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 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 state's 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% 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 State Fair 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.

NOTE 3. 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 inflation and population changes for calendar year 1995 used in this report were provided by the Office of State Planning and Budgeting.

NOTE 4. DEBT AND VOTER APPROVED TAX INCREASES

During FY 1995-96 and FY 1996-97, there were no voter approved revenue increases.

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).

NOTE 5. OTHER SOURCES AND ADDITIONS

The $325.2 million in this line consists primarily of $285.6 million of fund additions in the higher education funds. The fund additions are transfers from other higher education funds to the loan funds, endowment funds, and higher education plant funds, or they are memo entries booking fixed assets. They do not represent transactions with entities or individuals outside the District.

Other sources include reversions of accruals of Medicaid accounts payables, accounting accruals of capital leases as lease proceeds, accounts payable reversions, as well as advances from local governments to the Department of Transportation to accelerate specific road construction projects. These advances are contractually characterized as long-term loans. The state has recorded a liability in the Long-Term Debt Group of Accounts for these advances.

NOTE 6. EMERGENCY RESERVES

TABOR requires the reservation, for declared emergencies, of 3 percent or more of the Fiscal Year Spending, excluding debt service payments.

The state has designated $195,257,761 of the fund balance of the Controlled Maintenance Trust Fund as reserved for emergencies for FY 1996-97. That amount satisfies the TABOR 3 percent requirement.

NOTE 7. STATE FAIR AUTHORITY

Legislation was passed and signed by the Governor during the 1997 session to abolish the Colorado State Fair as a separate authority and recreate it as of June 30, 1997 as a TABOR qualified enterprise in the Department of Agriculture. However, for Fiscal Year 1996-97, the State Fair Authority did not qualify as a TABOR exempt enterprise because it received a $4,000,000 operating subsidy from the state's General Fund. Thus, the addition of the State Fair's assets to the district was treated as a reserve increase and the fiscal year spending limit was raised by the same amount. (See Note 9)

NOTE 8. DISTRICT RESERVES

District reserves are the cumulative fund balances of the state, excluding the fund balances of the exempt enterprises and the General Fixed Assets Account Group. The majority of these fund balances are not available for appropriation due to legal and contractual restrictions. The state's Comprehensive Annual Financial Report is the best source of information about the state's fund structure.

Prior period district fund balance adjustments consist of $2.2 million for an income tax adjustment resulting from the posting of an EFT receipt twice during Fiscal Year 1995-96, and $1.2 million from the Auraria Higher Education Center to clear a misposting in their plant funds.

District reserves/fund balance is also adjusted for the qualification or disqualification of enterprises. During Fiscal Year 1996-97, the Research Building Revolving Fund of Colorado State University was qualified as a TABOR exempt enterprise. This resulted in $2.7 million of district reserves/fund balance being moved to the higher education enterprises. At the University of Colorado Health Sciences Center a disqualification resulted in $110,295 of fund balance being moved into the district. In addition, $52,456 was also moved into the district because of a disqualification at the Auraria Higher Education Center.

NOTE 9. ADJUSTMENTS TO FISCAL YEAR SPENDING LIMIT

TABOR specifies that qualification and disqualification of enterprises shall change the district bases. For Fiscal Year 1996-97, the spending limit was adjusted to match non-exempt revenue of $2.1 million from the disqualification of the State Fair Authority, and $79,955 in non-exempt revenue from the disqualification of an enterprise at the University of Colorado Health Sciences Center.

The $22.1 million in Fiscal Year 1995-96 adjustments to the Fiscal Year 1996-97 spending limit is for the correction of errors that occurred in Fiscal Year 1995-96. The largest error of $18.0 million was for interest and investment income on principal derived from the sale of property held by the School's Permanent Land Trust. This income should have been excluded from Fiscal Year Spending per Senate Bill 93-74. Another error of $2.2 million was for the recording of a taxpayer's electronic funds transfer to the Department of Revenue twice in Fiscal Year 1995-96. The error was not discovered and reversed until Fiscal Year 1996-97. The sum of these two errors and other smaller ones was increased by the 6.6 percent allowable growth to arrive at the adjusted amount.

NOTE 10. SUBSEQUENT EVENT

On October 22, 1997, in special session, the General Assembly passed and the Governor signed a bill to provide a state sales tax credit of approximately $142 million on 1997 income tax returns filed before October 15, 1998. The purpose of this credit is to liquidate the $139 million TABOR Refund Liability booked by the state at June 30, 1997.

Each adult full-year resident filing a single return will receive a credit of $37 if their federal adjusted gross income (AGI) is less than or equal to $15,000, or $60 if their AGI is greater than $15,000 but less than or equal to $100,000, or $80 if their AGI is greater than $100,000.

For two individuals filing a joint return or a surviving spouse the credit is $74 if their aggregate AGI is less than or equal to $15,000, or $120 if their aggregate AGI is greater than $15,000 but less than or equal to $100,000, or $160 if their aggregate AGI is greater than $100,000.