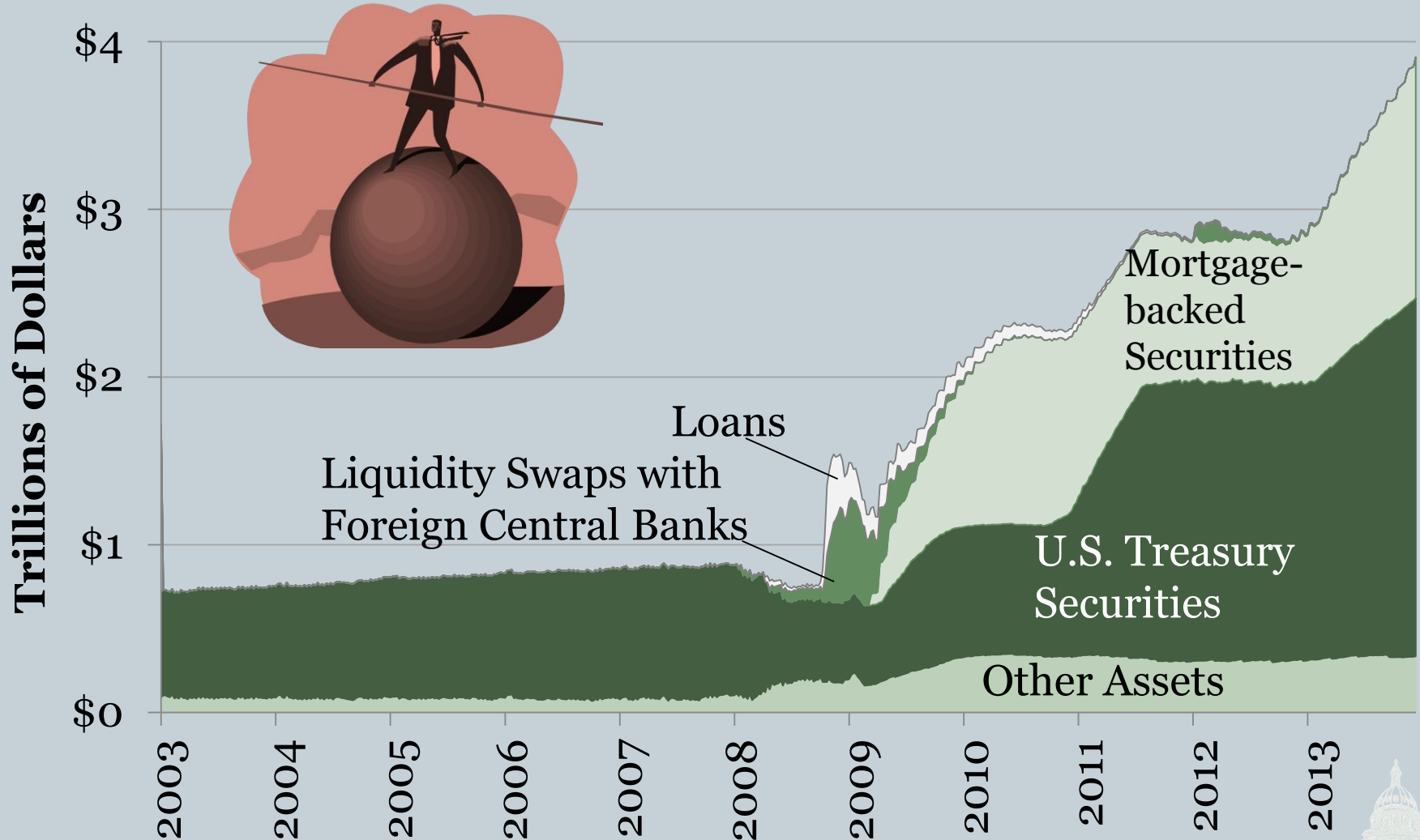
Household Debt Burden As A Percent of Disposable Income



Source: Federal Reserve Board. Data through 2012 quarter four.



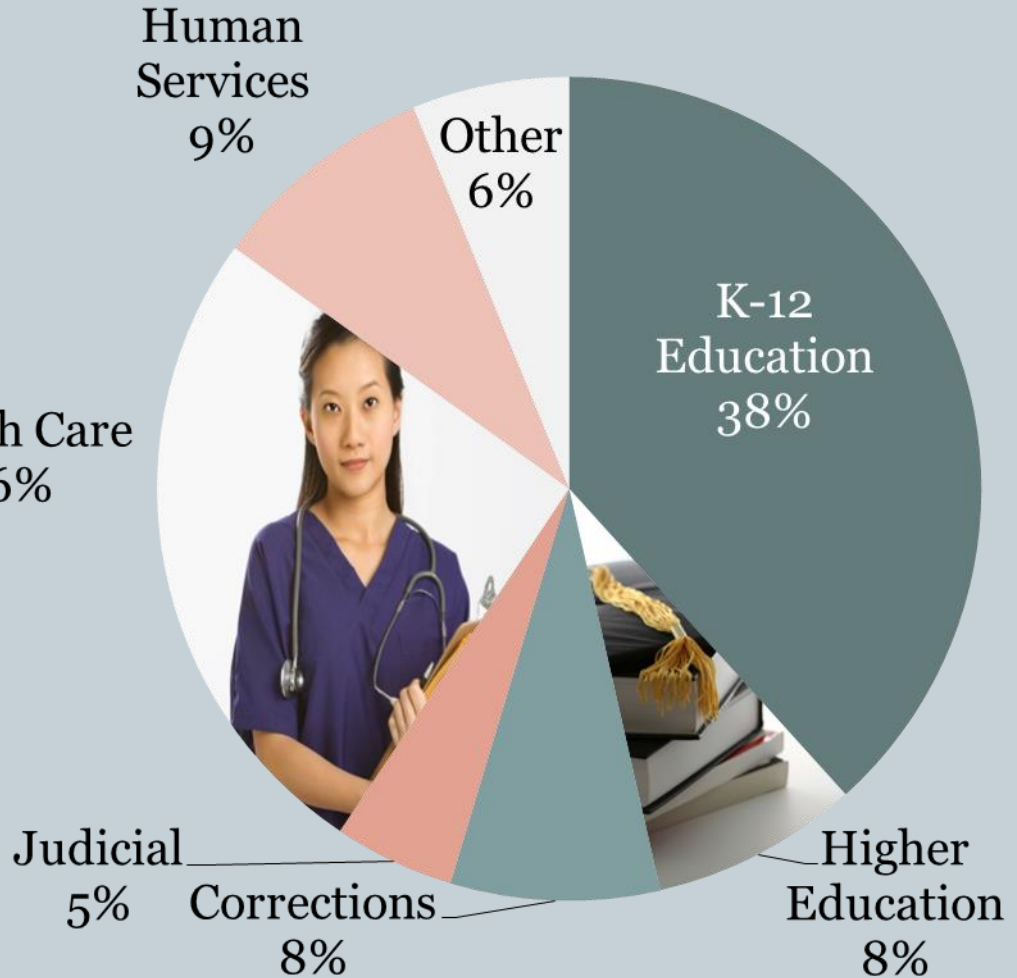
Federal Reserve Assets



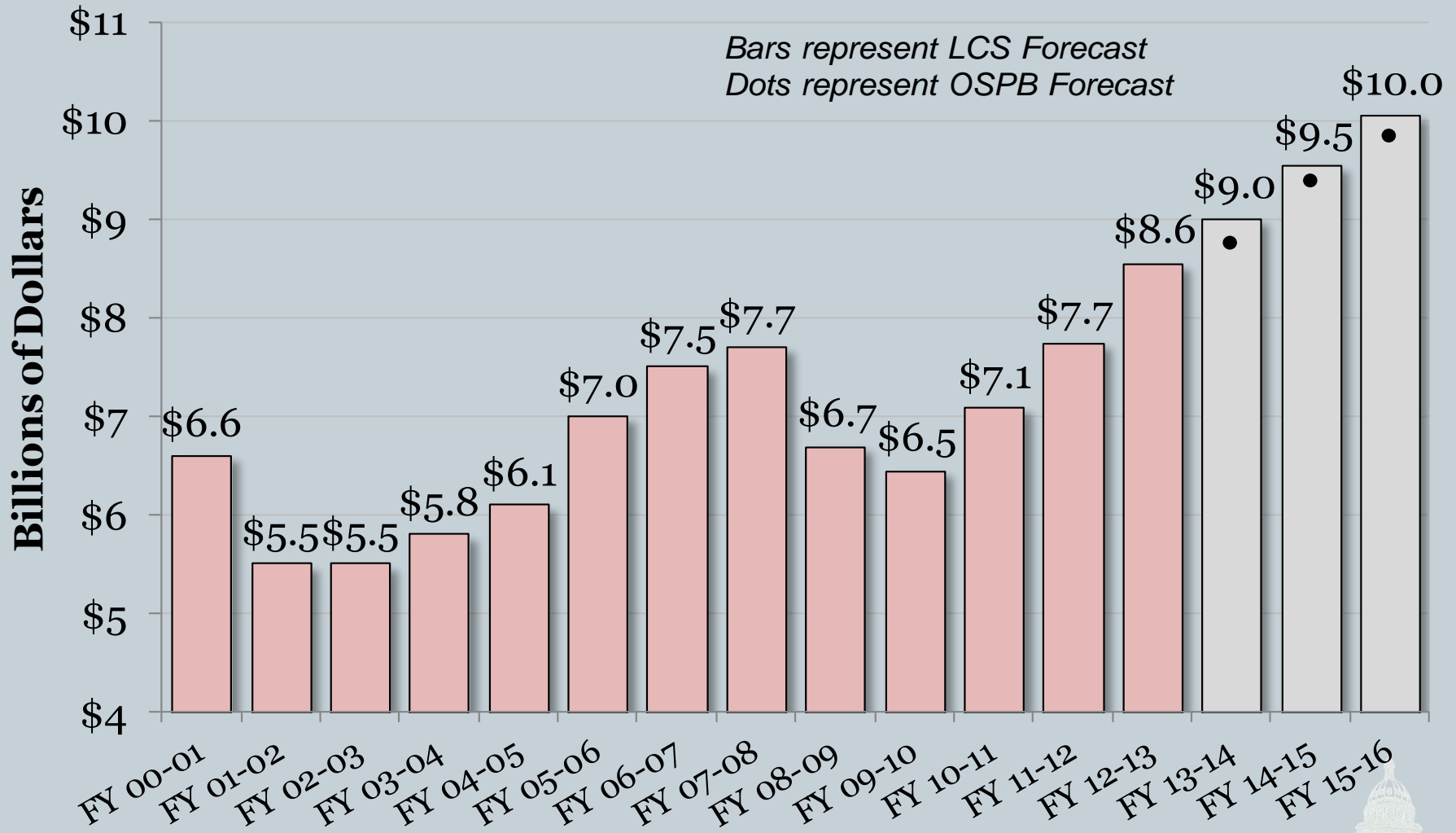
FY 2013-14 General Fund Budget



**FY 2013-14 General Fund
Operating Budget
\$8.1 billion**



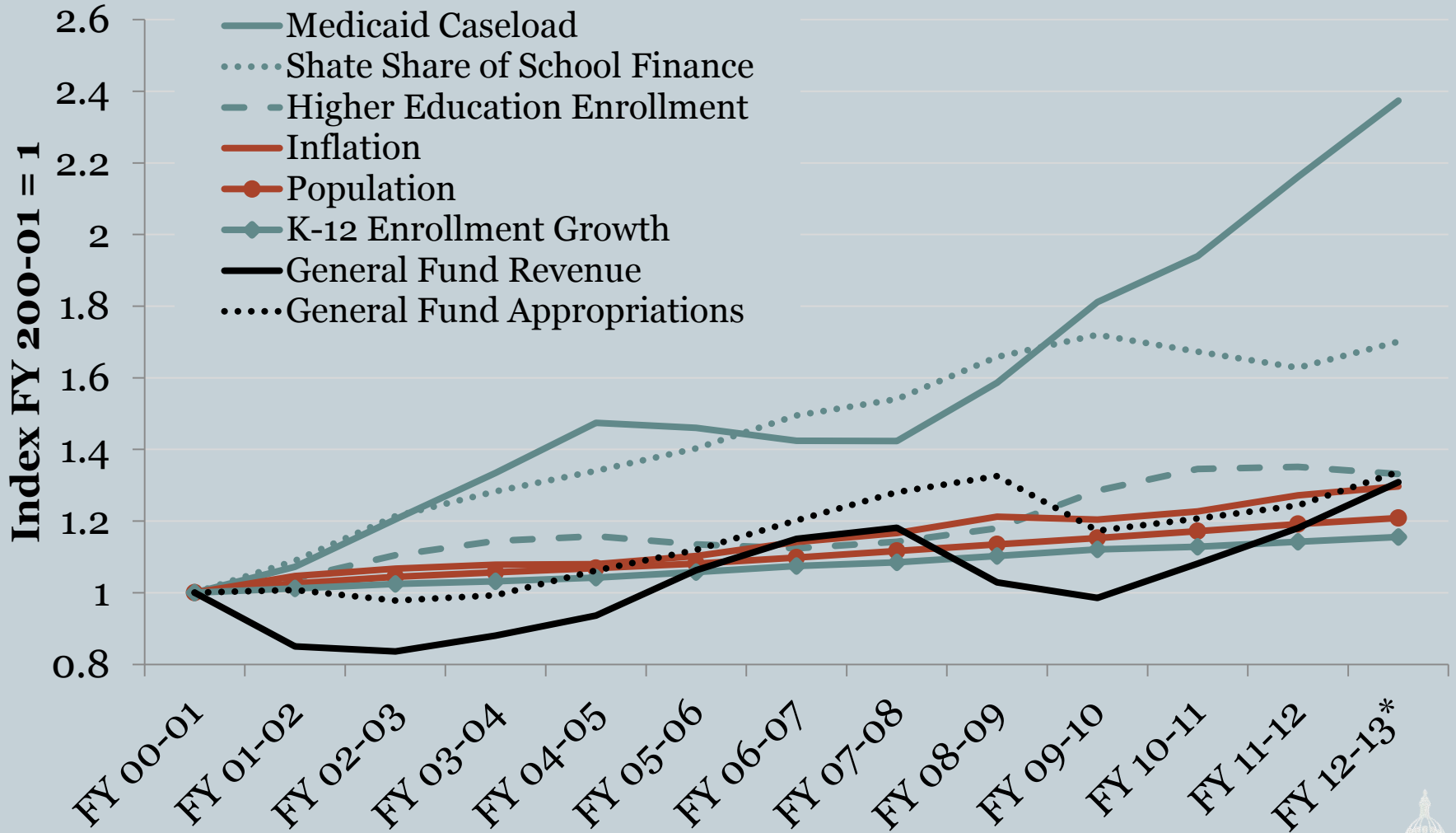
General Fund Revenue Outlook



Source: Colorado State Controllers Office, LCS and OSPB projections based on the December 2013 forecast.



Caseload Growth & the General Fund Budget



*FY 2012-13 contains forecasts.

Sources: Colorado Department of Education, U.S. Census Bureau, & Bureau of Labor Statistics, and JBC Staff.

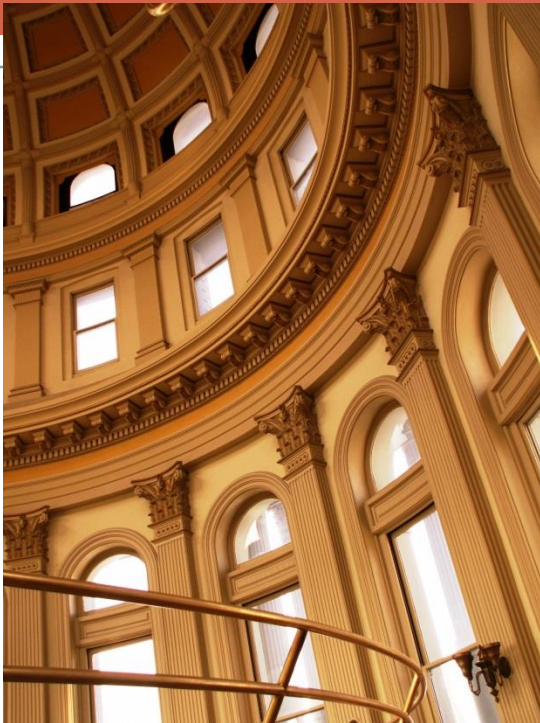


What About the Next 15 Years?

- The aging of the population will:
 - Change the housing mix, likely dampening growth in housing values and the property tax base;
 - Change income and spending patterns, likely dampening growth in the income and sales tax bases; and
 - Increase demand for government services, applying further budget pressure on governments.
 - The economy is still recovering and must work through debt and imbalances before growing again at potential.



TABOR Basics



*Colorado Golden Dome
Simon Maghakyian*

**VOTER-APPROVAL
REQUIREMENTS**

TABOR AND REFERENDUM C

REFUND MECHANISMS

TABOR Voter-Approval Requirements

- New tax or rate increase; a tax policy change resulting in a net revenue gain.

Increase Taxes

- Retain revenue from existing sources above the TABOR limit.

Retain Surplus Revenue

Weaken Existing Limits

Increase Debt

Multi-year bonded debt for infrastructure projects.



TABOR Does **Not Require Voter-Approval** For:

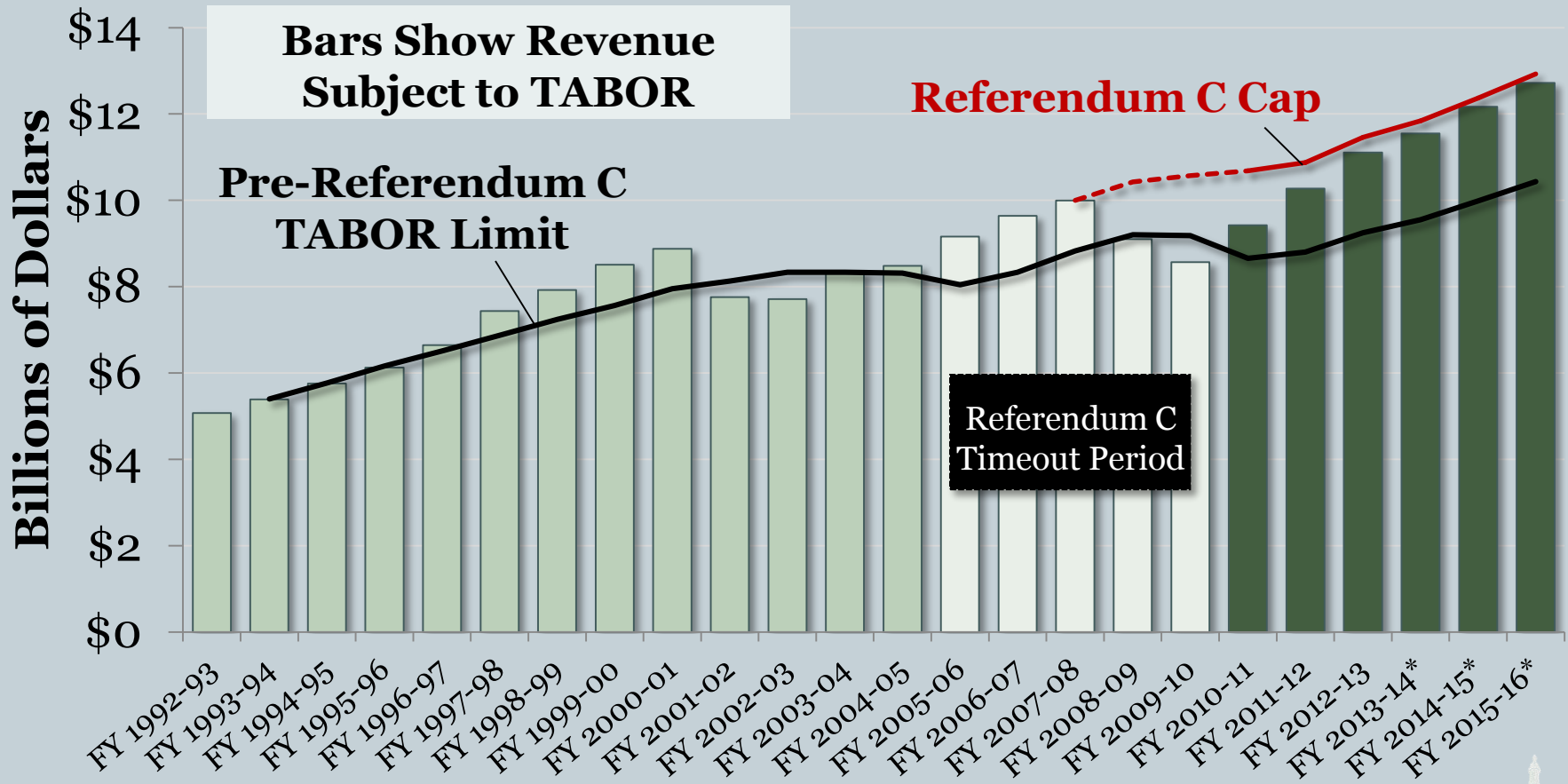
- Reducing a tax imposed by statute
- Increasing a fee; or
- Creating a new fee



*Quilt Show At the Capitol
Simon Maghakyian*



TABOR and Referendum C



*Legislative Council Staff December 2013 forecast.

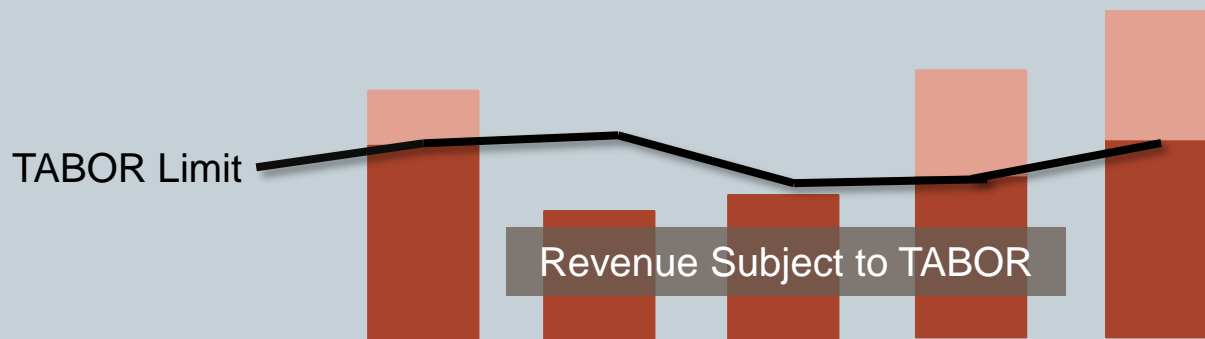
Source: Colorado State Controllers Office and Legislative Council Staff.



TABOR ~~Spending~~ Revenue Limit

- **TABOR Limit**

Previous fiscal year's *spending* grown by inflation & population growth
+ Voter-approved revenue changes



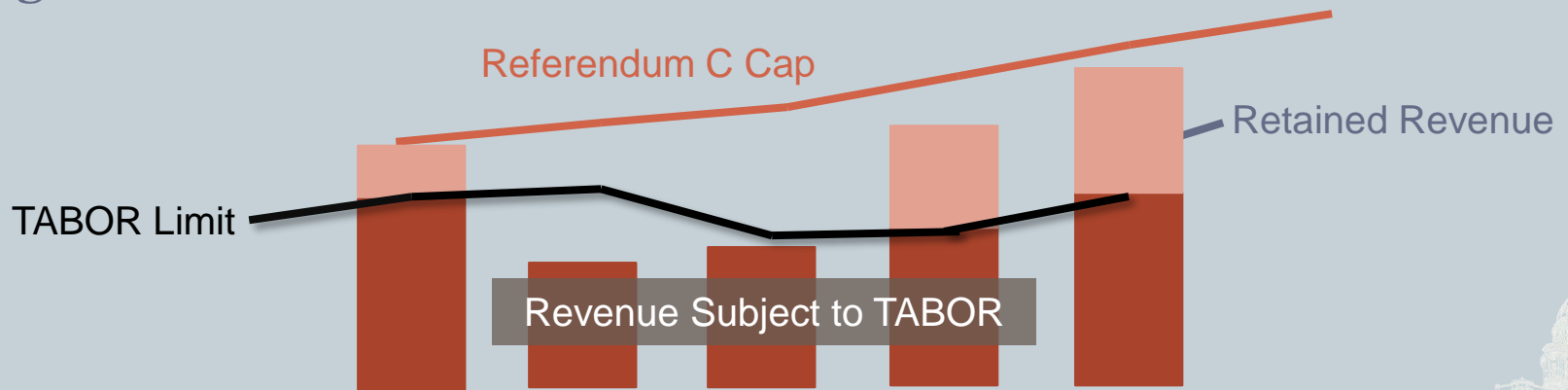
TABOR ~~Spending~~ Revenue Limit

- **TABOR Limit**

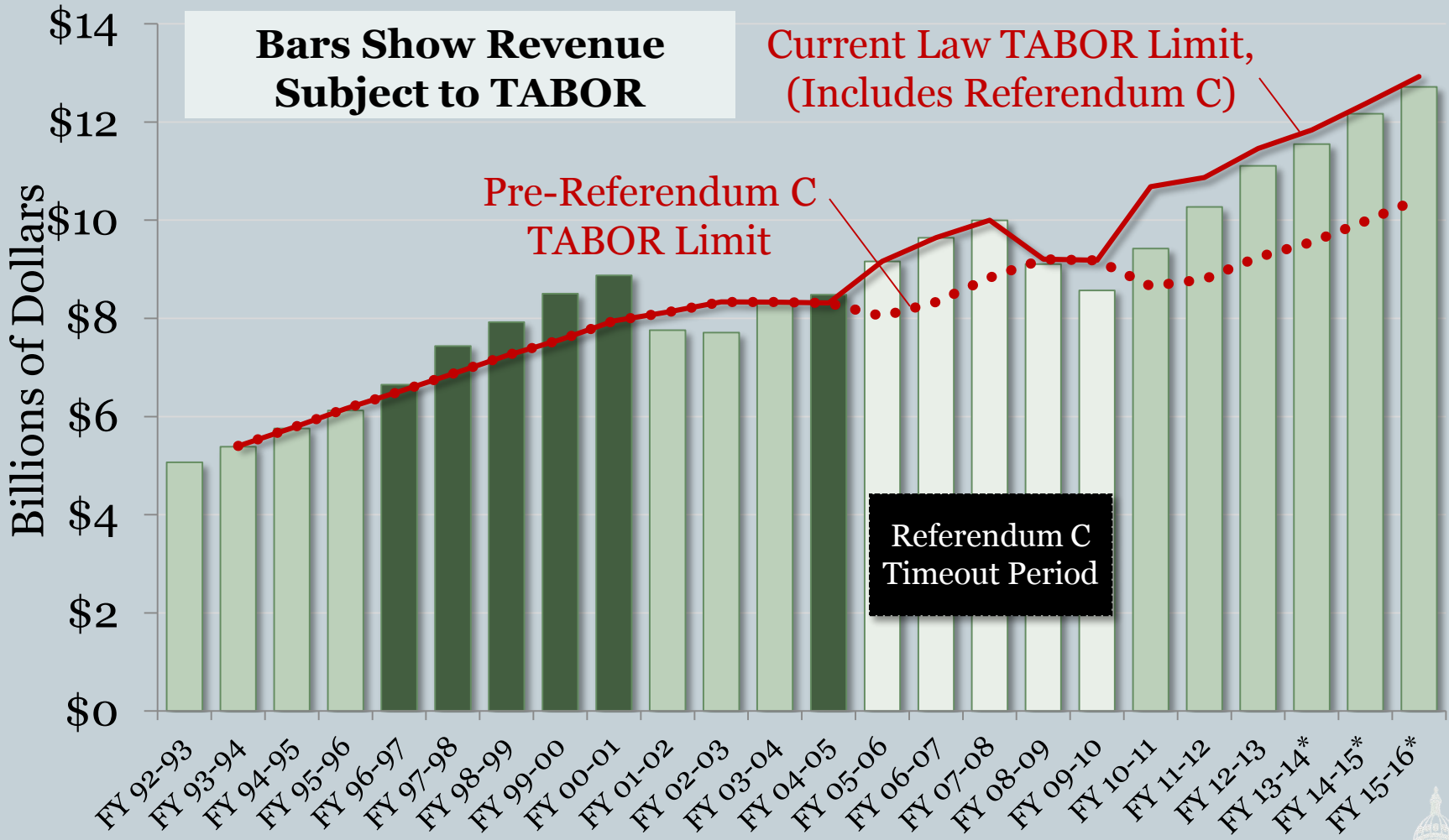
Previous fiscal year's *spending* grown by inflation & population growth
+ Voter-approved revenue changes

- **Referendum C Cap**

- Highest revenue retained during “five-year timeout” period
- Previous fiscal year's *cap* grown by inflation and population growth



The TABOR Limit

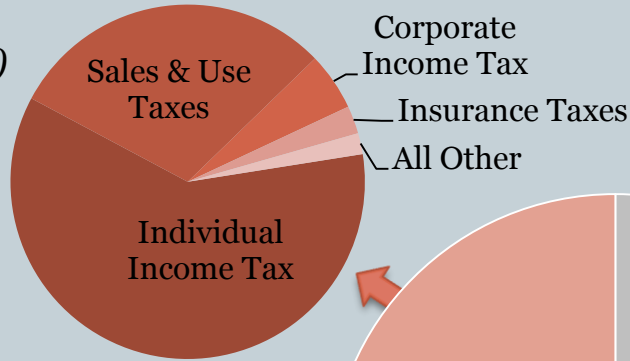


*Legislative Council Staff December 2013 forecast.

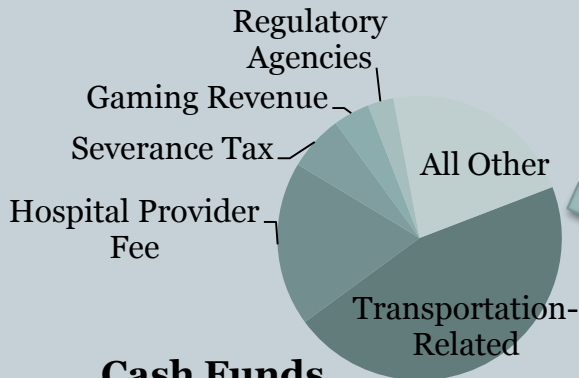
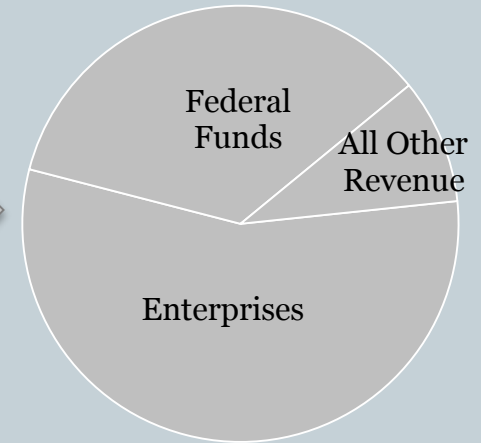
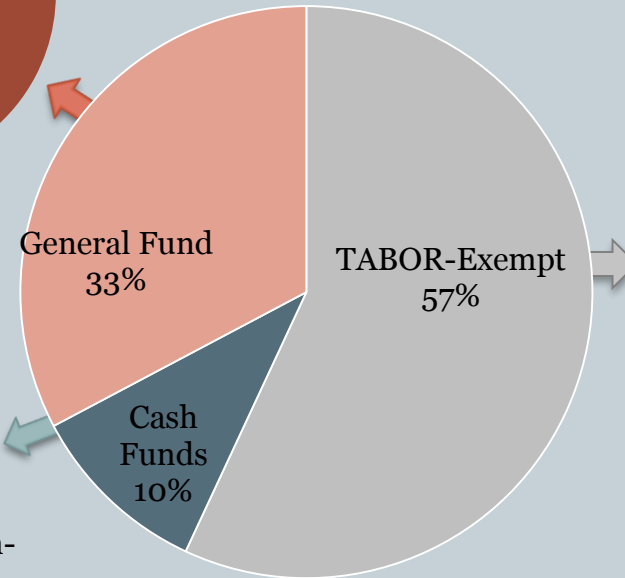


What Revenue is Subject to TABOR?

General Fund Revenue (Subject to TABOR)



TABOR Exempt Revenue (Includes Cash Funds Also)



Cash Funds Revenue (Subject to TABOR)



TABOR-Exempt Cash Fund Revenue (Examples)

Revenue Source	FY 2011-12
Higher Education Enterprises	\$8.2 Billion
Colorado Lottery	\$562 Million
Unemployment Insurance	\$1.6 Billion
Amendment 35 Tobacco Tax	\$146 Million
Federal Mineral Leasing	\$165 Million
Unclaimed Property	\$73 Million
Parks and Wildlife	\$188 Million
Tobacco MSA	\$91 Million
State Nursing Homes	\$49 Million
Statewide Bridge Enterprise	\$102 Million
Corrections Enterprises	\$67 Million



Current TABOR Refund Mechanisms

If, in FY 2013-14, the TABOR surplus is...*

...up to \$94.5M

Six-Tier Sales Tax Refund

Trigger Amount: Up to \$94.5M
Refund Amount: Up to \$94.5M

...\$94.5M to \$285.2M

Earned Income Tax Credit

Trigger Amount: \$94.5M
Refund Amount: \$82.1M

Six-Tier Sales Tax Refund

Refund Amount:
\$12.4M to \$203.1M

...\$285.2M or

Earned Income Tax Credit

Trigger Amount: \$94.5M
Refund Amount: \$82.1M

Temporary Income Tax Rate Reduction

Trigger Amount: \$285.2M
Refund Amount: \$190.7M

Six-Tier Sales Tax Refund

Refund Amount:
\$12.4M or more



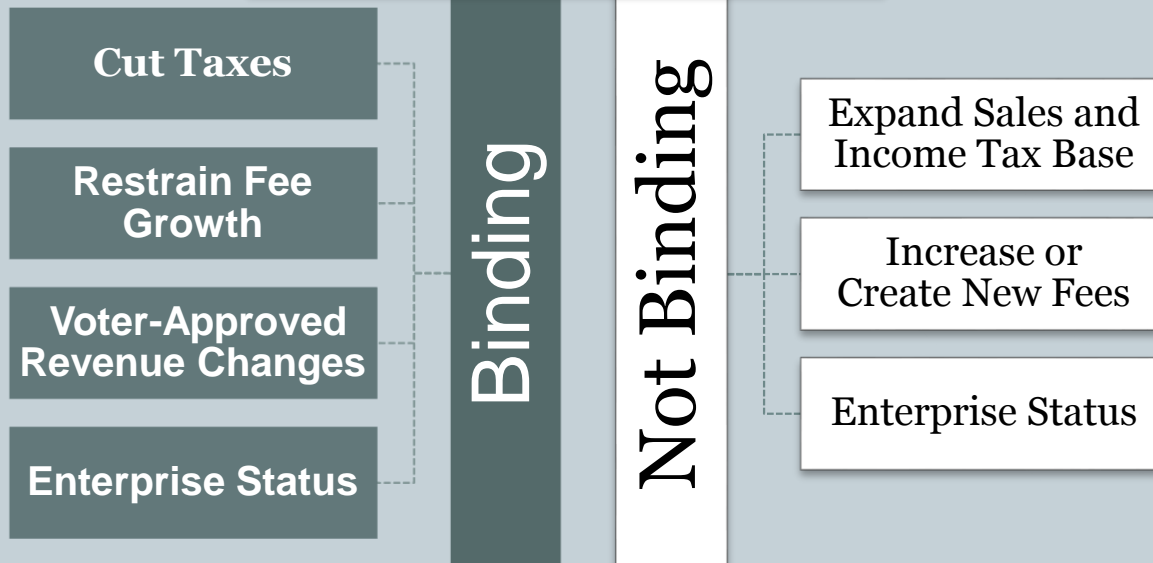
TABOR and Revenue Management



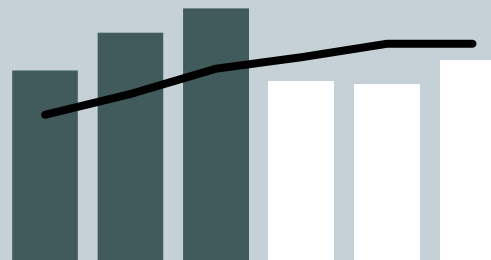
Great Sand Dunes

Revenue Management under TABOR

TABOR Limit



The TABOR Limit is binding when revenue exceeds the limit, producing a TABOR surplus.



The TABOR Limit is not binding when revenue falls short of the limit



Statutory Revenue Management Under TABOR

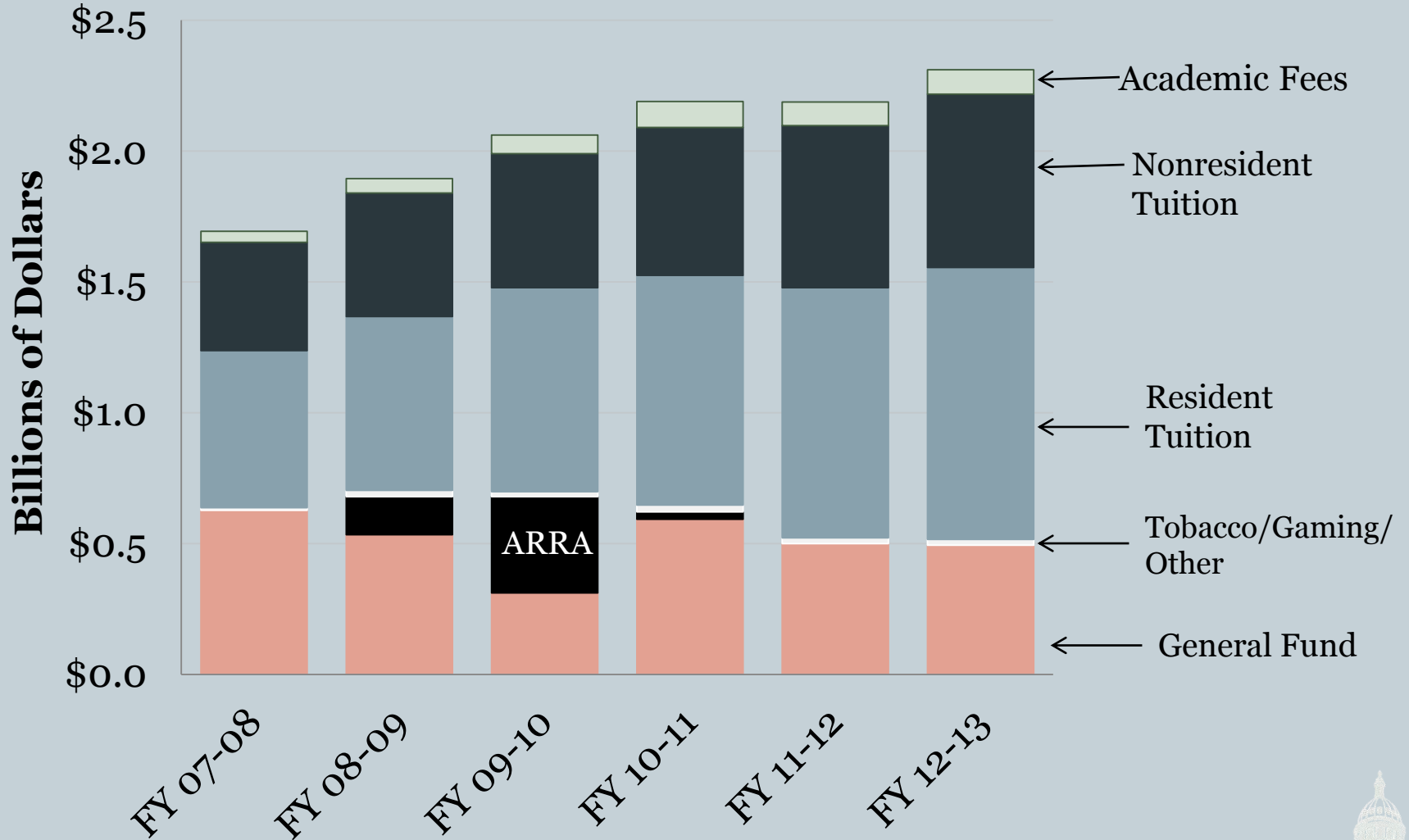


*Garden of the Gods
Colorado Springs, CO*

- During Surplus Years:
 - Tax Cuts
 - Restrain Fee Growth
- During Non-Surplus Years:
 - Fee Increases
 - Armed with 2009 Supreme Court Decision, Specific **Tax Revenue Increases** via Repeal of Credits, Deductions, and Exemptions
- In Anticipation of Surplus Years:
 - Greater Use of Enterprise Status
 - ✦ Allows Flexibility to **Increase Fees**
 - Voter-Approved Revenue Changes



Enterprise Status Case Study: Higher Education



Source: Joint Budget Committee Staff.



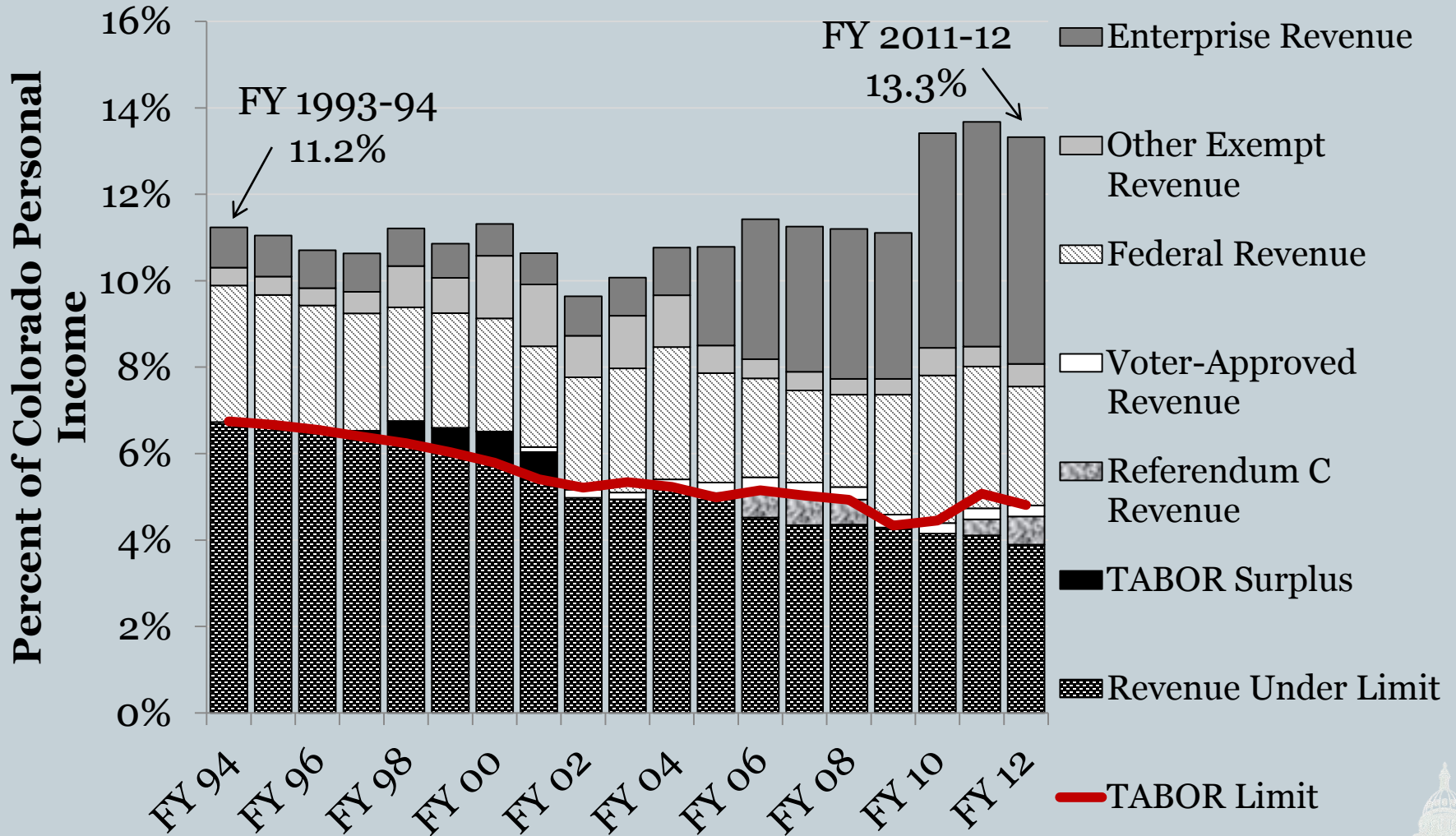
Voter-Approved Revenue Changes under TABOR



*Rocky Mountain National Park
as it may appear on election day,
the first Tuesday in November.*

- Citizen-Initiated for Special Interests:
 - 2000: Amendment 23 K-12 Education
 - 2004: Cigarette and Tobacco Tax Rate Increase for Health Programs
- Referred Measure for General Purpose Government:
 - 2005: **Referendum C**

State Revenue and the TABOR Limit



Source: Colorado State Controllers Office, TABOR Schedule of Computations.



Discussions for Going Forward

- How close are we?
- What does that mean for revenue raising bills?
- Will a tax credit postpone a surplus?
- Enterprise status?

