



**REPORT OF**  
**THE**  
**STATE AUDITOR**

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

**DECEMBER 2002**

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**STATE OF COLORADO**

JOANNE HILL, CPA  
State Auditor

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December 26, 2002

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, 2002, dated December 26, 2002, and the *Schedule of TABOR Revenue*, as of June 30, 2002 and 2001, dated October 1, 2002. The audit was conducted pursuant to Section 24-77-106.5, C.R.S., which requires the State Auditor to examine the *Schedule of Computations Required Under Article X, Section 20, of the State Constitution (TABOR)*.

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

**Authority, Purpose, and Scope**

The audit of TABOR revenue was conducted under the authority of Section 24-77-106.5, C.R.S., which requires the Office of the State Auditor to examine the *Schedule of Computations Required Under Article X, Section 20, of the State Constitution (TABOR)* and the *Schedule of TABOR Revenue*. We conducted this audit in accordance with generally accepted auditing standards. We performed our audit work during the period August 2002 through December 2002.

The purpose and scope of this audit was to:

- Express an opinion on the *Schedule of Computations Required Under Article X, Section 20, of the State Constitution (TABOR)*, as of June 30, 2002.
- Express an opinion on the *Schedule of TABOR Revenue*, as of June 30, 2002 and 2001.
- Evaluate compliance with applicable state laws, rules, and regulations.

We noted no instances of noncompliance for the fiscal years ended June 30, 2002 and 2001.

For further information on this report, contact the Office of the State Auditor at (303) 869-2800.

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# TABOR Revenue

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## 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 the State's population. The State Controller annually prepares a *Schedule of TABOR Revenue* and a *Schedule of Computations Required Under Article X, Section 20 of the State Constitution (TABOR)*. These reports are audited as part of the annual financial audit.

## Prior Year Refunds

Fiscal Year 2002 is the first year that State revenue did not exceed the TABOR revenue limit since the fiscal year ended June 30, 1997. In Fiscal Year 2002 actual revenue was less than the TABOR revenue limit by about \$367 million. According to estimates by the Office of State Planning and Budgeting and Legislative Council, the State will not have surplus TABOR revenue over the next few fiscal years.

During Fiscal Years 1997 through 2001, there was a cumulative excess revenue of about \$3.3 billion that was refunded to taxpayers. With regard to excess revenue, Article X, Section 20 (7) (d) of the State's 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) says that "...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."

The excess revenue has been refunded in a variety of ways since the revenue surpluses first began in 1997. In both 1997 and 1998 the General Assembly decided to distribute the entire excess as a sales tax credit on each full-year resident's individual income tax return. In 1999 the excess of \$679.6 million was refunded through three mechanisms. In 2000 the excess of \$941.1 million was refunded through nine mechanisms.

In Fiscal Year 2001 there was an excess of \$927.2 million that was required to be refunded. However, as shown in the following table, only \$837.3 million was refunded through 15 credits. Appendix B provides a more detailed description of each refunding mechanism.

<b>Fiscal Year 2001 Refund Distribution Per Statute (As of June 30, 2002)</b>		
<b>Description</b>	<b>Statute Citation</b>	<b>Fiscal Year 2001 Refunds (Millions)</b>
Sales Tax Refund	Section 39-22-2003, C.R.S.	\$542.0
Other Credits:		
Business Personal Property Tax Credit	Section 39-22-124, C.R.S.	\$101.2
Interest, Dividend, and Capital Gains to \$1,200/\$2,400	Section 39-22-104, C.R.S.	42.9
Colorado Capital Gains Modification and Expansion	Section 39-22-518, C.R.S.	54.3
Earned Income Credit	Section 39-22-123, C.R.S.	31.5
Motor Vehicle Registration Fees	Section 24-75-216, C.R.S.	31.4
Child Care Credits	Section 39-22-119, C.R.S.	24.0
Interstate Commerce Sales and Use Tax Exemption	Section 39-26-106, C.R.S.	4.4
Income Tax Deduction for Charity	Section 39-22-104, C.R.S.	2.8
Income Tax Credit for the Cost of Health Benefits	Section 39-22-125, C.R.S.	2.3
Rural Health Care Providers	Section 39-22-126, C.R.S.	.2
Income Tax Credit for Foster Parents	Section 39-22-127, C.R.S.	.2
Agriculture Value-Added Account	Section 39-22-527, C.R.S.	.1
Individual Development Accounts <sup>1</sup>	Section 39-22-524, C.R.S.	-
High Technology Scholarships <sup>2</sup>	Section 39-22-523, C.R.S.	-
Subtotal Other Credits		\$295.3
<b>TOTAL REFUNDED</b>		<b>\$837.3</b>
<b>TOTAL AMOUNT TO BE REFUNDED</b>		<b>\$927.2</b>
<b>TABOR LIABILITY REMAINING</b>		<b>\$89.9</b>
<b>Source:</b> Department of Revenue information.		
<sup>1</sup> Amount is \$8,308.		
<sup>2</sup> Amount is \$1,620.		

## Current Year Liability

The Fiscal Year 2001 TABOR liability was \$927.2 million. As of June 30, 2002, \$837.3 million of this had been refunded, leaving \$89.9 million remaining to be paid at the end of Fiscal Year 2002. Additionally, during Fiscal Year 2002 the State paid out about \$69.6 million in Fiscal Year 2000 TABOR refunds in excess of the actual TABOR liability for Fiscal Year 2000. At the end of Fiscal Year 2002, the State Controller's Office applied the \$69.6 million paid in excess of the Fiscal Year 2000 TABOR refunds to the remaining Fiscal Year 2001 TABOR liability. This reduced the Fiscal Year 2001 TABOR liability from \$89.9 million to about \$20.3 million at the end of Fiscal Year 2002. The Office of State Planning and Budgeting estimates that approximately \$28.6 million in addition to the \$20.3 million will be claimed by taxpayers in Fiscal Year 2003. In order to account for these additional estimated future refunds, the State Controller's Office recorded \$28.6 million in tax refunds payable as of June 30, 2002.

## Revenue Reductions

Several revenue reductions were enacted during the 1999, 2000, and 2001 legislative sessions that will lower future TABOR revenue. Legislative Council estimated about a \$433.5 million revenue reduction in Fiscal Year 2002 due to these permanent tax cuts. The most significant reduction was in income taxes. The rate was reduced to 4.63 percent from 4.75 percent effective January 1, 2000. The sales tax rate was reduced to 2.9 percent from 3 percent effective January 1, 2001. There are a variety of other permanent tax reductions that include low-income housing owner credits, redevelopment incentives for contaminated property, prepaid tuition tax exclusions, bingo equipment exclusions, sales and use tax exemptions for certain agricultural items, unemployment insurance tax credits, and oil and gas severance tax exemptions. There were no permanent tax cuts enacted during the 2002 legislative session.

In addition, voters approved changes that will lower future revenue subject to TABOR. The table on the following page shows the voter approved changes that were enacted during Fiscal Year 2001 and the effect on the Fiscal Year 2002 revenue:

<b>Impact of Voter Approved Revenue Changes on TABOR Revenue Fiscal Year 2002</b>		
<b>Constitutional Amendment</b>	<b>Requirement</b>	<b>TABOR Impact (Millions)</b>
Amendment 23	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: <ul style="list-style-type: none"> <li>• Individual income taxes of \$3.3 billion reduced by \$258.3 million;</li> <li>• Corporate income taxes of \$178 million reduced by \$13.4 million;</li> <li>• Fiduciary income taxes of \$15 million reduced by \$1.2 million.</li> </ul>	\$272.9
Referendum A	Reduces the amount of property taxes for qualified senior citizens and requires the State to reimburse local governments for the lost property tax revenue.	44.1
Amendment 14	Assesses a fee on housed commercial swine feeding operations.	.2
Amendment 20 <sup>1</sup>	Assesses an application fee to obtain a Medicinal Marijuana identification card.	-
<b>Total Reductions in Fiscal Year 2002 TABOR Revenue</b>		<b>\$317.2</b>
<b>Source:</b> State Controller's Office and Department of Revenue information.		
<sup>1</sup> The amount is \$27,889.		

## Revenue Limits

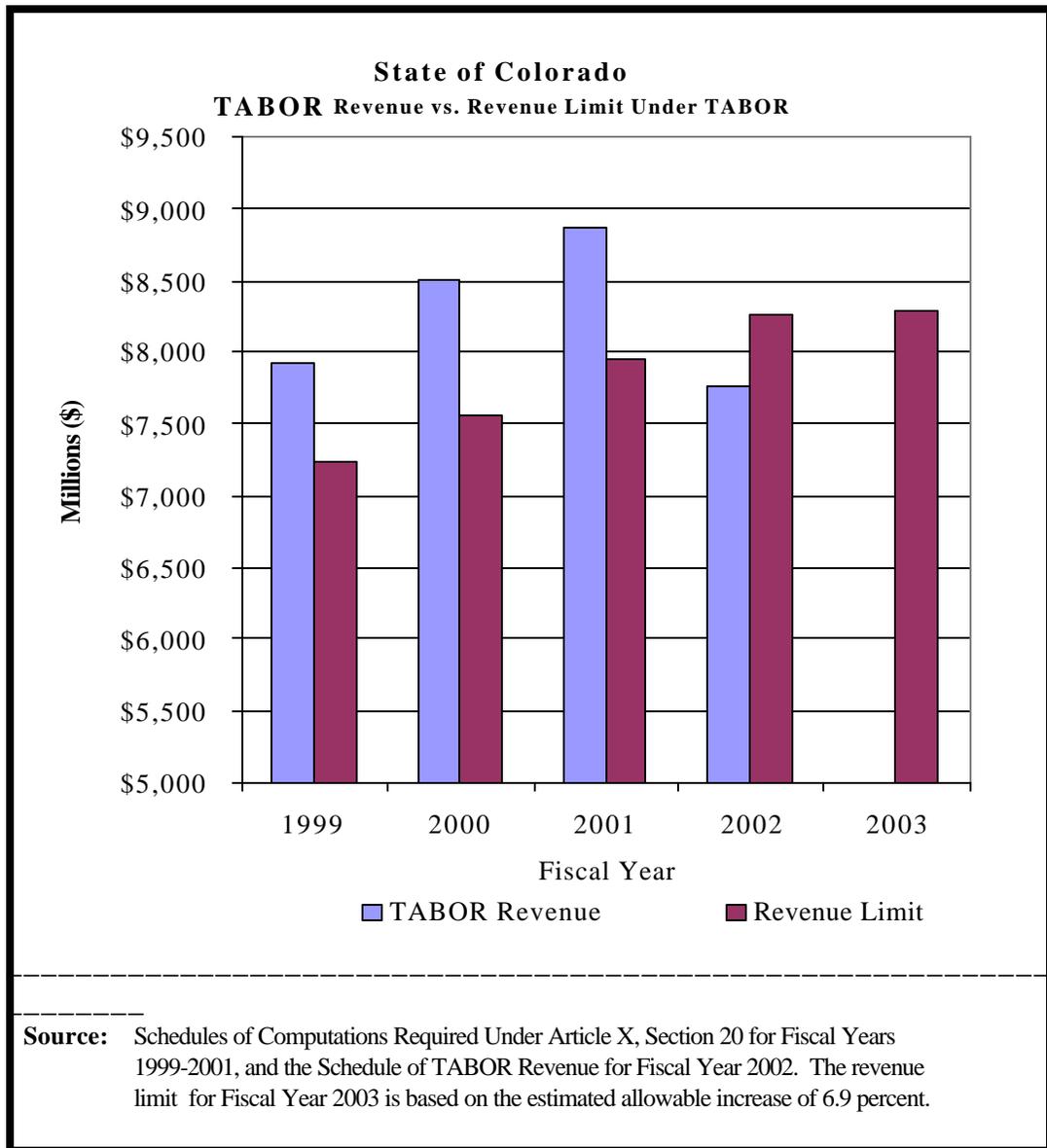
We reviewed the State Controller's computation of the TABOR revenue limit. For Fiscal Year 2002, the audited TABOR limit was \$8,126,189,326, the revenue was \$7,751,448,914. Prior year adjustments increased the revenue by \$8,089,157 for total TABOR revenue of \$7,759,538,071. This is a \$956,982 decrease in the revenue reported by the State Controller's Office. The difference is primarily due to a change

in estimate for a tax case settlement at the Department of Revenue and a reversal in the write-off of an accounts receivable balance at the University of Colorado, Colorado Springs. During our testwork we also found adjustments that decreased revenue by a net amount of \$53,856,045; these adjustments were posted by the State Controller's Office and are reflected in the TABOR revenue for Fiscal Year 2002.

In Fiscal Year 2002 the TABOR allowable growth rate was adjusted down to 4 percent from the projected 10 percent. Article X, Section 20 (7) (a) of the State's Constitution requires that the change in population growth, in conjunction with inflation, be used to determine the change in fiscal year spending. This section of the Constitution states that "population shall be determined by annual federal census estimates and such number shall be 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. Because of this, the State refunded more money to taxpayers than would have been had the population estimates more accurately reflected population growth in Colorado.

During the 2002 legislative session, the General Assembly enacted legislation to recoup revenue lost to the State due to underestimates of population growth in prior years. Section 24-77-103 (2) (b) (II.5) (A), C.R.S., allows the percentage change used in calculating the TABOR growth rate to be reduced in years where actual revenue is less than the limitation on state fiscal year spending. In Fiscal Year 2002 the population growth rate of 6 percent was not used to calculate the TABOR growth rate due to actual revenue being less than the limit. Under statutes, the unused 6 percent can be carried forward for up to nine years. This allows the State to raise the TABOR limit in future years and retain future excess TABOR revenue up to the amount of the 6 percent.

The graph that follows compares the revenue limit computed each year to the TABOR revenue from Fiscal Year 1999 to Fiscal Year 2002, with an estimate of the Fiscal Year 2003 limit. The preliminary Fiscal Year 2003 revenue limit is included to highlight the fact that Fiscal Year 2002 revenue does not exceed the Fiscal Year 2003 limit.



## 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. In general, cash funds decreases come from two sources—either a change in the rate

charged or a decrease in the usage of services. General funds decreased at a rate of about 15 percent in Fiscal Year 2002 as compared with a 4 percent increase in Fiscal Year 2001, while cash funds decreased at a rate of 6 percent in Fiscal Year 2002 as compared with an increase of 6 percent for Fiscal Year 2001.

The following tables show the major sources of revenue in Fiscal Year 2002, with comparative figures for 2001 and 2000 separated by general-funded and cash-funded revenue. For those revenue sources used for both general- and cash-funded purposes, addition of amounts in the charts below is required to arrive at the totals of the individual revenue categories shown in the Schedule of TABOR Revenue on page 25.

**State of Colorado**  
**Sources of TABOR Revenue**  
**General-Funded Revenue**

	<b>Fiscal Year</b>	<b>Fiscal Year</b>	<b>2001 to 2002</b>	<b>Fiscal Year</b>	<b>2000 to 2001</b>
	<b>2002</b>	<b>2001</b>	<b>% Change</b>	<b>2000</b>	<b>% Change</b>
<b>GENERAL-FUNDED REVENUE:</b>					
Individual Income Tax, Net	\$ 3,071,852,841	\$ 3,835,338,129	-19.9%	\$ 3,687,314,615	4.0%
Sales and Use Tax, Net	1,867,638,218	1,906,304,735	-2.0%	1,868,457,444	2.0%
Corporate Income Tax, Net	164,661,376	319,037,240	-48.4%	289,228,619	10.3%
Insurance Taxes	154,588,623	141,992,774	8.9%	128,542,486	10.5%
Estate and Inheritance Tax	72,517,741	82,563,486	-12.2%	59,731,067	38.2%
Tobacco Products Tax, Net	65,550,423	67,987,018	-3.6%	67,236,497	1.1%
Alcoholic Beverages Tax, Net	29,497,434	29,297,194	0.7%	27,978,957	4.7%
Court and Other Fines	25,857,347	25,260,230	2.4%	29,636,690	-14.8%
Interest and Investment Income	25,267,405	44,986,292	-43.8%	41,987,857	7.1%
Fiduciary Income Tax, Net	13,815,708	31,594,182	-56.3%	30,892,303	2.3%
Disproportionate Share Providers	11,171,358	-	100.0%	7,131,370	-100.0%
Business Licenses and Permits	6,230,863	4,407,311	41.4%	6,031,263	-26.9%
Gaming and Other Taxes	6,221,565	6,706,402	-7.2%	7,609,556	-11.9%
Other General-Funded Revenue	4,978,885	5,355,966	-7.0%	5,628,238	-4.8%
<b>TOTAL GENERAL-FUNDED REVENUE</b>	<b>\$ 5,519,849,787</b>	<b>\$ 6,500,830,959</b>	<b>-15.1%</b>	<b>\$ 6,257,406,962</b>	<b>3.9%</b>

**Source:** Office of the State Auditor analysis of the State Controller's Office data. This schedule does not include the adjustments as noted in the Independent Auditor's Report.

<sup>1</sup>The amount of Individual Income Tax was reduced by Amendment 23 transfers of \$258,329,000 from the amount shown on the Schedule of TABOR Revenue.

<sup>2</sup>The amount of Corporate Income Tax was reduced by Amendment 23 transfers of \$13,373,000 from the amount shown on the Schedule of TABOR Revenue.

<sup>3</sup>The amount of Fiduciary Income Tax was reduced by Amendment 23 transfers of \$1,198,000 from the amount shown on the Schedule of TABOR Revenue.

**State of Colorado**  
**Sources of TABOR Revenue**  
**Cash-Funded Revenue**

	<u>Fiscal Year</u> <u>2002</u>	<u>Fiscal Year</u> <u>2001</u>	<u>2001 to 2002</u> <u>% Change</u>	<u>Fiscal Year</u> <u>2000</u>	<u>2000 to 2001</u> <u>% Change</u>
<b>CASH-FUNDED REVENUE:</b>					
Education Tuition and Fees	\$ 646,161,262	\$ 579,993,648	11.4%	\$ 550,871,201	5.3%
Scholarship Allowances	(128,789,733)	-	-100.0%	-	-
Fuel and Transportation Taxes, Net	546,484,337	529,229,326	3.3%	522,598,118	1.3%
Interest and Investment Income	176,628,881	212,504,202	-16.9%	189,199,047	12.3%
Employment Taxes	170,292,023	170,438,241	-0.1%	199,137,514	-14.4%
Motor Vehicle Licenses	151,414,842	148,724,924	1.8%	148,986,616	-0.2%
Gaming and Other Taxes	96,803,744	90,033,599	7.5%	77,628,225	16.0%
Business Licenses and Permits	64,448,613	69,072,545	-6.7%	64,032,386	7.9%
Court and Other Fines	55,725,587	56,176,042	-0.8%	49,521,474	13.4%
Insurance Taxes	55,083,246	43,223,254	27.4%	42,644,625	1.4%
Nonbusiness Licenses and Permits	53,347,068	54,530,534	-2.2%	44,509,685	22.5%
Hunting and Fishing Licenses	-	53,472,420	-100.0%	53,358,093	0.2%
Severance Tax	50,550,128	68,890,858	-26.6%	36,238,953	90.1%
Local Governments and Authorities	39,216,761	32,242,950	21.6%	20,660,355	56.1%
Other Charges for Services	34,560,735	44,001,632	-21.5%	40,004,792	10.0%
Higher Education Auxiliary					
Sales and Services	31,508,030	31,284,545	0.7%	30,822,246	1.5%
Rents	28,209,372	26,348,947	7.1%	21,585,226	22.1%
General Government Service Fees	27,680,072	20,800,121	33.1%	19,225,864	8.2%
Unclaimed Money, Net	12,372,110	16,718,931	-26.0%	12,029,037	39.0%
Health Service Fees	22,241,347	31,046,138	-28.4%	30,886,020	0.5%
Driver's Licenses	21,444,506	20,070,114	6.8%	21,744,243	-7.7%
Certifications and Inspections	17,906,253	16,285,779	10.0%	15,407,198	5.7%
Sales of Products	14,406,282	17,259,479	-16.5%	16,421,539	5.1%
Sales and Use Tax, Net	9,844,878	11,900,123	-17.3%	8,710,720	36.6%
Other Cash-Funded Revenue	43,104,922	30,671,652	40.5%	31,208,855	-1.7%
<b>TOTAL CASH-FUNDED REVENUE</b>	<u>\$ 2,240,645,266</u>	<u>\$ 2,374,920,004</u>	<u>-5.7%</u>	<u>\$ 2,247,432,032</u>	<u>5.7%</u>
<b>TOTAL TABOR REVENUE</b>	<u>\$ 7,760,495,053</u>	<u>\$ 8,875,750,963</u>	<u>-12.6%</u>	<u>\$ 8,504,838,994</u>	<u>4.4%</u>

**Source:** Office of the State Auditor analysis of the State Controller's Office data. This schedule does not include the adjustments as noted in the Independent Auditor's Report.

# **Financial Information**



## STATE OF COLORADO

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December 26, 2002

### **Independent Auditor's Report**

Members of the Legislative Audit Committee:

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, 2002, and have issued our report thereon dated November 26, 2002. We have also audited the accompanying *Schedule of Computations Required Under Article X, Section 20, of the State Constitution (TABOR)*, as of June 30, 2002. This schedule is the responsibility of the State Controller's Office. Our responsibility is to express an opinion on this schedule based on our audit.

We conducted our audit of the schedule 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 of Computations Required Under Article X, Section 20, of the State Constitution (TABOR)* is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the schedule. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall schedule presentation. We believe that our audit provides a reasonable basis for our opinion.

Our auditing procedures also included reconciling amounts contained in this report to the State's Comprehensive Annual Financial Report for the year ended June 30, 2002, 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 of Computations Required Under Article X, Section 20, of the State Constitution (TABOR)* was prepared by the State Controller's Office 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 (TABOR). 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.

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 revenue, expenditures, changes in reserves, and spending limitation as determined under Article X, Section 20, of the State Constitution for the year ended June 30, 2002, in conformity with accounting principles generally accepted in the United States of America.

The *Schedule of Computations Required Under Article X, Section 20, of the State Constitution (TABOR)*, as of June 30, 2002 does not include adjustments to TABOR Revenue of \$956,982. If these adjustments had been included, TABOR Revenue would have been reduced to \$7,759,538,071 from \$7,760,495,053.

The State of Colorado adopted the provisions of Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - For State and Local Governments*; Statement No. 37, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments: Omnibus*; and Interpretation No. 6, *Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements*, as of July 1, 2001. Governmental Accounting Standards Board Statement No. 34 requires that revenue be reported net of discounts and allowances. Therefore, scholarship allowances at higher education institutions are shown as a reduction of revenue and the Fiscal Year 2002 spending limit on the *Schedule of Computations Required Under Article X, Section 20, of the State Constitution (TABOR)*.

STATE OF COLORADO  
SCHEDULE OF COMPUTATIONS REQUIRED  
UNDER ARTICLE X, SECTION 20  
AS OF JUNE 2002

	FISCAL YEAR 2000-01	FISCAL YEAR 2001-02
<b>COMPUTATION OF NON-EXEMPT REVENUES</b>		
Total State Expenditures	\$ 16,228,220,021	\$ 20,853,663,720
Less Exempt Enterprises Expenses:		
Higher Education Enterprises	532,158,366	746,097,768
State Lottery	352,378,209	413,485,426
Student Loan Program	63,811,616	73,451,528
Division of Wildlife (Note 6)	-	78,244,457
Correctional Industries	37,955,291	35,701,252
Student Obligation Bond Authority	60,984,652	50,631,476
State Nursing Homes	21,789,886	23,833,086
Subtotal Enterprise Expenses	<u>1,069,078,020</u>	<u>1,421,444,993</u>
Total District Expenditures	<u>15,159,142,001</u>	<u>19,432,218,727</u>
Less Exempt District Revenues:		
Interfund Transfers (Note 7)	2,511,720,256	5,855,484,177
Federal Funds	3,427,559,236	4,053,165,999
Gifts	308,911,980	363,633,277
Property Sales	27,648,660	23,738,774
Damage Awards	104,056,152	107,944,168
Exempt Investment Income	221,777,195	166,044,819
Other Sources and Additions (Note 8)	1,442,669,211	843,594,919
Voter Approved Revenue Changes (Note 9)	169,057,563	289,373,710
Subtotal Exempt District Revenues	<u>8,213,400,253</u>	<u>11,702,979,843</u>
Non-Exempt District Expenditures	6,945,741,748	7,729,238,884
District Reserve/Fund Balance Increase	1,004,162,852	22,972,338
Excess TABOR Revenues	927,200,806	-
Total Non-Exempt District Revenues	<u>8,877,105,406</u>	<u>7,752,211,222</u>
<b>COMPUTATION OF FUND BALANCE CHANGES</b>		
Beginning District Fund Balance	\$ 8,407,294,689	\$ 9,384,162,647
Prior Period District Fund Balance Adjustments (Note 10)	(27,294,894)	(1,390,536,271)
(Qualification)/Disqualification of Enterprises (Notes 6 and 10)	-	(55,750,008)
District Reserve/Fund Balance Increase	1,004,162,852	22,972,338
Ending District Fund Balance	<u>\$ 9,384,162,647</u>	<u>\$ 7,960,848,706</u>
<b>COMPUTATION OF SPENDING LIMITATION</b>		
<b>FY 2000-01 Fiscal Year Spending Limitation</b>	\$ 7,948,550,157	
(Qualification)/Disqualification of Enterprises (Notes 6 and 11)	(53,496,835)	
<b>FY 2000-01 Adjusted Fiscal Year Spending Limitation</b>	<u>\$ 7,895,053,322</u>	
Allowable TABOR Growth Rate (Notes 12 and 13)		4.0%
<b>FY 2001-02 Unadjusted Fiscal Year Spending Limit</b>		8,210,855,455
Voter Approved Change in the Spending Limit (Note 14)		44,123,604
Effect for a Change in Accounting Principle (Note 15)		<u>(128,789,733)</u>
<b>FY 2001-02 Adjusted Fiscal Year Spending Limit</b>		8,126,189,326
Less Fiscal Year 2001-02 Non-Exempt District Revenues		(7,752,211,222)
Corrections of Prior Years' Refunds (Note 16)		<u>(8,283,831)</u>
<b>Amount (Over)Under Adjusted Fiscal Year Spending Limit</b>		<u><b>\$ 365,694,273</b></u>

## NOTES TO THE TABOR REPORT

### NOTE 1. 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) except where an irreconcilable difference exists between GAAP, and state statute or the provisions of Section 20, Article X of the state constitution (TABOR).

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

### NOTE 2. 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 CRS 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) any special purpose authority.

The General Assembly has designated the State Lottery, the Guaranteed Student Loan Program, the Division of Correctional Industries, the Division of Wildlife, the State Fair Authority, Colorado Student Obligation Bond Authority, and the State Nursing Homes as enterprises excluded from the district. It further set up a mechanism in statute by which the governing boards of the institutions of higher education could designate certain auxiliary operations as enterprises, also exempt from TABOR.

Although the General Assembly has designated certain enterprises as exempt from TABOR, they must also meet certain criteria annually. The State Fair Authority did not meet those criteria in the current or previous fiscal year.

### NOTE 3. 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 CRS 24-30-202(5.5).

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

#### **NOTE 4. EMERGENCY RESERVES**

TABOR requires the reservation, for declared emergencies, of 3 percent or more of the Fiscal Year Spending, excluding debt service payments. An Executive Order by the Governor transferred \$15,000,000 from the Severance Tax Trust Fund to the Disaster Emergency Fund to fund firefighting efforts.

This reduced the required reserve for FY 2001-02 to \$217,566,336.

The State has designated \$54,442,953 of the Severance Tax Trust Fund, \$27,474,176 of the Employment Support Fund, and \$38,813,100 of the Wildlife Cash Fund for this reserve. The remaining amount of \$96,836,107 needed to meet the emergency reserve requirement comes from the \$139.98 million of Capital Assets, Net of Related Debt, in the Wildlife Fund. In the event of an emergency that exceeded the financial assets in the reserve, these capital assets would have to be liquidated to meet the constitutional requirement.

#### **NOTE 5. STATUS OF REFUNDING**

During Fiscal Year 2001-02, the State had accrued or made a refund of \$69.6 million over its liability for the Fiscal Year 1999-00 excess revenues. Per statute (CRS 24-77-103.7), this over-refunding is to be treated as a reduction of the following years excess revenue liability. In prior years this would have been accomplished by reducing gross revenues, which reduces the year-end excess revenue liability accrual. Since there were no excess revenues in Fiscal Year 2001-02, the Controller reduced the still remaining Fiscal Year 2000-01 TABOR liability by \$41.0 million, resulting in a June 30, 2002 liability of \$48.9 million. This amount represents an estimate of the amount taxpayers will still claim on their 2001 tax returns after June 30, 2002 owed to them because of the TABOR refund mechanisms enacted by the General Assembly.

A class action suit has been brought against the State seeking damages equal to the cumulative sales tax refund. The State has refunded \$3.25 billion since Fiscal Year 1996-97. The suit alleges that the refund program violates interstate commerce, equal protection and privileges, and immunity clauses of the U.S. Constitution. It also alleges that the TABOR amendment, under which the refund was made, violates the equal protection and due process clauses of the Colorado Constitution.

#### **NOTE 6. COLORADO DIVISION OF WILDLIFE**

The General Assembly in the 2001 Legislative Session changed the status of the Colorado Division of Wildlife to a TABOR exempt enterprise. The Division switched from a special revenue fund to an enterprise fund and began its accounting as a government owned business effective July 1, 2001.

#### **NOTE 7. INTERFUND TRANSFERS**

The large increase in Interfund Transfers is the result of the State's implementation of GASB Statement 34, *Basic Financial Statements B and Management's Discussion and Analysis B for State and Local Governments*. Adoption of this statement resulted in significant changes in the State's fund structure. In particular, many funds previously considered part of the General Fund became special revenue funds. Where before, transactions between these funds and the General Fund were intrafund transactions and previously eliminated for this report, they are now interfund transactions. The most significant is the \$2,083.2 million transfer from the General Fund to the State Public School Fund, which is now treated as an interfund transfer.

**NOTE 8. OTHER SOURCES AND ADDITIONS**

This line item consists primarily of \$220.0 million of revenue anticipation notes for highway construction, \$529.2 million of investment and pension trust fund additions by participants, \$28.2 million of reimbursements of prior year expenditures, and \$10.2 million of refunding bond proceeds.

Other sources include \$15.9 million in advances from private sources to the colleges and universities, reversions of accruals of accounts payable of \$9.2 million, \$8.8 million from the Great Outdoors Colorado Authority to the Department of Natural Resources, and \$22.1 million in other exempt revenues and required governmental accounting entries.

**NOTE 9. VOTER APPROVED REVENUE CHANGES**

The voters in the 1998 general election approved an initiated law, CRS 25-8-501.1, Regulation of Commercial Hog Facilities, adopting the permit fee. The State collected \$233,495 and \$246,688 from this revenue in Fiscal Years 2001-02 and 2000-01, respectively.

The voters in the 2000 general election approved an 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 collected \$27,889 from this revenue in Fiscal Year 2001-02.

The voters in the 2000 general election approved an amendment that added Section 17 to Article IX of the state constitution. This amendment created the State Education Fund and shifted the revenues from a tax of one-third of one percent on taxable income of individuals, corporations, estates, and trusts to this fund. It also exempted that revenue from TABOR.

The amendment was effective January 1, 2001 and resulted in \$289,112,326, and \$168,810,875 of revenues being excluded from Fiscal Year Spending in Fiscal Years 2001-02 and 2000-01, respectively. The amount for Fiscal Year 2001-02 includes Education Fund transfers of \$272.9 million and interest income of about \$16.2 million.

**NOTE 10. DISTRICT RESERVES**

District reserves are the cumulative fund balances of the State, excluding the capital assets and non-fund liabilities of the governmental funds and fund balances of the exempt enterprises. The majority of these fund balances are not available for appropriation due to legal and contractual restrictions.

Adjustments to the beginning fund balances occur for various reasons. In Fiscal Year 2001-02 the State implemented GASB Statement No. 35 - *Basic Financial Statements C and Management's Discussion and Analysis C for Public Colleges and Universities*. Under this statement the colleges and universities had to restate their beginning fund balances for the effects of converting to full accrual accounting, including the depreciation of capital assets and the the deferral of revenue previously recorded as advances. This resulted in the reduction of beginning fund balance by \$1,436.9 million.

Other adjustments by the colleges and universities resulted in increases to the beginning fund balance of \$17.2 million.

In Fiscal Year 2001-02 the State also adopted GASB Interpretation No. 6. This resulted in \$25.3 million of current risk management claim liabilities no longer being reported in the funds. This resulted in an increase to beginning fund balance for the same amount.

Another change related to the adoption of GASB 34 was the removal of the Supreme Court Library from a trust fund, which resulted in \$5.1 million of its capital assets being removed from the beginning fund balance.

In addition, the State Land Board recorded a \$4.4 million increase in the value of their lands resulting from various land swaps that had occurred in previous fiscal years. This resulted in an increase to the beginning fund balance for the same amount.

Other minor adjustments were made to the beginning fund balance because of previous years= accounting errors, as described in Note 16, or changes to various fund alignments resulting from adoption of the new reporting model.

District reserves/fund balance may also be adjusted for the qualification or disqualification of enterprises. The qualification of the Division of Wildlife in the Department of Natural Resources on July 1, 2001, resulted in a reduction to the District reserve of \$55.8 million for the net assets of the Division transferred to the TABOR exempt enterprise.

#### **NOTE 11. ENTERPRISE QUALIFICATION /DISQUALIFICATION**

TABOR specifies that qualification and disqualification of enterprises shall change the district bases. Due to the qualification of the Division of Wildlife as a TABOR exempt enterprise, the Fiscal Year 2000-01 Fiscal Year Spending Limit was reduced by the amount of TABOR non-exempt revenues the Division received in Fiscal Year 2000-01 adjusted for inter-district transactions involving the Division that had been recorded as exempt during Fiscal Year 2000-01 by other agencies.

#### **NOTE 12. SOURCES OF TABOR GROWTH LIMITS**

The allowable increases in state fiscal year spending equal the sum of inflation and the percentage change in state population in the prior calendar year, adjusted for voter approved revenue changes. Inflation is defined in CRS 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 percentage change for calendar year 2000 used in this report was provided by the Office of State Planning and Budgeting.

#### **NOTE 13. GROWTH DIVIDEND**

The 2000 Federal Census adjusted the change in the States population between 1999 and 2000 by 6.0 percent to account for a larger than estimated population change in the State during the 1990s. If the estimates of the States population change had been more accurate then the State would have been able to retain larger amounts of the TABOR non-exempt revenues to meet the needs generated by this growth.

Thus, the General Assembly passed legislation in the 2002 Session that recaptures the revenues lost because of the error in the population estimates. This is commonly referred to as the growth dividend. The growth limit of 4.0 percent between Fiscal Years 2000-01 and 2001-02 presented in the Schedule represents only the inflation portion of the allowable growth.

The 6.0 population adjustment that would normally be included, will be preserved by the State and used to increase the allowable growth the State may retain until the 6.0 percent is exhausted, or until the current decade lapses, whichever occurs first.

#### **NOTE 14. VOTER APPROVED CHANGE IN THE SPENDING LIMIT**

In the 2001 election the voters approved a referred amendment to the state constitution= Article X. The amendment decreased the property valuation subject to local property tax of residents 65 and older, who have resided in their homes for ten years. The amendment also increased the States Fiscal Year Spending Limit by \$44.1 million, the amount the State estimated that it would need to defray the lost revenues of the local governments.

**NOTE 15. EFFECT FOR CHANGE IN ACCOUNTING PRINCIPLE**

In Fiscal Year 2001-02 the State implemented GASB Statements No. 34 and 35 which required that revenues be shown net of any discounts. Tuition, fees, and other revenue charges of the institutions of higher education have historically been shown gross and the discounts given as a scholarship expense. Beginning this fiscal year, these revenues are shown net of any scholarships from institutional funds.

It is the States policy that changes in accounting principles will have no net effect upon the TABOR excess revenue calculation. Thus, because the revenues were reduced \$128.8 million by this change in principle, the spending limit was also reduced by an equal amount.

**NOTE 16. CORRECTIONS TO PRIOR YEARS' REFUNDS**

Errors in prior years=refunds are corrected in the year in which the error is discovered. The Land Board in the Department of Natural Resources had failed to record revenues of \$376,577 after numerous leases had expired even though the lessee was still obligated for payment. This process has been corrected.

The Office of Economic Development failed to record \$1,606,320 of in-kind revenue received for advertising revenues of an agent of the Colorado Tourism Board.

An entry for Metropolitan State College of \$301,231 was inadvertently reported twice in two different fiscal years.

The Department of Labor and Employment failed to record the net amortization of investments for the previous five fiscal years, thus understating investment income by \$6,041,655.

The Department of Regulatory Agencies failed to record several payments from Qwest for the Disabled Telephone Users Fund. The net amount was \$560,510.

**NOTE 17. FUTURE REFUNDS**

In the 1999 regular session, the General Assembly enacted mechanisms to refund Fiscal Year 1998-99 and subsequent years=excess revenue. In succeeding sessions the General Assembly has enacted additional mechanisms to refund the excess revenue. The laws enacted to refund the TABOR liability are:

1. An earned income tax credit of 10 percent.
2. An income tax credit for foster parents.
3. A business personal property tax credit.
4. An income tax credit for qualified individuals who save for post-secondary education, purchase a first home, or start a business.
5. An interest, dividend, and capital gains exclusion up to \$1,200 for individuals and \$2,400 for couples.
6. An income deduction for capital gains taken on assets purchased prior to May 9, 1994 and held for at least five years.
7. An income tax credit to health and dental care providers who practice in certain rural areas.
8. An income tax credit that is a percentage of the federal child care credit.
9. A reduction in the annual registration fees for motor vehicles.
10. An income tax credit for contributions to high technology scholarships.
11. An additional income tax deduction of another \$300 (\$600 for a couple) for interest, dividend, and capital gains over that listed above.
12. A sales tax refund when that tax is above a rate of 0.01 percent and is imposed on new or used commercial trucks or other vehicles that are used in interstate commerce and have a gross weight of more than 26,000 pounds.
13. An income tax deduction for charitable contributions in excess of \$500 made by individuals who claim the standard deduction.

14. A sales tax exemption for certain pollution control devices.
15. An income tax credit for contributions to the Colorado Institute for Telecommunications Education.
16. An income tax credit for the cost of health benefit plans not paid by the employer or deducted from the individuals federal adjusted gross income.
17. An income tax credit for eligible agricultural value-added cooperatives.
18. An expansion of the capital gains modification to include capital gains realized in tax years beginning on or after January 1, 1999, as well as a reduction of the holding period from five years to one year.
19. Any remaining amount is given to all full-year Colorado residents 18 years and older as a refund of sales taxes.  
The sales tax refund is a fixed amount 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.

Since the State does not have excess revenues in Fiscal Year 2001-02, none of the statutory refund mechanisms will be used until the State is required to make a refund of future years' excess revenues.

**Schedule of TABOR Revenue**  
**(Dated October 1, 2002)**



## STATE OF COLORADO

JOANNE HILL, CPA  
State Auditor

**OFFICE OF THE STATE AUDITOR**  
(303) 869-2800  
FAX(303)869-3060

Legislative Services Building  
200 East 14th Avenue  
Denver, Colorado 80203-2211

October 1, 2002

### **Independent Auditor's Report**

Members of the Legislative Audit Committee:

We are in the process of auditing, in accordance with generally accepted auditing standards, the *Schedule of Computations Required Under Article X, Section 20 of the State Constitution (TABOR)*, as of June 30, 2002, and have not yet issued our report. As part of that audit, we have audited the *Schedule of TABOR Revenue* of the State of Colorado for the years ended June 30, 2002 and 2001. The *Schedule of TABOR Revenue* is the responsibility of the State Controller's Office. Our responsibility is to express an opinion on this schedule based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the *Schedule of TABOR Revenue* is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts in the schedule. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall schedule presentation. We believe that our audits provide a reasonable basis for our opinion.

The accompanying *Schedule of TABOR Revenue* was prepared for the purpose of demonstrating compliance with state fiscal policies relating to Article X, Section 20 of the State Constitution (TABOR) with regard to TABOR revenue. The schedule has been prepared in conformity with accounting principles generally accepted in the United States of America unless an irreconcilable conflict exists between generally accepted accounting principles and TABOR, in which case the provisions of said constitutional provision shall control. The schedule is not intended to be a complete presentation of the State's revenue.

In our opinion, the accompanying *Schedule of TABOR Revenue* presents fairly, in all material respects, the revenue as determined under Article X, Section 20 of the State Constitution for the years ended June 30, 2002 and 2001, in conformity with accounting principles generally accepted in the United States of America.

The *Schedule of TABOR Revenue* does not include audit adjustments of \$956,982. If the adjustments had been included revenue, as determined under Article X, Section 20 of the State Constitution, for the year ended June 30, 2002, would have been reduced to \$ 7,759,538,071 from \$7,760,495,053.

The State of Colorado adopted the provisions of Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - For State and Local Governments*; Statement No. 37, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments: Omnibus*; and Interpretation No. 6, *Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements*, as of July 1, 2001. Governmental Accounting Standards Board Statement No. 34 requires that revenue be reported net of discounts and allowances. Therefore, scholarship allowances at higher education institutions are shown as a reduction of revenue on the *Schedule of TABOR Revenue*.

A handwritten signature in cursive script, appearing to read "James Hill".

**State of Colorado**  
**Schedule of TABOR Revenue**

	Fiscal Year 2002	Fiscal Year 2001	Increase (Decrease)	Percent Change
Individual Income Tax, Net	\$ 3,330,181,841	\$ 3,985,149,129	\$ (654,967,288)	-16.4%
Corporate Income Tax, Net	178,034,376	332,327,240	(154,292,864)	-46.4%
Fiduciary Income Tax, Net	15,013,708	32,759,182	(17,745,474)	-54.2%
Education Fund Transfers (Amend. 23) <sup>1</sup>	(272,900,000)	(164,266,000)	(108,634,000)	66.1%
<b>TOTAL INCOME TAX</b>	<b>3,250,329,925</b>	<b>4,185,969,551</b>	<b>(935,639,626)</b>	<b>-22.4%</b>
Sales Tax, Net	1,736,839,780	1,760,320,741	(23,480,961)	-1.3%
Use Tax, Net	140,643,316	157,884,117	(17,240,801)	-10.9%
Tobacco Products Tax, Net	65,550,423	67,987,018	(2,436,595)	-3.6%
Alcoholic Beverages Tax, Net	30,049,568	29,765,147	284,421	1.0%
Other Excise Taxes, Net	208,201	183,612	24,589	13.4%
<b>TOTAL EXCISE TAX</b>	<b>1,973,291,288</b>	<b>2,016,140,635</b>	<b>(42,849,347)</b>	<b>-2.1%</b>
Fuel and Transportation Taxes, Net	546,484,337	529,229,326	17,255,011	3.3%
Employment Taxes	170,292,023	170,438,241	(146,218)	-0.1%
Insurance Taxes	209,671,869	185,216,028	24,455,841	13.2%
Estate and Inheritance Taxes	72,517,741	82,563,486	(10,045,745)	-12.2%
Gaming and Other Taxes	103,025,309	96,740,001	6,285,308	6.5%
Severance Tax	50,550,128	68,890,858	(18,340,730)	-26.6%
<b>TOTAL OTHER TAXES</b>	<b>1,152,541,407</b>	<b>1,133,077,940</b>	<b>19,463,467</b>	<b>1.7%</b>
Education Tuition and Fees	646,161,262	579,993,648	66,167,614	11.4%
Scholarship Allowances	(128,789,733)	-	(128,789,733)	-100.0%
Motor Vehicle Licenses	151,414,842	148,724,924	2,689,918	1.8%
Business Licenses and Permits	70,932,479	73,479,856	(2,547,377)	-3.5%
Hunting and Fishing Licenses	-	53,472,420	(53,472,420)	-100.0%
Nonbusiness Licenses and Permits	53,951,345	55,136,585	(1,185,240)	-2.1%
Health Service Fees	22,306,573	31,046,138	(8,739,565)	-28.2%
Other Charges for Services	34,022,557	44,001,632	(9,979,075)	-22.7%
General Government Service Fees	27,962,557	20,988,548	6,974,009	33.2%
Driver's Licenses	21,444,506	20,070,114	1,374,392	6.8%
Certifications and Inspections	18,809,230	17,386,062	1,423,168	8.2%
Public Safety Service Fees	3,133,362	3,015,713	117,649	3.9%
Employee Benefit Fees	578,114	302,407	275,707	91.2%
Welfare Service Fees	315,031	284,528	30,503	10.7%
<b>TOTAL LICENSES, PERMITS AND FEES</b>	<b>922,242,125</b>	<b>1,047,902,575</b>	<b>(125,660,450)</b>	<b>-12.0%</b>
Interest and Investment Income	195,854,630	257,493,446	(61,638,816)	-23.9%
Court and Other Fines	81,582,934	81,545,250	37,684	0.0%
Disproportionate Share Providers	11,171,358	-	11,171,358	100.0%
Higher Education Auxiliary				
Sales and Services	31,508,030	31,284,545	223,485	0.7%
Miscellaneous Revenue	39,852,006	31,098,370	8,753,636	28.1%
Rents	27,832,795	26,348,947	1,483,848	5.6%
Local Governments and Authorities	39,216,761	32,249,560	6,967,201	21.6%
Sales of Products	14,415,853	17,275,656	(2,859,803)	-16.6%
Unclaimed Money, Net	12,372,110	16,718,931	(4,346,821)	-26.0%
Prior Year Audit Adjustments	8,283,831	(1,354,443)	9,638,274	811.6%
<b>OTHER REVENUE</b>	<b>462,090,308</b>	<b>492,660,262</b>	<b>(30,569,954)</b>	<b>-6.2%</b>
<b>TOTAL TABOR REVENUE AND PRIOR YEAR ADJUSTMENTS</b>	<b>\$ 7,760,495,053</b>	<b>\$ 8,875,750,963</b>	<b>\$ (1,115,255,910)</b>	<b>-12.6%</b>

<sup>1</sup>Per HB01-1262, Amendment 23 transfers did not begin until December 28, 2000. Therefore, the Fiscal Year 2001 Amendment 23 amount includes only 6 months of transfers.

# **Appendices**

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# Appendix A

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## Description of Revenue Categories

Category	Description
<b>INCOME TAX</b>	
Individual Income Tax, Net	Tax paid on wages, unearned income, and other income of individuals, net of refunds on property tax credits, income tax intercepts (e.g., IRS, child support), and tax checkoffs
Corporate Income Tax, Net	Taxes based on the net profits of corporations
Fiduciary Income Tax, Net	Taxes on trust and estate income
Education Fund Transfers	Reduction of income taxes for transfers made to the State Education Fund
<b>EXCISE TAX</b>	
Sales Tax, Net	Taxes collected by retailers on consumer purchases of tangible personal property
Use Tax, Net	Taxes remitted by the end consumer of tangible personal property purchased at retail prices
Tobacco Products Tax, Net	Tax on the sale, use, consumption, handling, or distribution of tobacco products
Alcoholic Beverages, Net	Taxes collected from retailers who sell alcohol products
Other Excise Taxes, Net	Tax for occupational license renewals, tourism and promotion, and certain penalties
<b>OTHER TAXES</b>	
Fuel and Transportation Taxes, Net	Gross ton mileage tax on motor carriers and taxes on diesel, gasoline, gasohol, and other fuels

<b>Category</b>	<b>Description</b>
Employment Taxes	Employment insurance paid by employers for funding unemployment benefits
Insurance Taxes	Taxes on insurance premiums collected by insurance companies
Estate and Inheritance Tax	Taxes collected on the assets of estates
Gaming and Other Taxes	Taxes on gaming facilities based on percentages of income
Severance Tax	Mineral extraction taxes, net of refunds on coal, oil and gas, molybdenum, and metallic minerals
<b>LICENSES, PERMITS AND FEES</b>	
Education Tuition and Fees	Tuition and other education-related fees collected by state colleges and universities from students
Scholarship Allowances	The difference between the stated charge for tuition and other education-related fees collected by state colleges and universities and the actual amount that is paid by students
Motor Vehicle Licenses	Collection of fees for license plates and tags
Business Licenses and Permits	Licenses and permits for special functions of a business (e.g., child care licenses, alcoholic beverage licenses, and waste management permits)
Hunting and Fishing Licenses	Licenses issued to individuals for hunting and fishing
Nonbusiness Licenses and Permits	Environmental response surcharges, park passes, distributive data processing fees, motorcycle operator safety training, waste tire recycling, etc.
Health Service Fees	Fees collected for health services, including laboratory test fees and animal diagnostic lab fees

<b>Category</b>	<b>Description</b>
Other Charges for Services	Various fees, the majority of which are collected by the Public Utilities Commission, the Division of Banking, Universities, 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., fees charged by the Central Indexing System Board, filing fees with the Department of State, charges by the Motor Vehicle Division for driving record inquiries, and certain fees charged by the Department of Agriculture)
Driver's Licenses	Fees for driver's licenses
Certifications and Inspections	Emission inspection stickers, emission registration, emission inspection station licenses, and other fees
Public Safety Service Fees	Fees for firefighter response, food protection programs, and background investigations
Employee Benefit Fees	Fees primarily collected for premiums paid under COBRA
Welfare Service Fees	Child abuse registry fees
<b>OTHER REVENUE</b>	
Interest and Investment Income	Interest income, finance charges, and gains/losses on investments
Court and Other Fines	Fines and forfeits levied by the courts
Disproportionate Share Providers	Medicaid disproportionate share from University Hospital and Denver Health Medical Center, and donations from private and public sources
Higher Education Auxiliary Sales and Services	Revenue from operations such as bookstores, cafeterias, student unions, etc.

<b>Category</b>	<b>Description</b>
Miscellaneous Revenue	Revenue not included in another category (e.g., charges by colleges and universities for services to outside entities and operating transfers from TABOR exempt enterprises and auxiliaries to other non-exempt state agencies)
Rents	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
Sales of Products	Sales of publications, maps, materials, and supplies
Unclaimed Money, Net	Abandoned property, unclaimed insurance proceeds, and unclaimed interests in business associations; net of claims paid and allowance for future claims payments
Prior Year Audit Adjustments	Effect of errors in classifications of TABOR revenue in prior years

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# Appendix B

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## Description of Refunding Mechanisms

<b>Mechanism (Effective Date)</b>	<b>Description</b>
Business Personal Property Tax Credit (July 1, 1999)	When the excess TABOR revenue exceeds \$170 million annually adjusted for inflation, a personal property tax credit is allowed for 16 percent of the aggregate amount of personal property tax paid, plus the lesser of 84 percent of the amount paid or \$588. This is an increase from the Fiscal Year 2000 amount of the lesser of \$500 plus 13.37 percent of the amount exceeding \$500 or the amount of actual taxes paid.
Colorado Capital Gains Modification (January 1, 2000)	When the excess TABOR revenue exceeds \$260 million annually adjusted for inflation, a deduction is provided for capital gains taken on assets purchased prior to May 9, 1994 that were held for at least five years prior to a gain on the disposition. Both individuals and corporations are eligible for the deduction.
Interest, Dividends, and Capital Gains to \$1,200/\$2,400 (January 1, 2000)	When the excess TABOR revenue exceeds \$220 million annually adjusted for inflation, taxpayers may deduct the lesser of \$1,200 or their total amount of interest, dividend, and capital gains income on their state income tax return. Married taxpayers will be allowed to deduct up to \$2,400 of such income.
Earned Income Credit (January 1, 1999)	When the excess TABOR revenue exceeds \$50 million annually adjusted for inflation, an earned income credit of 10 percent of the taxpayer's federal earned income tax credit may be claimed. This percentage increased from the 8.5 percent allowed in Fiscal Year 1999.

<b>Mechanism (Effective Date)</b>	<b>Description</b>
Motor Vehicle Registration Fees (July 1, 2001)	When the excess TABOR revenue exceeds \$330 million annually adjusted for inflation, there is a reduction in the annual registration fees for passenger vehicles, trucks, truck tractors, and certain trailers. Revenue lost to the Highway Users Tax Fund is replaced by General Fund revenue.
Expanded Colorado Capital Gains Modification (January 1, 2001)	When the excess TABOR revenue exceeds \$430 million annually adjusted for inflation, the exemption allowed in the Colorado Capital Gains Modification Act is expanded to include Colorado capital gains made for any tax year beginning on or after January 1, 1999. It reduces the holding period of the asset for such capital gains exclusions from five years to one year. The credit is equal to the amount of income attributable to qualifying Colorado gains receiving capital treatment and included in federal taxable income.
Income Tax Credit for Cost of Health Benefits (January 1, 2000)	When the excess TABOR revenue exceeds \$400 million annually adjusted for inflation, an income tax credit for health benefit plans not paid for by an employer or deducted from federal adjusted gross income is allowed. The credit is capped at \$500, with qualifying income capped at \$25,000 for individuals without dependents, \$30,000 for joint filers without dependents, and \$35,000 for individual or joint filers with dependents. The credit is only available to the extent of the individual's tax liability.
Child Care Credits (January 1, 2000)	When the excess TABOR revenue exceeds \$290 million annually adjusted for inflation, a credit of 20 or 70 percent of an individual's federal child care credits may be claimed. The credit allowed depends on the taxpayer's income level with a maximum allowable income of \$64,000. In addition, the credit increased from \$200 per child to \$300 per child for tax years beginning on or after January 1, 2000. The bill also allows in-home child care providers to claim credits for their own children.

<b>Mechanism (Effective Date)</b>	<b>Description</b>
Income Tax Modification for Interest, Dividends, and Capital Gains (January 1, 2001)	When the excess TABOR revenue exceeds \$350 million annually adjusted for inflation, taxpayers may deduct the lesser of \$1,500 or their total amount of interest, dividend, and capital gains income on their income tax return. Married taxpayers will be allowed to deduct up to \$3,000 of such income. This is an increase of \$300 for single taxpayers and \$600 for married taxpayers from Fiscal Year 2000.
Interstate Commerce Sales and Use Tax Exemption (January 1, 2001)	When the excess TABOR revenue exceeds \$350 million annually adjusted for inflation, a refund for sales taxes paid above a rate of 0.01 percent that are imposed on new or used commercial trucks, truck tractors, tractors, semi trailers, or vehicles used in interstate commerce with a gross vehicle weight in excess of 26,000 pounds is allowed.
Income Tax Deduction for Charity (January 1, 2001)	When the excess TABOR revenue exceeds \$350 million annually adjusted for inflation, an income tax credit for charitable contributions in excess of \$500 for individuals who claim the basic standard deduction on their federal return is allowed.
Individual Development Accounts (January 1, 2001)	When the excess TABOR revenue exceeds \$190 million annually adjusted for inflation, a tax credit is allowed for contributors of matching funds for the Individual Development Accounts program. The program permits the establishment of accounts for eligible individuals or dependents for funding of post-secondary education, for purchasing a first home, or for capitalizing a business. Contributions to these accounts are exempt from income taxation.

<b>Mechanism (Effective Date)</b>	<b>Description</b>
Agriculture Value-Added Development (January 1, 2001)	When the excess TABOR revenue exceeds \$400 million annually adjusted for inflation, an income tax credit to eligible agricultural value-added cooperatives for new or ongoing rural agricultural business projects is allowed. The credit is equal to the lesser of 50 percent of the member's investment or \$15,000, up to an aggregate amount of \$1.5 million per project and \$4 million per year.
Pollution Control Providers (July 1, 1999)	When the excess TABOR revenue exceeds \$350 million annually adjusted for inflation, certain pollution control equipment is exempt from state sales and use tax, including solid waste, noise pollution, wind power, solar and thermal generation equipment.
Income Tax Credit for Foster Parents (January 1, 2001)	When the excess TABOR revenue exceeds \$200 million annually adjusted for inflation, an income tax credit for providing foster care to children under 18 years of age is allowed. The credit is equal to the lesser of 100 percent of the nonreimbursed expenses of providing foster care to children or \$500.
High Technology Scholarships (January 1, 2001)	When the excess TABOR revenue exceeds \$330 million annually adjusted for inflation, an income tax credit for 25 percent of the contributions made to the Colorado high technology scholarship program is allowed. The income tax credit may not exceed 15 percent of income taxes due.
Rural Health Care Providers (January 1, 2000)	When the excess TABOR revenue exceeds \$285 million annually adjusted for inflation, a temporary income tax credit will be provided for health care professionals who reside and practice in areas of Colorado that are understaffed. The definition of health care provider has been expanded to include dentists. This credit is equal to the taxpayer's income tax liability but is not to exceed the taxpayer's student loan obligation. This credit is effective from January 1, 2000 to January 1, 2008.

<b>Mechanism (Effective Date)</b>	<b>Description</b>
Telecommunication Education (January 1, 2001)	When the excess TABOR revenue exceeds \$350 million annually adjusted for inflation, an income tax credit for 15 percent of monetary contributions made to the Colorado Institute for Telecommunication Education is allowed. The credit cannot be carried forward or refunded.
Tangible Personal Property used for Research and Development (January 1, 2002)	When the excess TABOR revenue exceeds \$358.4 million annually adjusted for inflation, a 50 percent sales tax credit for the sale, purchase, storage, use, or consumption of tangible personal property used in Colorado directly for research and development is allowed.
Sales Tax Refund (January 1, 1999)	When there is excess TABOR revenue after the above mechanisms have been applied, a tiered income bracket system will be used to distribute the excess sales tax as a credit to be taken on individual income tax returns.

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