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## Frequently Asked Questions

### Colorado Proposition CC: Authorizing the State of Colorado to retain and spend revenue in excess of TABOR limits

#### What is Proposition CC?

Proposition CC (Prop CC) was referred to the November 5, 2019 statewide ballot by the Colorado General Assembly and, if passed, authorizes the state to annually keep and spend revenue collected above the state spending limit originally adopted in 1992, commonly known as the TABOR limit. The money would be divided equally between transportation improvements, K-12 public schools, and higher education.

#### How would Prop CC money devoted to transportation be especially helpful to municipalities?

If Prop CC is approved, one-third of the revenue retained by the state will be used for transportation, including everything from traditional highway projects to transit services and other alternative transportation modes. A portion of that money will flow directly to municipalities under a formula that has been part of state law for many years, commonly known as the Highway User Tax Fund (HUTF) formula. In just the first two years, state economists estimate that municipalities statewide may receive anywhere in the range of \$16 million to \$79 million in additional revenue to invest in local transportation improvements.

#### How else would municipalities benefit fiscally from the adoption of Prop CC?

In times of robust economic growth, just when demands for improved public infrastructure and services may also be skyrocketing, state leaders, at times, have taken the position that state revenues must be slashed in order for the state to comply with the cap. Such state revenue reductions may have the potential to harm municipalities. For example, if the state were to cut mineral severance tax revenue to stay under the TABOR cap, local governments that directly benefit from these taxes would suffer. In general, if the state were relieved of the fiscal stress

caused by the TABOR cap, municipalities would benefit both directly and indirectly from the state's ability to keep, save or invest revenue windfalls in times of strong economic growth.

### **What is the history of state revenue limits?**

In 1992, Colorado voters narrowly approved the Taxpayer Bill of Rights (TABOR), restricting the amount of revenue all levels of government (state, local and schools) can retain and spend on a year-to-year basis. Generally, revenue received in excess of the limit must be refunded in the following year. However, TABOR allows voters to override the revenue limit. Overwhelming majorities of local governments and school districts have asked voters – and received permission – to keep some or all of the revenue collected above limits prescribed in TABOR.

At the state level, with the approval of Referendum C in 2005, the voters allowed the state to keep and spend all revenue in excess of the TABOR cap, but only for a period of five years, and also readjusted the way the cap is calculated for all future years.

### **How many local governments have already received voter approval to retain all or some of the revenue collected beyond the TABOR limit?**

- Of the state's 272 municipalities, 230 municipalities have obtained voter approval to retain and invest all or a portion of excess revenue collected.
- Of the state's 64 counties, 51 counties have obtained voter approval to retain and invest all excess revenue.
- All but four of the 178 school districts in Colorado have obtained voter approval to retain and invest excess revenue.

### **How much TABOR "excess revenue" has been refunded to taxpayers by the state?**

The state budgets to keep revenue under the TABOR cap by reducing revenue-producing programs if excess revenue is anticipated. However, in years of robust economic growth (including now) the state has received revenue in excess of the cap and has been required by TABOR to provide a refund. Since TABOR was enacted in 1992, refunds have been triggered seven times. In those seven refund years, the state returned a total of more than \$3.4 billion to taxpayers rather than using these funds to pay for critical needs in K-12 education, higher education, and transportation. Although the total cumulative amount of refunds over the years represents a large number from a statewide perspective, the actual per capita refund realized by any individual taxpayer tends to be quite small in any particular year.

## How has the state given TABOR refunds in the past?

The state has never actually sent checks to taxpayers as a way of refunding revenue in excess of the TABOR cap. Instead, through the years, the state has used various methods for “refunding” excess revenue primarily through a system of credits, exemptions, or temporary rate reductions that are reflected on state income tax forms. In 2017, the state adopted a TABOR refund system that provides refunds via: (1) state reimbursements to local governments in support of a property tax exemption benefitting seniors and disabled persons; (2) a temporary state income tax rate reduction; and (3) a so-called “sales tax” refund that is actually reflected on state income tax forms.

## How much are the TABOR refunds that will not occur if Prop CC is adopted.

State estimates of the total amount of revenue in excess of the TABOR cap that will need to be refunded in *just the next two years* vary wildly—anywhere from \$277 million to \$1.3 billion. The state has not yet estimated what future excess revenue amounts there may be beyond fiscal year 2021-2022. It is difficult to say exactly how much any particular person would receive in the form of TABOR refunds in the next couple of years based upon the way the state’s refund methodology is now structured, but the estimates for an average individual state income tax filer range from a refund in the range of \$10 to \$125 per year.

## Is this an effort to undo TABOR?

Prop CC does what TABOR requires: asks voters to keep revenue beyond TABOR’s annual cap on revenue increases. The core provision of TABOR, requiring voter approval for any new state or local tax or tax rate increase, will remain in effect.

## Is Prop CC a tax increase in disguise?

Identical to the way voters in so many municipalities have approved the retention of revenue in excess of the TABOR cap, Prop CC starts with the following key language: “**Without raising taxes** and to better fund public schools, higher education, and roads, bridges, and transit, within a balanced budget, may the state keep and spend all the revenue it annually collects after June 30, 2019, but is not currently allowed to keep and spend under Colorado law, with an annual independent audit to show how the retained revenues are spent?”

### **And how do we know this excess revenue won't be wasted?**

Prop CC includes unprecedented provisions for transparency, requiring an annual, independent audit to show the public how the money was spent. The laws referring Prop CC to the ballot are much more specific about the dedication of funding for transportation and education than the language in Referendum C of 2005, the last time the voters allowed the state to retain excess revenue under TABOR.

### **Is Prop CC the cure for Colorado's budget woes?**

No. The extra revenue that Prop CC would allow the state to keep and spend in the future is unpredictable. If history is any indication, in some years there will be revenue in excess of the TABOR cap and in other years there will not. But Prop CC will allow the state to do a better job of keeping pace with increased demands for state infrastructure and services in times of strong economic growth.