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**Report on Referendum C Revenue and Spending
FY 2005-06 through FY 2009-10**

October 15, 2010

This report shows the amount of money Referendum C provided for the state in the 2005-06 through 2009-10 state fiscal years. It also reflects the actions of the General Assembly and Governor in spending the money. This report is prepared in accordance with the requirements of Referendum C, which was passed by the voters in 2005.

Referendum C authorized the state to retain and spend all revenue subject to TABOR during the five years between state fiscal year 2005-06 and state fiscal year 2009-10. Beginning in state fiscal year 2010-11, the state may spend revenue above the TABOR limit up to a capped amount known as the "Referendum C cap." The Referendum C cap grows each year from the prior year's cap by inflation plus population growth. The state retained and spent a total of \$3.6 billion as a result of Referendum C during the five-year timeout period.

Revenue and Spending. Table 1 on page 2 shows the distribution of the retained money. As a result of the recession and a downturn in revenue, the state did not retain any money under the provisions of Referendum C in state fiscal years 2008-09 and 2009-10. The state retained \$1,116.1 million in state fiscal year 2005-06, \$1,308.0 million in state fiscal year 2006-07, and \$1,169.3 million in state fiscal year 2007-08. By law, the first \$55 million in state fiscal year 2005-06, \$95 million in state fiscal year 2006-07, and \$125 million in state fiscal years 2007-08 and 2009-10 could be spent on any of the following areas: P-12 education, higher education, health care, firefighter and police retirement plans, and transportation. The remaining amount is required to be split one-third each between health care, P-12 education, and higher education.

FY 2005-06. The first \$55 million was spent on the volunteer firefighter retirement plans payment (\$3.8 million); the fire and police pension association old hire plans payment (\$25.3 million); transportation projects (\$10.0 million); P-12 schools (\$8.0 million); and health care (\$7.9 million). A total of \$1,061.1 million (\$1,116.1 million - \$55.0 million) was allocated one-third each (\$353.7 million) to P-12 education, health care, and higher education.

FY 2006-07. The first \$95 million was spent on the volunteer firefighter retirement plans payment (\$3.8 million); the fire and police pension association old hire plans payment (\$34.8 million); transportation projects (\$15.0 million); P-12 schools (\$20.8 million); and health care (\$20.8 million). A total of \$1,213 million (\$1,308.0 million - \$95.0 million) was allocated one-third each (\$322.4 million) to P-12 education, health care, and higher education.

FY 2007-08. The first \$125 million was spent on the volunteer firefighter retirement plans payment (\$3.8 million); the fire and police pension association old hire plans payment (\$34.8 million); transportation projects (\$20.0 million); P-12 schools (\$33.2 million); and health care (\$33.2 million). A total of \$1,044.3 million (\$1,169.3 million - \$125.0 million) was allocated one-third each (\$348.1 million) to P-12 education, health care, and higher education

FY 2008-09 and FY 2009-10. Because of the recession, state revenue collections subject to TABOR fell below the TABOR limit in state fiscal years 2008-09 and 2009-10. Therefore, the state did not retain any money under the provisions of Referendum C during these years.

Table 1
Referendum C Spending by Program
Millions of Dollars

| Program | 2005-06 | 2006-07 | 2007-08 | 2008-09 | 2009-10 | Five-Year Total |
|--|------------------|------------------|------------------|----------------|----------------|------------------------|
| Preschool through 12th Grade Public Schools | \$361.7 | \$425.1 | \$381.3 | \$0 | \$0 | \$1,168.1 |
| Health Care for Medical Services Premiums | \$361.6 | \$425.1 | \$381.3 | \$0 | \$0 | \$1,168.0 |
| Higher Education | \$353.7 | \$404.3 | \$348.1 | \$0 | \$0 | \$1,106.1 |
| Volunteer Firefighter Retirement Plans | \$3.8 | \$3.8 | \$3.8 | \$0 | \$0 | \$11.4 |
| Fire and Police Pension Association Old Hire Plans | \$25.3 | \$34.8 | \$34.8 | \$0 | \$0 | \$94.9 |
| Transportation Projects | \$10.0 | \$15.0 | \$20.0 | \$0 | \$0 | \$45.0 |
| Total | \$1,116.1 | \$1,308.0 | \$1,169.3 | \$0 | \$0 | \$3,593.4 |

Other issues for consideration. Two issues should be noted when evaluating this report. First, the state would have faced a significant budget shortfall had Referendum C not passed. Therefore, in many instances the Referendum C money that has been spent was not new money to the programs, rather it maintained the programs and prevented them from undergoing cuts. It is money the programs may not have received without Referendum C, but it is not additional money when compared with the prior year. It is impossible to enumerate this impact because it would require knowledge of what budgetary actions the state would have taken had Referendum C failed.

Second, passage of Referendum C did not amend other requirements in law that limited the spending of state money during state fiscal years 2005-06 through 2008-09. The most relevant of these was the six percent Arveschoug-Bird spending limit. This limit prohibited General Fund appropriations growth of greater than six percent in any given year. Therefore, no matter how much additional money was provided through Referendum C, any money above the six percent limit was forced into other areas. The beneficiaries of those laws were transportation and state capital construction projects. While these areas may have received money that would not have otherwise been available, they did not receive funding directly from Referendum C.