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THE IMPACT OF THE 2000 CENSUS ESTIMATES ON THE TABOR SURPLUS

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The U.S. Census Bureau estimated that Colorado's population was 4.3 million on April 1, 2000, an increase of 6.0 percent over 1999. Although the census count is important for many reasons, this *Issue Brief* looks at the impact of the census count on the state revenue limit imposed by TABOR. The constitutional amendment known as TABOR limits the amount of government revenues that can be spent. TABOR limits annual growth in most state revenue to inflation plus the annual percentage change in state population.

The 6.0 percent increase in the state's population in 2000 captures the low estimates made by the U.S. Census Bureau throughout the 1990s. Whereas previous official estimates of Colorado's population showed a compound average annual growth rate of 2.31 percent from 1990 to 1999, the actual annualized growth rate between 1990 and 2000 was 2.67 percent.

The 6.0 percent growth rate in the state's population will increase the state's revenue limit above previous estimates. The remainder of this *Issue Brief* examines the impact on the state's General Fund budget under current law.

Estimates of the TABOR Revenue Limit

Table 1 shows the original and revised projections of the TABOR revenue limit for the five-year period ending in FY 2005-06. The original projection incorporated an estimate of 2.3

percent for population growth in 2000, while the revised projections use the actual 6.0 percent growth rate. The inflation rate and population growth rate in 2000 determine the revenue limit in FY 2001-02.

Table 1
TABOR Revenue Limit
(dollars in millions)

Fiscal Year	Original December 2000 Estimate	Revised January 2001 Estimate	Difference
2001-02	\$8,470.5	\$8,764.7	\$294.2
2002-03	\$8,902.5	\$9,211.7	\$309.2
2003-04	\$9,329.9	\$9,653.8	\$323.9
2004-05	\$9,777.7	\$10,117.2	\$339.5
2005-06	\$10,256.8	\$10,613.0	\$356.2

Consequences of a Higher Revenue Limit on the General Fund Budget

Although the state will have a higher revenue limit for FY 2001-02, there is effectively no impact on the General Fund budget in FY 2001-02. House Bill 98-1414 provided that surplus TABOR revenues are restricted in the fiscal year after the year in which the surplus occurs. Thus, the reduced TABOR refund that results from the higher revenue limit does not occur until FY 2002-03 and will not have a budget impact until that time.

The December 2000 revenue forecast showed that the state would not be able to divert any sales

and use tax revenues to the Highway Users Tax Fund (HUTF) in FY 2001-02. Because the higher TABOR revenue limit does not have a budget impact until FY 2002-03, we still anticipate that the sales and use tax diversion will not occur in FY 2001-02.

However, the budget picture improves after FY 2001-02. The reduced refund of surplus TABOR revenues beginning in FY 2002-03 will create a much higher excess General Fund reserve than previously anticipated, increasing to almost \$1.2 billion in FY 2005-06. The full diversion of sales and use tax revenues to the HUTF may occur in each year. Table 2 shows the excess General Fund reserve with the old and new forecasts.

Table 2
Excess General Fund Reserve
(dollars in millions)

Fiscal Year	Original December 2000 Estimate	Revised January 2001 Estimate
2001-02	\$0.0	\$0.0
2002-03	\$97.7	\$395.5
2003-04	\$125.3	\$745.3
2004-05	\$36.2	\$990.5
2005-06	\$0.0	\$1,173.2

The Higher Revenue Limit Affects the TABOR Refund

The higher revenue limit affects the TABOR refund in two ways. *First*, the refund of surplus TABOR revenues from FY 2001-02 will decline from the previously anticipated \$672.7 million to \$377.0 million, or by \$295.7 million. Subsequent refund amounts will also be lower. *Second*, nine of the 17 refund mechanisms that were set up to refund surplus TABOR revenues have thresholds that are above the \$377.0 million that will be refunded in FY 2002-03 and consequently will not be used to refund the surplus TABOR revenues.

These refund mechanisms include:

- an income tax credit for the purchase of private health benefit plans;
- an income tax credit for contributions to the Colorado High Technology Scholarship Program;
- an income tax credit for contributions made to the Colorado Institute for Telecommunication;
- an income tax deduction for charitable contributions over \$500 for non-itemizing taxpayers;
- an income tax deduction for interest, dividend, and capital gains income between \$1,200 and \$1,500 per taxpayer;
- an income tax deduction for capital gains on Colorado assets between one year and five years old;
- reduced motor vehicle registration fees;
- reduced sales tax rate for purchases of large trucks;
- and a sales tax exemption for pollution control equipment.

The nine refund mechanisms have refund thresholds for FY 2002-03 ranging from \$386.0 million to \$502.9 million, and would have refunded an anticipated \$110.8 million. The projected surplus is high enough to allow all 17 refund methods to be used after FY 2002-03. The higher population count will reduce the anticipated six-tier sales tax refund in FY 2002-03 from \$341.2 million to \$147.1 million. Taxpayers will receive an average sales tax refund of \$51.