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 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. Although the General Assembly has designated certain enterprises as exempt from TABOR, they must also meet certain criteria annually.

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).

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.

The state has designated $217,301,528 of the fund balance of the Controlled Maintenance Trust Fund as reserved for emergencies for FY 1998-99. That amount satisfies the TABOR 3 percent requirement.

NOTE 5. STATUS OF REFUNDING

At June 30, 1999, $4.0 million of the Fiscal Year 1996-97 excess revenues had not been refunded, and $22.3 million of the Fiscal Year 1997-98 excess revenues had not been refunded.

CRS 39-22-120.5 requires that the balance remaining from Fiscal Year 1996-97 be added to, and refunded with, the Fiscal Year 1998-99 excess revenues.

Beginning with Fiscal Year 1998-99, when excess revenues exceed $50 million, then the refund in the following fiscal year shall first be made as an earned income credit equal to 8 ½ percent of the resident's earned income credit claimed on their federal tax form (CRS 39-22-123(1)).

When excess revenues exceed $170 million then, in addition to the earned income tax credit, taxpayers may claim a credit for business personal property taxes paid up to the lesser of the actual taxes paid in the preceding year or $500, plus 13.37 percent of any business personal property taxes paid in excess of $500 (CRS 39-22-124(4)).

Additional excess revenues are to be refunded as a sales tax credit claimed on the state income tax form, which credit is calculated by a formula established in CRS 39-22-2003 and administered by the Department of Revenue.

NOTE 6. OTHER SOURCES AND ADDITIONS

This line item consists primarily of $335.1 million of investment and pension trust fund additions by participants, and $316.8 million of fund additions in the higher education funds. The higher education fund additions are transfers from other higher education funds to the loan funds, endowment funds, and higher education plant funds, or recording of fixed assets. They do not represent transactions with entities or individuals outside the District.

Other sources include reversions of accruals of Medicaid accounts payables of $3.3 million, other accounts payable reversions of $2.3 million, as well as $22.1 million of reimbursements of prior year expenditures, and $4.1 million in local government match for highway projects.

NOTE 7. VOTER APPROVED REVENUE CHANGES

During Fiscal Year 1998-99, there was one voter approved revenue increase. The state received $14,093 of revenue for commercial swine farm permits. 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.

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.

Prior period district fund balance adjustments consist of $288.0 million added to the district for an accounting change that moves the state's deferred compensation plan from an agency fund to an expendable trust fund. A decrease of $2.9 million because of a supplemental appropriation to the Department of Health Care Policy and Financing for Fiscal Year 1997-98 for expenditures that should have been recorded in that year but instead were erroneously recorded in Fiscal Year 1998-99.

The district reserves were also reduced by $3.0 million. This represents a decrease in the TABOR refund liability for amounts that should not have been refunded in Fiscal Years 1996-97 and 1997-98.

District reserves/fund balance is also adjusted for the qualification or disqualification of enterprises. During Fiscal Year 1998-99, the Chef Apprenticeship Program at Pikes Peak Community College and the Rawlings Athletic Field at the University of Southern Colorado were permanently disqualified, as they were not able to be self-supporting. In addition, the State Fair was disqualified for Fiscal Year 1998-99 due to government support in excess of 10 percent of their revenues (See Note 10).

NOTE 9. SOURCES OF TABOR GROWTH LIMITS

The allowable increases in state fiscal year spending equals 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 1997 used in this report were provided by the Office of State Planning and Budgeting.

NOTE 10. ENTERPRISE QUALIFICATION /DISQUALIFICATION

TABOR specifies that qualification and disqualification of enterprises shall change the district bases. The non-exempt revenues for Fiscal Year 1998-99 of the disqualified enterprises increases the Fiscal Year Spending Limit by an equal amount so that the disqualification has no impact upon the current year refund.

Errors in previous years affect the spending limit if the error dates back to a year in which the state did not have excess TABOR revenues. Two such errors were recognized, one for the Department of Public Health and Environment and another for the Department of Human Services. These errors increased the base in Fiscal Year 1995-96, the last year the state was not over the limit. That increase results in the current increase of $464,428 in the Fiscal Year 1998-99 limit.

NOTE 11. FUTURE REFUNDS

In the 1999 regular session, the General Assembly enacted mechanisms to refund Fiscal Year 1998-99 and subsequent years' excess revenue. Each of the mechanisms has an excess revenue threshold that makes it applicable. The mechanisms include:

- An earned income tax credit, estimated to refund $29.5 million dollars in the first fiscal year,
- A refund of various state business taxes for businesses paying local personal property tax, estimated to refund $100 million in the first year, and
- A sales tax refund expected to distribute the remaining $550.1 million of excess TABOR revenues. This 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.

Federal Adjusted Gross Income	Tier %	Sales Tax Refund (000)	Individual Refund
0-25,000	25	$ 137,533.5	$ 159
25,001-50,000	23	126,530.8	212
50,001-75,000	19	104,525.5	244
75,001-100,000	12	66,016.1	290
100,001-125,000	6	33,008.0	312
125,001 and Greater	15	82,520.1	502
Totals	100	$ 550,134.0	

The General Assembly also modified selected capital gains rules and enacted a limited exemption of dividend, interest, and capital gains income for Fiscal Year 2000-01 and subsequent years.