

The TABOR Amendment:

Learning to Live Within Colorado's Tax & Spending Limits

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Executive Summary

The Colorado Commission on Taxation has just completed a survey of Colorado citizen attitudes toward the tax system. This is an important survey because it reflects the views of ordinary citizens rather than that of politicians or special interest groups. It reveals some hostility to taxes and a low trust in the efficiency of government. This skepticism toward taxes and government efficiency is directly related to the size of government; citizens have more confidence in local government, less confidence in state government, and least confidence in our federal government.

The survey also reveals citizen support for the TABOR Amendment to the Colorado Constitution. TABOR imposes two types of tax and spending limits, both substantive and procedural limits. The substantive limit imposes a cap on the amount of revenue that governments can keep and spend. TABOR imposes a cap on state revenue growth equal to inflation and population growth. The cap applies to a broad definition of state revenue including general funds and cash funds, with a few exceptions. The procedural limit requires voter approval for governments to raise taxes, or to keep excess revenue over the cap.

Widespread citizen support for the TABOR Amendment may come as a surprise to many because of the opposition mounted against TABOR in recent years. Some in the media appear to have launched an all-out attack on the TABOR Amendment. The *Denver Post*, for example, has published a number of editorials in recent months criticizing TABOR and recommending either changes or abolition. Critics argue that Colorado citizens don't understand the provisions of TABOR nor the impact it has on state fiscal policies. Sometimes it is argued that citizens support the provisions of TABOR requiring voter approval of tax increases, but not those provisions that impose limits on the amount of revenue the state can collect and spend.

If there is one thing that we have learned from the survey it is that Colorado citizens not only understand, they support the specific provisions of TABOR. The controversy is not one of misunderstanding, but rather is founded on a fundamental difference between how taxpayers and special interests view the TABOR Amendment. When citizens passed the TABOR Amendment through citizen initiative, they made a clear distinction between the revenue the government collects within the TABOR limit and any surplus revenue collected above that limit. From a taxpayer perspective, that surplus revenue represents excess taxation that must be rebated to those who paid the excess taxes.

Special interest groups in both the public and private sector take a different view of TABOR surplus revenues. Their idea is that once the government has collected the revenue, whether it is within the TABOR limit or is surplus revenue, this is government money to be used at the discretion of politicians and the special interests they represent. Every special interest group with a lobbyist seems to want to lay claim to what they perceive as their right to the surplus revenue. Politicians have responded with more than 20 bills providing targeted tax cuts and tax refunds to these special interest groups. The most powerful interest group in the state, the education lobby, has successfully laid claim to a significant portion of the TABOR surplus, which is now earmarked for spending on education K-12. Other special interest groups from transportation lobbies to municipal governments have proposed similar earmarking of TABOR surplus revenue.

Given this controversy, it is important to understand what the impact of tax and spending limits has been in Colorado. Unfortunately the media has often presented a distorted and erroneous picture of the impact of TABOR on state fiscal policy. The purpose of this paper is to correct these errors and present a factual analysis of the impact of tax and spending limits. We explore their impact on the growth of state government, which is at the center of this controversy. We also explore their impact on consumption smoothing, i.e. the changes in state revenue and spending over the business cycle, an issue that has been largely unexplored in the economics literature. Finally, we make recommendations to strengthen our tax and spending limits, both as a constraint on the growth of state government and as a consumption smoothing mechanism for state fiscal policy.

The TABOR Amendment: Learning to Live Within Colorado's Tax & Spending Limits

By Dr. Barry Poulson, Senior Fellow

I. Historical Background

Tax and spending limits on state fiscal policy have a long history in Colorado. The Colorado Constitution required a balanced budget and virtually precluded the state from incurring debt. In the 20th century, Colorado imposed both statutory and constitutional limits on the fiscal powers of the state.

A. Statutory Tax and Spending Limits

Colorado was one of the first states to impose a statutory cap on the growth of state spending. In 1978, a cap of 7% was placed on the growth of general fund expenditures.

In 1992, this statutory cap was changed by the Bird-Arveschaugh Amendment. That Amendment placed a cap on general fund appropriations equal to the lesser amount of 5% of Colorado personal income in the calendar year two years prior to the start of the fiscal year or 6% over the previous year's General Fund appropriation, with exceptions for federal mandates and court orders. The Bird-Arveschaugh Amendment also imposed a statutory reserve requirement equal to 4% of the General Fund appropriation.

B. Constitutional Tax and Spending Limits

The TABOR Amendment, passed in 1992, restricts the growth in state revenue and spending to inflation plus the percentage change in state population in the calendar year prior to the start of the fiscal year. The TABOR Amendment requires a constitutional emergency reserve fund equal to 3% of fiscal year spending, for emergencies. Emergencies do not include changing economic conditions, revenue shortfalls, or salary and fringe benefit increases for employees.

The TABOR Amendment also placed a procedural constraint on the power of state government to raise taxes. Voter approval in advance is required for any new taxes, tax rate increases, extension of an expiring tax, or tax policy change directly causing a net

revenue gain. Voter approval is also required for the state to retain and spend revenue in excess of the limit.

II. Constraining the Growth of State Government

Learning to live with the TABOR Amendment means learning to live with a hard budget constraint. After several decades of unconstrained growth in state spending, it appears that under Governor Owens the state is finally learning how to live with a hard budget constraint.

A. Trends in State Spending

The following table compares the growth in state spending with different measures of aggregate economic activity. The measure of state spending is the broadest measure of total appropriations, including general fund, cash funds, and federal revenues.

Table 1. Total Appropriations Growth and Measures of Aggregate Economic Activity (compound average annual growth rates percent)

Variable	1979-80 to 1997-98	1990-91 to 1997-98	1997-98 to 2006-07
Total Appropriations	8.4	8.1	6.0
Capital Construction	10.8	5.9	9.2
Inflation	4.4	3.8	3.7
Population Growth	1.7	2.4	2.6
Inflation Plus	6.1	6.2	6.3
Population Growth			
Income Growth	7.6	7.8	8.0
Total Revenue	8.4	8.9	6.3
Growth			

Note: Data for the first two periods are taken from Michael R. Mauer, 'Appropriations Growth by Function', Issue Brief Number 98-3 Colorado Legislative Council Staff, January 23, 1998; data for the most recent period based upon 'Colorado Economic Perspective: State Revenue and Economic Projections through FY 2006-07, Office of State Planning and Budgeting, September 20, 2001. The latter estimates are for capital construction forecasts including Governor Owens' transportation proposal.

In the decades before the TABOR Amendment was triggered, state spending accelerated more rapidly than the state economy. Total appropriations increased at an average annual rate of 8.4% compared to income growth of 7.6%. Capital construction spending increased at an even more rapid pace of 10.8% over that period. In the 1990's, until the TABOR limit was triggered in 1997, state spending continued to outpace the growth in the state economy. Total appropriations increased 8.1%, while income grew 7.8%. In this period, general fund spending far outpaced construction spending. State spending for agriculture, corrections, human services and health care all increased at double-digit rates, while construction spending increased 5.9% per year.

The triggering of the TABOR Amendment in 1997 marks a discontinuous shift toward frugality in state budgets, and this is most evident in the recent budget forecasts made by the Owens Administration. For the period as a whole 1997-98 to 2006-07, including the budget forecast period, the average annual rate of growth in state spending is estimated at 6.0% per year. This is significantly below the projected growth in state income of 8.0%. After several decades in which state spending increased more rapidly than the state economy, state spending is now projected to grow less rapidly than state income.

This shift toward frugality in state spending is only partly due to the impact of the TABOR Amendment. It has been necessary to bring spending growth into line with slower projected growth in state revenue. Total state revenue growth is projected to grow at an average annual rate of 6.3%, which is substantially lower than the state revenue growth over the previous decades. Total revenue includes both general fund revenues and cash funds. Slower growth in the state economy will reduce both of these sources of revenue. Slower growth in general fund revenue reflects the impact of temporary and permanent tax cuts introduced in recent years. Cash funds are less income elastic and therefore grow less rapidly than state income.

These forecasts for state revenue growth were made before September 11, 2001. With growing evidence of recession and deterioration in the state economy over the last month, it is clear that these forecasts for revenue growth are optimistic, at least in the near term. If the state economy continues to deteriorate this will reduce the growth of state revenue, and require even more prudent spending policies to balance the state budget.

The shift toward more prudent spending policies is also evident in the composition of state spending projected over the forecast period. We should emphasize that these spending forecasts include Governor Owens' proposals for transportation spending. If those transportation spending goals are met, then capital spending will grow at an average annual rate of 9.2%, exceeding the growth in general fund spending. Thus Governor Owens' proposed budgets will reverse the sharp fall in the growth of construction spending experienced in the 1990's.

B. Surplus Revenues

Since the TABOR Amendment was triggered in 1997, more than \$3 billion in surplus revenue has been collected by the state. However, the forecast is for much smaller surplus revenues over the next five years, and there is the strong possibility that the TABOR surplus will disappear entirely in the near term.

If TABOR will not limit the growth in the amount of revenue the state can keep and spend in the near future, why do we view TABOR as an effective constraint on the growth in state government? To answer this question we must compare the impact of the TABOR limit with alternative tax and spending limits. The following table shows the actual and projected surplus revenue with the TABOR Amendment and with different tax and spending limitations.

Table 2. Surplus Revenue With the TABOR Amendment and With Alternative Tax and Spending Limitations (millions of dollars)*

Year	Surplus Revenue With TABOR Amendment	Surplus Revenue Income Growth Times Revenue Limit	Surplus Revenue Income Growth Times Actual Revenue	Surplus Revenue Income Growth Times Actual Appropriations
1992	0	0	0	0
1993	0	0	0	0
1994	0	0	0	0
1995	0	0	0	380.0
1996	0	0	69.5	0
1997	563.2	244.1	286.4	0
1998	679.6	146.6	0	177.2
1999	941.1	91.5	0	0
2000	927.2	0	0	0
2001	93.2	0	0	0
2002	100.2	0	0	0
2003	122.4	0	0	0
2004	108.7	0	0	0
2005	137.7	0	0	0
2006	142.6	0	0	0
Total	3815.9	482.2	355.9	557.2

Note: Data for surplus revenue with the TABOR Amendment are actual and estimated data from the State Office of Budget and Planning, Colorado Economic Perspective: State Revenue and Economic Projections through FY 2006-07, September, 20, 2001. Data simulations for other tax and spending limits are estimates by the author.

The surplus revenue with the TABOR limit is the actual data for FY 1992-93 to FY 2000-01, and data for FY 2001-02 through FY 2006-07 were estimated by the State Office of Budget and Planning. Note that these estimates were made prior to September 11, and that more recent estimates are likely to show little, if any, surplus revenue over the forecast period. Nonetheless the data show that since the TABOR limit was triggered in 1997, actual surplus revenue has been substantial, totaling more than \$3 billion.

The TABOR limit has been a more effective constraint on the growth of state government than alternative tax and spending limits implemented in other states. The most widely used limit is based on the average annual growth in state income in prior years. In the table we simulate what surplus revenues would have been applying this limit based on the compound annual rate of growth in state personal income over the previous five years. The amount of surplus revenue generated with this limit would have been substantially

less than that with the TABOR limit. If the averaged limit had been allowed to grow regardless of whether it was reached in any year, then surplus revenue would have been generated in three years, 1997-1999, totaling \$482 million. If that limit had been applied to actual revenues then surplus revenue would have been generated in only two years, 1996-1997, totaling \$356 million. Finally if that limit had been applied to total appropriations, then surplus revenue would have been generated in two years, 1995 and 1998, totaling \$557 million.

The surplus revenue generated with the TABOR limit is seven times that which would have been generated with these alternative tax and spending limits. Some states have tax and spending limits that are completely ineffective in constraining the growth of government either because they are circumvented, or because they are designed to be ineffective. For example, California introduced legislation that enables the state to completely ignore their tax and spending limit. Florida has a tax and spending limit that allows the cap to grow every year whether or not the cap is reached; as a result, that limit has never been a binding constraint on the growth of state government. As our simulations show, such a limit would have constrained the growth of government in Colorado but by far less than the TABOR limit.

Some might look at these comparisons and argue that the TABOR limit is too constraining and that Colorado should either eliminate TABOR or adopt a less stringent tax and spending limit. We would argue that the TABOR limit is working exactly as it was designed to effectively constrain the growth of state government.

III. Consumption Smoothing in State Finance

That the TABOR Amendment has slowed the growth of state spending is now well documented. But TABOR has also had the effect of stabilizing state spending over the business cycle. The result is what economists refer to as consumption smoothing in state finance. Consumption smoothing is important because it permits the government to maintain stability in the provision of government services without discontinuous changes due to cyclical changes in state revenue.

A. Trends in State Spending Over the Business Cycle

Trends in state spending over the business cycle reveal consumption smoothing effects of our tax and spending limits over recent business cycles.¹ The first business cycle includes

¹We plot the growth rates in several measure of state spending, including total appropriations, general fund spending, and capital spending, over the past several decades. We also plot the rate of growth in state per capita income over the same period. We use the National Bureau of Economic Research benchmarks we identify the peaks and troughs in business cycles over this period. These graphs are available upon request from the author.

a trough in July 1980, a peak in July 1981, and another trough in November 1982. The short business cycle in the early 1990's can be identified by a peak in July 1990 and a trough in March 1991. The next business cycle peak is the most recent one identified in March 2001.

It should not be surprising to find that the most dramatic impact on consumption smoothing is observed in general fund spending. Over the first two business cycles the variations in the growth of general fund spending exceed that for any other measure of state spending. After the Bird-Arveschaugh limit was imposed, we see the rate of growth in general fund spending gradually converging to that 6% limit. In the initial years when that limit was in effect there were exemptions that permitted general fund spending to significantly exceed the limit. But since the end of the 1990s general fund spending has been growing about 6% per year.

Consumption smoothing is less evident in the rate of growth in total appropriations. The rate of growth in total appropriations varies widely over the first two business cycles reflecting primarily fluctuations in general fund spending. Since the TABOR Amendment was passed the rate of growth in total appropriations has continued to fluctuate widely. However, in this more recent period the fluctuations in growth rates for total appropriations reflect significant swings in the rate of growth in capital spending.

Until 1993 the rate of growth in capital spending was relatively stable, varying between 0% and 4.5%. After the TABOR Amendment was passed the rate of growth in capital spending has been more volatile, varying between .5% and 7%. The impact of TABOR has been to increase the average rate of growth and the volatility in the rate of growth in capital spending. Fluctuations in total appropriations now reflect primarily these variations in capital spending

In the most recent fiscal year 2001-02 there is evidence of convergence in each of our measures of state spending. Total appropriations, general fund spending, and capital spending all converge toward a growth rate of about 5%. These components of state spending are then projected to increase within a narrow range of 3% to 6% per year over the forecast period. Even if we do not achieve this convergence it is most likely that state spending will be much more stable over future business cycles compared to past business cycles.

B. Consumption Smoothing in Periods of Economic Expansion

Much of this consumption smoothing can be attributed to the impact of Colorado's tax and spending limits. Colorado experienced an unprecedented rate of economic growth in the years following passage of the Bird-Arveschaugh and TABOR Amendments. The compound average annual rate of growth of personal income from 1992 to 2000 was 8.4%. Colorado's growth rate in those years exceeded that for any other state. That growth rate was almost 2% higher than the growth rate in Colorado over the previous decade, and is almost 1% above the growth rate projected for the next five years. It is especially important for the tax and spending limit to curb the growth in state government

in such a period of unusually high economic growth as we experienced in the last decade. In the absence of such a constraint government revenue and expenditures would have increased at an unsustainable rate. When the economy enters a period of slower economic growth then it is very difficult to make the necessary cuts in government budgets necessary to bring spending in line with slower revenue growth. Governor Owens this year has imposed a 1% cut in state budgets. In other states without binding tax and spending limits governors have had to make draconian cuts of as much as 10% to balance their state budgets. Such stop-and-go spending policies are inefficient and disruptive to ongoing government programs. Colorado has avoided such inefficiency by maintaining the more stable path of revenue and spending growth imposed by our tax and spending limits in this period of rapid economic growth.

C. Consumption Smoothing in Periods of Recession and Slower Growth

One of the least understood aspects of our tax and spending limits is their impact in periods of recession and slower growth. The key to understanding TABOR is that the limit is calculated for the smaller of the preceding year's revenue or the preceding year's TABOR limit.

From 1992 to 1997 TABOR was not a binding constraint because the preceding year's revenue was always below the preceding year's TABOR limit. In other words, TABOR revenues were increasing less rapidly than the sum of inflation and population growth. From 1997 to the present, TABOR has been a binding constraint because in this period of rapid economic growth TABOR revenues have been increasing more rapidly than the TABOR limit.

As we enter a recession TABOR will again become a less binding constraint on the ability of the state to collect and spend revenue. The State Office of Budget and Planning published forecasts for FY 2002-03 showing total revenue subject to the TABOR limit growing 8% and the cap on revenue growth growing 6.9%. The result would have been about \$100 million in surplus revenue rebated to taxpayers. However, this forecast was made prior to September 11. Given the deterioration in the state economy it is clear that this forecast is too high; it is likely that state revenue will increase less rapidly than the TABOR cap and that there will be no surplus revenue available for tax rebates.

The State Office of Budget and Planning also forecast TABOR revenues growing about 6% over the next five years. That forecast was also made prior to September 11. Even a modest slowdown in this growth rate, which seems likely in the current economy, will push TABOR revenues below the TABOR cap.

In the following table I have simulated what the TABOR limit will look like if we experience a mild recession. I assume that TABOR revenues fall by 2% in FY 2001-02, and then increase by 5% over the following five years.

Table 3. Simulating the TABOR Limit in a Recession (dollar figures in millions)

Fiscal Year	Total Tabor Revenue*	Allowable Growth Rate**	TABOR Revenue Limit***
2000-01	\$8877.1	5.1%	\$7948.6
2001-02	8700.0	10.0	8732.1
2002-03	9135.0	6.9	9300.3
2003-04	9591.8	5.5	9637.4
2004-05	10071.4	5.5	10119.3
2005-06	10575.0	5.6	10635.4
2006-07	11103.7	5.7	11177.8

** I assume that TABOR revenues will fall 2% in FY 2001-02, and then increase by 5% per year over the following five years.*

*** Estimated by the Office of State Planning and Budgeting, Colorado Economic Perspective: State Revenue and Economic Projections Through FY 2006-07, September 20, 2001.*

**** The Tabor Revenue Limit is calculated from the smaller of the preceding year's revenue and the preceding years Tabor limit.*

Note that in FY 2000-01 total TABOR revenue exceeds the TABOR limit and TABOR is a binding constraint. However, the assumption of a mild recession in FY 2001-02 reduces total Tabor revenue below the TABOR limit. With modest growth of total TABOR revenue of 5% per year over the following years total TABOR revenue remains below the TABOR limit. **In short, with a mild recession and modest economic growth, TABOR will probably not impose a binding constraint on the amount of revenue the state can keep and spend over the forecast period.**

D. Does the TABOR Amendment Require a Decrease in State Government Relative to the Private Economy?

It is often argued that the TABOR Amendment requires a decrease in state government relative to the private economy. This argument is a major source of misunderstanding, because it ignores the consumption smoothing impact of the TABOR Amendment over the business cycle. It is clear from the forecasts made by the State Office of Budget and Planning that this is not the case.

Table 4. The Growth of TABOR Revenue Relative to State Personal Income*
(percent annual rate of growth)

Fiscal Year	Personal Income Actual and Projected Growth Rate	TABOR Revenue Allowable Growth Rate	TABOR Revenue Actual and Projected Growth Rate
2000-01	10.8	5.1	6.2
2001-02	8.2	10.0	-.6
2002-02	5.6	6.9	6.9
2003-04	7.9	5.5	5.7
2004-05	7.9	5.5	5.3
2005-06	8.0	5.6	5.8
2006-07	7.8	5.7	5.7

* *Office of State Planning and Budgeting, Colorado Economic Perspective: State Revenue and Economic Projections Through FY 2006-07, September 20, 2001. Values for FY 2000-01 are actual data. Values for other fiscal years are projected data.*

In FY 2001-02 the allowable growth rate in state revenue as determined by the sum of inflation and population growth is 10.0%; and in FY 2002-03 it is 6.9%. The allowable growth rate in the former year reflects an adjustment made to the formula based on new census data. However, the allowable growth rate in the latter year reflects the projected growth rate for inflation and population growth in that year. In both fiscal years the allowable growth rate in state revenue exceeds the projected growth in state personal income. In the latter year projected state revenue growth as well as allowable revenue growth exceeds the projected growth in personal income.

The State Office of Budget and Planning forecasts a recovery in the rate of growth in state personal income to about 8% per year after FY 2002-03. As we have argued, a more realistic forecast is for recession in the current year and a slower recovery in growth in subsequent years than they have forecast. It is possible that the allowable and projected growth in state revenue and spending will remain above the growth in state personal income well into the forecast period. The outcome will be growth in state government relative to the private sector during the recession and recovery period.

To the extent that TABOR is a binding constraint, as it has been over the past five years of rapid economic growth, state government will grow less rapidly than the private sector. But during periods of recession and slower economic growth, as is likely over the next few years, TABOR is a less binding, and possibly a non binding, constraint. In recessions state government is likely to grow more rapidly than the private sector.

IV. Surplus Revenue

A. Surplus Revenue and Reserve Funds

Until 1997 the binding constraint on state fiscal policy was the statutory TEL limiting the growth of general fund expenditures. State revenues increased at rates in excess of the 6% statutory limit, resulting in a buildup of surplus revenues. Surplus revenues above the statutory cap were not returned to taxpayers, but rather transferred to reserve funds. The statutory TELs allowed surplus revenues to accumulate in reserve funds, and transfers from these reserve funds were used to finance non-general fund expenditures.

In contrast to the statutory TEL, TABOR requires that surplus revenue above that limit be refunded to taxpayers. TABOR limits the amount of revenue the state may retain in any year from most sources (including both taxes and fees), and requires a refund of ‘excess’ revenue received in any particular year absent voter approval to keep the ‘excess’. The Colorado Supreme Court explicitly adopted this interpretation of TABOR in the ‘Interrogatories’ case.

“Not only does Amendment 1 attempt to limit the amount the state spends, it also attempts to limit the amount the state does not spend, but collects, and keeps in reserve. If state revenues increase in any given year, even if the state does not spend the additional money, it may violate the limits of Amendment 1 by putting the money in reserve. In order to assure that it complies with Amendment 1, it is therefore necessary that the General Assembly provide not only for its expenditures, but also for its collection of revenues. If for any reason its collection of revenues should increase beyond the limits set by Amendment 1, then the state would be required by Amendment 1 to refund the surplus to taxpayers.”²

The circumstances that may lead to a violation of TABOR’s limitations are expressed in terms of ‘excess’ revenue, not ‘excess’ spending, and the remedy for such violations is expressed as a refund of revenue, not a curtailment of spending.

The legislature has interpreted TABOR to require that the state refund surplus revenue in the year following the year in which the surplus is created. If the excess revenue were set aside in a separate interest-earning account representing an obligation to taxpayers in the following year, this would provide some transparency to both legislators and taxpayers. In fact this excess revenue is merged with other reserve accounts leading to a kind of myopia in the decision process. Legislators use these reserve accounts to finance non-general fund expenditures, primarily construction spending. It appears that there are ample reserve funds to cover these expenditures, when in fact an increasing share of the reserve funds represent a liability to taxpayers that will accrue in the following year. If revenue growth in the following year is inadequate to fund this contingent liability then

² Interrogatories on SB 93-74, 852 P.2d at 12.

the legislature will be required to reduce total spending, possibly including general fund expenditures as well as non-general fund expenditures.

Table 5. General Fund Reserve*
(dollar amounts in millions; share in percent)

Fiscal Year	General Fund Reserve	Statutory Reserve	Excess Reserve	Reserve as a Share of Appropriations
2000-01	469.3	213.7	255.6	8.8
2001-02	224.9	224.9	0.0	4.0
2002-03	312.1	238.6	73.5	5.2
2003-04	726.7	253.1	473.6	11.5
2004-05	1142.3	268.3	874.0	17.1
2005-06	1610.7	284.4	1326.2	22.7
2006-07	2196.3	301.5	1894.8	29.2

* *Office of State Planning and Budgeting, Colorado Economic Perspective: State Revenue and Economic Projections Through FY 2006-07, September 20, 2001. Values for FY 2000-01 are actual data. Values for other fiscal years are projected data.*

That myopia associated with these reserve funds has led to unsustainable levels of state spending is clear in the current fiscal year. General fund reserves are projected to fall more than half, from \$469 million in FY 2000-01 to \$225 million in FY 2001-02. That will leave general fund reserves at the statutory limit of 4.0 percent. In fact these estimates are too optimistic given the deterioration in state revenues. Having drawn down general fund reserves to this statutory limit, the legislature must now reduce state spending in order to balance the state budget. So far this has required sharp cutbacks in construction spending, and an across-the-board cut in some general fund expenditures.

General fund reserves are projected to increase from the current fiscal year over the next five years to \$2.2 billion. This forecast is clearly too optimistic in the current recession. The constraints the legislature finds itself in the current fiscal year are likely to persist over the forecast period. These constraints will be reflected in general fund expenditures and non-general fund expenditures significantly below those forecasted. We would expect the legislature to continue, as they have done this year, to draw down excess general fund reserves in order to sustain higher levels of state spending. If it does so, then excess reserves will accumulate at a slower pace and it is possible that over much of this forecast period general fund reserves will remain at the statutory required level of 4% of appropriations, with no accumulation of excess reserves.

Thus the consumption smoothing effects of Colorado's tax and spending limits have been eroded because of the way the legislature has chosen to interpret the TABOR Amendment. If TABOR had been interpreted as it was originally intended, the legislature would not be in the fiscal bind it now finds itself. The surplus revenue above the TABOR

limit could have been refunded in the year in which it was generated, or set aside in a separate reserve representing an obligation to taxpayers. In either case this would have reduced the general fund reserve and constrained the amount of general fund reserves available for the legislature to transfer into non-general fund expenditures. The result would have been lower levels of state spending in the years of rapid growth, and more funds available to finance state spending as we have moved into recession.

B. Surplus Revenue and TABOR Refunds

Unlike the statutory TELs, TABOR requires that surplus revenue collected above the TABOR limit be returned to taxpayers. TABOR gives the legislature wide discretion in choosing how to refund the surplus revenue.

“Subject to judicial review, districts may use any reasonable method for refunds under this section, including temporary tax credits or reductions. Refunds need not be proportional when prior payments are impractical to identify or return.”³

One could interpret section (1) of TABOR to mean that when it is practical to identify and return surplus revenue proportional to the excess taxes paid, then the state should do so. The rationale is that in the absence of excess taxes this is the income that households would receive, therefore refunds should be proportional to the excess taxes paid. There are conceptual and empirical problems in estimating surplus revenue above the TABOR limit by source of revenue. The legislative staff took a pragmatic approach, estimating revenue growth for any specific tax source above the TABOR limit as surplus revenue. This static approach ignores elasticity and interdependence of different revenue sources.⁴ The following table provides estimates of surplus revenue over the TABOR limit by source FY 1998-99.

³TABOR (1)

⁴ Colorado Legislative Council Staff, *Memorandum: Summary of Tax Reduction and Tax Refund Bills*, (Denver, Colorado: CLCS, May 12, 1999)

Table 5. Estimated Amounts of Excess Revenue by Source, FY 1998-99

Revenue Source	FY 1998-99 Excess Revenue (\$ millions)	Percentage of Total (percent)
Individual Income Taxes	523.098	69.02
Sales Taxes	116.007	15.31
Corporate Income	24.955	3.29
Estate Taxes	23.312	3.08
Use Taxes	16.334	2.16
Miscellaneous Cash Fees	13.092	1.73
Gaming	9.097	1.2
Unemployment Insurance	8.945	1.18
General Fund Interest	8.512	1.12
State Highway Fund	6.255	.83
CMTF interest	5.686	.75
Medicaid	2.605	.34
Total	767.900	100.00

Source: Colorado Legislative Council Staff, Memorandum: Summary of Tax Reduction and Tax Refund Bills, (Denver, Colorado: CLCS, May 12, 1999).

The individual income tax accounts for more than 2/3 of surplus revenue, and the individual and corporate income tax combined account for about 72% of surplus revenue. The sales tax accounts for 15% and the other miscellaneous taxes and fees account for the remainder of the surplus.

Legislators have chosen multiple tax refund methods that have little to do with the excess taxes paid. During the 1999 session the legislature enacted five bills providing for refunds of the surplus revenue. Thirteen bills providing refunds were passed in the 2000 legislative session and five more were passed in the 2001 session. Appendix Table 1 shows the actual and projected refunds under this legislation.

As shown in Appendix Table 1, the legislature prioritized these refunds and set dollar limits determining when they would be triggered, based on the size of the surplus revenue. The TABOR surplus is projected to be only \$93.2 million in FY 2002-03, therefore those refund mechanisms with a threshold greater than that amount will not be in effect. That means that the only refund mechanism in effect in that year will be the earned income tax credit. If no surplus is generated in that year, as is likely given the current recession, then none of these refund mechanisms will be in effect.

Monies not refunded through these targeted TABOR refund mechanisms are refunded through the sales tax refund. These sales tax refunds per adult are projected to be \$210 and \$22 in the next two fiscal years.

Estimates of the amounts refunded by these different refund mechanisms provide us with clues regarding the motives of politicians in rebating surplus revenues. Most of the total surplus revenue will be refunded through the sales tax refund. Note that the sales tax accounts for only 15% of the total surplus generated, yet it accounts for most of the refund of that surplus. Earned income tax credits have the highest priority in allocating refund monies, but account for a relatively small share of the total amount refunded. The other refund mechanisms providing refunds to business and individuals account for about one third of the total amount refunded.

Individuals receive a sales tax refund based on six modified federal adjusted gross income tiers and the filing status of the taxpayer. The amount of sales tax refund received for each income class is designed to approximate the percentage of non-income state taxes paid by taxpayers in each income tax bracket, as shown in the following table.

Table 7. Average Sales Tax Refund by Income Tier*

Federal Adjusted Gross Income		FY 2001-02		FY 2001-03	
From	To	Single	Joint	Single	Joint
\$0	\$27,000	\$138	\$276	\$17	\$35
27,001	56,000	198	396	21	42
56,001	835,000	238	476	24	48
83,001	110,000	271	542	24	47
110,001	135,000	295	590	24	49
135,001	& above	485	970	40	80
Average Per Taxpayer		210	421	22	45

* *Office of State Planning and Budgeting, Colorado Economic Perspective: State Revenue and Economic Projections Through FY 2006-07, September 20, 2001.*

Multiple tax refund mechanisms have resulted in a significant redistribution of income. If the legislature were to set tax refunds proportional to excess taxes paid we would expect tax refunds to be linked to excess income taxes paid, since that is the major source of surplus revenue.

A large number of tax refunds are targeted to specific business interest groups. However, businesses received a small share of the tax refunds, significantly less than their share of total taxes paid, or their share of excess taxes paid. While specific business interest groups succeeded in capturing a disproportionate share of surplus revenue, the tax refunds redistributed income from business to individuals.

These multiple tax refund mechanisms have a significant impact on consumption smoothing. When the economy is experiencing rapid economic growth with increasing surplus revenue, more of the tax refund mechanisms are triggered. When the economy is

in recession or during slower economic growth, smaller surplus revenues are collected and fewer refund mechanisms are triggered. Thus the TABOR Amendment acts as an automatic stabilizer over the business cycle.

C. Surplus Revenue and Tax Reduction

The legislature also chose to offset surplus revenues above the TABOR limit through tax reductions as shown in Appendix Table 2 . The legislature reduced the income tax rate from 5% to 4.75% in 1999, and to 4.63% in 2000. These income tax reductions reduced revenues by \$361.2 million in FY 2001-02, and by \$385 million in FY 2002-03.

The legislature combined the income tax cut with 29 other bills providing tax reductions. Tax reductions are targeted to a wide range of different interest groups, and this tax relief has little to do with the excess taxes paid. These tax reductions reduced revenues by \$177.2 million in FY 2001-02, and by \$174.3 million in FY 2002-03.

If the legislature were to set tax cuts proportional to excess taxes paid we would expect tax cuts to be linked to excess income taxes paid, since that is the major source of surplus revenue. Income tax cuts account for most of the tax reduction; however, almost one-third of the tax cuts are targeted to special interest groups.

In contrast to the tax refunds, the permanent tax cuts have reduced consumption smoothing.

This is particularly true of the income tax, which has some progressive features despite the flat tax rate. In years of rapid economic growth and rising revenue, income tax revenues rise more rapidly than the rise in income, whereas in periods of recession and slower growth, income tax revenues fall more rapidly than the fall in income. Income tax cuts reduce the weight of income tax revenues in total state revenues and thus reduce the consumption smoothing effects of the tax system over the business cycle.

E. Surplus Revenue and Surplus Expenditures

The TABOR Amendment has led to one outcome that was completely unanticipated, targeted expenditures of the surplus. The accumulation of surplus revenues has led interest groups to advocate state expenditures financed from the TABOR surplus.

The one interest group that has been successful in this endeavor is the education lobby with Amendment 23. Amendment 23 created a new state education fund. The state is required to allocate 1/3 of 1% of the state income tax into the fund. In the year 2001, with the current income tax rate, the income tax revenue allocated to the fund is estimated at \$313 million. Over the ten-year period until the year 2010, the income tax revenue allocated to the fund is estimated at \$4.58 billion.

That money must be paid from the surplus tax revenue collected above the TABOR limit. In other words taxpayers must forego the tax refund they would have received without

this amendment. Amendment 23 reduced the TABOR surplus by \$164 million this year, and will lower the surplus in future years by more than \$330 million per year. The amendment also excludes expenditures from the fund from the 6% appropriations limit.

The amendment requires the state to increase current funding under the school finance act by 5% per year for the next ten years. Compared to current state school funding of \$1.98 billion, funding would increase to \$3.22 billion in 2010. Over the next ten years the cumulative increase in state school funding will be \$6.35 billion with Amendment 23.

The amendment also requires the state to increase state funding for special purpose programs at the rate of inflation plus one percent for the next ten years. The current level of state funding for these programs is \$140.5 million. If we assume an inflation rate of 3.7% per year, the annual state funding for these programs would increase to \$222 million in 2010. Over the ten-year period, the cumulative increase in state funding for special purpose programs would be \$330 million.

The total fiscal impact of the amendment is determined by summing the required increase in state funding in each of these three categories:

State education fund	\$4.58 billion
School Finance Act	6.35 “
Special Purpose Programs	.33 “
	\$11.26 billion

There are several caveats to this estimate of the total fiscal impact of the proposed amendment. It assumes that state revenues will continue to increase in excess of the TABOR limit over the next ten years, as projected by analysts in the state government. Under these assumptions the money allocated to the new state education fund will come out of these surplus revenues and at the expense of tax rebates. If those projections of state revenue growth are not realistic and the state encounters a recession such that surplus revenue above the TABOR limit is not generated, then these funds would have to be allocated from general revenue funds. In other words, the money allocated to the new education fund would come from other government programs, not from the TABOR surplus. Indeed, because the expenditures from the new education fund are not constrained by the 6% appropriations limit, the most likely outcome is that spending for education would come at the expense of spending for other state programs not constrained by the 6% statutory cap. The Director of the State Office of Budgeting and Planning projects that the state government programs most likely to be affected by the proposed amendment would be reduced capital construction, and depletion of the Highway Users Tax Fund used for highway repair and maintenance.

The education lobby did show some restraint in requirements for increased state funding under the school finance act. “The proposal requires the amount provided by the state to increase by at least 5% annually for the next ten years **unless Colorado personal income**

grows less than 4 1/2 percent between the two previous calendar years.” At least the teachers union recognized that the ability of the state to fund education depends upon the condition of the Colorado economy, and available state revenue. In the current recession Colorado personal income may not grow 4.5% between two calendar years. However, given the projections for economic growth and state revenue growth over the next ten years, the state will likely be required to increase annual state funding under the school finance act by 5% per year.

In one sense, Amendment 23’s requirement of a constant increase in state spending for education K-12 is the ultimate consumption smoothing policy. It will result in both higher levels of spending and a constant growth of spending each year. However, depending upon the way in which that spending is financed, it could have perverse effects on consumption smoothing. If that spending is financed from the TABOR surplus it will reduce taxpayer refunds. Given that the surplus revenue will be higher in periods of economic expansion and lower in years of recession, replacing taxpayer refunds with spending for education will have a pro-cyclical impact on spending. If the spending is financed from the general fund, then it will tend to offset other state spending with a neutral impact on consumption smoothing.

The disadvantage of earmarking funds for education in this way is that it removes discretion from the legislature in determining budget priorities between education and other state government programs. In short it gives the education lobby a privileged position in which they don’t have to defend their spending programs along with other state agencies and interest groups through the regular budgetary process.

V. Conclusions and Policy Recommendations

In this study, we show that tax and spending limits have begun to constrain the growth of state government in Colorado. This was the intended impact of the tax and spending limits, and our state government is learning to live with these constraints. The analysis shows that TABOR is a more binding constraint than other tax-and-spending limits imposed in other states; these alternative tax and spending limits would have had little impact in constraining the growth of state government in Colorado. TABOR has reduced the rate of growth in state spending compared to that in prior decades when state spending outpaced the growth in state income. Critics argue that TABOR is too stringent a constraint on state finance. But, TABOR is too stringent a constraint only if you think that the growth of state spending should continue to outpace the growth of the private economy.

It is also clear that, at the state level tax, spending limits have significantly changed the composition of state spending. General fund expenditures have converged to the 6% cap imposed by the statutory limit. Revenue above that limit has accumulated in the general fund reserve used to fund non-general fund spending such as construction and highway maintenance. As a result the level of non-general fund expenditures has increased and become more volatile. Fluctuations in total appropriations now reflect primarily these

fluctuations in non-general fund expenditures, rather than fluctuations in general fund expenditures as occurred prior to implementation of the tax-and-spending limits.

We also find that tax-and-spending limits have resulted in consumption smoothing, stabilizing the amount of revenue the state can keep and spend over the business cycle. The rate of growth in general fund expenditures, non-general expenditures, and total appropriations has stabilized in the current business cycle, relative to state spending in past business cycles.

Critics of our tax-and-spending limits argue that they have had a pro-cyclical impact on state spending. They point to the reductions in construction spending and across-the-board cuts in general fund spending required in the current recession. Our analysis shows that TABOR has in fact had a stabilizing impact on state revenue and spending over the business cycle. Until 1997, TABOR was not a binding constraint because revenue growth was below that permitted by the TABOR limit. In the years of unprecedented growth in Colorado after 1997, TABOR was a binding constraint, limiting the amount of revenue the state could keep and spend.

In the current recession we project that TABOR will again become a non-binding constraint as revenue growth falls below the TABOR limit. **The cutbacks required in state spending are not due to TABOR but rather to the recession and falling revenue.** To the extent that TABOR is a binding constraint on state revenue and spending growth in periods of rapid economic growth, but not in periods of recession and slower growth, it has had a stabilizing impact on fiscal policy in Colorado.

The critics, however, argue that the fiscal bind this year is due to the tax refunds and tax cuts passed to offset the TABOR surplus in past years. The tax refunds are not a constraint in the current recession because the refunds are only triggered if the state runs a surplus. If the state runs no surplus, as we project, then none of these refund mechanisms is triggered.

Permanent tax cuts have reduced the revenue available to the state in periods of economic expansion as well as periods of recession. As a result, in Colorado state spending did not increase to unsustainable levels in recent years as has occurred in other states. Colorado must make modest cuts in state spending in the current recession, compared to the draconian cuts now required in other states without effective tax-and-spending limits.

The major problem in the current state budget is that the legislature has spent the TABOR surplus. The legislature has chosen to refund surplus revenue in the year after the surplus is generated. Meanwhile the surplus is allocated to reserve funds which are then used to finance non-general fund spending. When the economy enters a recession, as we have this year, then the legislature is forced to draw down the general fund reserve. Having reduced that reserve to the statutory minimum, the legislature is now forced to reduce both general fund and non-general fund spending in order to balance the state budget.

A binding constraint on Colorado's fiscal policy in the current recession is Amendment 23. Amendment 23 mandates significant increases in state spending for education K-12 regardless of the state of the economy. In the current recession, that increase in spending for education K-12 can only come at the expense of other state programs, including general fund spending as well as construction spending.

If we are looking for a culprit in the current belt tightening in state finance it is a profligate legislature, not the TABOR Amendment. The legislature has interpreted our tax-and-spending limits as a floor rather than a ceiling on state spending. It is no surprise that in the current recession there is not sufficient revenue to finance budgeted general fund spending as well as construction spending.

Colorado citizens support tax and spending limits because these limits enable them to get the government they desire and are willing to pay for. Our analysis suggests that Colorado should strengthen the provisions of our tax-and-spending limits designed to limit and smooth out the amount of revenue the state can keep and spend. There are several changes that would make our tax and spending limits more effective:

1. Bring the Bird-Arveschaug Amendment into line with TABOR.

The Bird-Arveschaugh Amendment limits the growth of general fund spending to 6% per year. Until 1997 this was the only binding constraint on the growth of state spending. Over the past decade of unprecedented economic growth, the state has been able to increase general fund spending 6% per year and also finance non-general fund spending through transfers from reserve funds. It is clear that that rate of growth in state spending is not sustainable in the long run. With recession and slower economic growth the state needs to learn to live with a harder budget constraint on general fund spending. Lowering the cap on general fund spending growth from 6% to 5% would allow some funding to be allocated from general fund revenue for non-general fund spending such as construction. Relying upon reserve funds to finance construction spending is not a viable solution in the long run.

2. Rebate Surplus Revenue in the Current Year

The legislature has chosen to rebate surplus revenue above the TABOR limit in the following fiscal year rather than in the fiscal year in which the surplus is generated. Over the past decade of rapidly increasing state income and revenues, this has enabled the state to place surplus revenues into reserve funds and to transfer money from those reserve funds to finance spending, mostly for capital construction. The state is actually spending surplus revenues that must ultimately be rebated to taxpayers. In the current economic environment with slower growth in income and state revenue, the surplus revenue generated in the current year will be less than that needed to finance the rebates from the higher surplus generated in the prior year.

This method of rebating surplus revenue makes TABOR less effective both in limiting the growth in state government and also in smoothing out revenue and spending over the

business cycle. The solution, of course, is to rebate the TABOR surplus in the year in which the surplus is generated, rather than the following year.

3. Create a Rainy Day Fund

Learning to live with our tax-and-spending limits means learning to live with a hard budget constraint. The state cannot increase total appropriations in excess of the growth in the private economy as it did in past decades, and the state cannot sustain the rapid growth of total appropriations that was possible over the past decade of unprecedented economic growth. Colorado has learned that we are not immune to recession and slower economic growth. What the state needs to do is to try to insulate state finances from the impact of a major recession, and one of the best ways to do that is to create a rainy day fund. The state should set aside a rainy day fund equal to 6% of general fund spending.

One of the problems is that the general fund reserve has become a catchall into which any revenue in excess of general fund expenditures is allocated. Those general fund reserves are then used to fund construction spending, finance taxpayer rebates required by the TABOR Amendment, and meet the statutory reserve requirement of 4% of appropriations. These general fund reserves need to be broken out into separate reserve funds: one for construction, one for TABOR refunds, and one for a budget stabilization fund. When the economy does recover from the current recession and state revenues are rising above 5% per year, it is prudent to allocate some of that revenue into the budget stabilization fund until the target level is reached. A firewall should be in place to limit expenditures from the budget stabilization fund to periods of declining state revenue, not just revenue shortfalls below budgeted expenditures.

4. Replace the Current Tax Refunds and Tax Cuts Used to Offset the TABOR Surplus With Automatic Income Tax Cuts

One of the major problems with the TABOR Amendment is the disposition of the TABOR surplus. There are now many bills providing tax refunds and tax cuts to offset the surplus. Most of these tax refunds and tax cuts are targeted to special interest groups rather than to the taxpayers who are paying the excess taxation.

A more efficient and equitable disposition of the TABOR surplus is automatic income tax cuts to offset the surplus. Income taxes account for most of the surplus revenue therefore automatic income tax cuts return the surplus to taxpayers who paid the excess taxes. Making these income tax cuts temporary for several years and then permanent if the surplus persists would simplify the tax system considerably.

5. Stop Spending the Surplus

It seems that every special interest group on Colorado has chosen the TABOR surplus as the way to finance their projects. Amendment 23 set the precedent. It is not surprising that the most powerful lobbying group in the state, the teachers' union, would successfully lay claim to what they perceive as their right to the TABOR surplus. No

interest group should have such a privileged position in state finance that guarantees them increased funding regardless of the state of the economy. As we are learning, when revenue growth slows this means that all other areas of state spending must take a major hit in order to maintain the increase in spending for education locked in by our constitution. The solution is to eliminate this provision of the constitution and require that educators defend their programs in a single comprehensive budgetary process along with all the other interest groups.

Unfortunately, other special interest groups are following the lead of the teachers' unions. Most recently, transportation proponents are laying claim to what they perceive as their right to the TABOR surplus. The problem with this approach is that the sum of the parts is greater than the whole. The TABOR surplus should not be used to finance spending for these special interests. As the TABOR surplus disappears in the current recession perhaps this will dampen the ardor of these special interest groups who lobby to spend the surplus.

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APPENDIX

Appendix Table 1. TABOR Refund Mechanisms (dollar amounts in millions)

Bill	Threshold FY 2001-02	FY 2001-02	FY 2002-03
Projected Excess TABOR Refund		927.2	93.2
HB 99-1383	59.8	See HB 00-1049	See HB 00-1049
HB 00-1049	59.8	30.3	30.6
HB 01-1313	200.0	2.0	2.0
HB 99-1311	203.3	See HB 01-1287	See HB 01-1287
HB 01-1287	203.3	94.5	100.5
HB 00-1361	210.5	5.0	10.0
HB 99-1137	263.1	45.8	41.8
HB 99-1237	311.0	69.3	36.7
HB 00-1063	315.8	See HB 01-1257	See HB 01-1257
HB 01-1257	315.8	0.3	0.6
HB 00-1351	321.3	19.4	22.1
HB 01-1081	358.4	Not in Effect	Not in Effect
HB 00-1227	365.7	29.7	34.8
HB 00-1355	365.7	0.5	0.8
HB 00-1052	387.8	Not in Effect	0.4
HB 00-1053	387.8	5.1	5.3
HB 00-1171	387.8	Not in Effect	8.1
HB 00-1257	387.8	1.5	4.2
HB 00-1259	387.8	4.3	6.6
HB 01-1086	443.2	4.0	4.0
HB 00-1104	443.2	2.7	22.9
HB 00-1209	476.5	41.6	30.6
HB 99-1001	Remaining	571.2	62.6
Sales Tax Refund			
Average Sales Tax Refund Per Adult (in actual dollars)		210	22

** Office of State Planning and Budgeting, Colorado Economic Perspective: State Revenue and Economic Projections Through FY 2006-07, September 20, 2001.*

Appendix Table 2. Offsets to the TABOR Surplus Through Permanent Tax Reductions
(dollar amounts in millions)

Bill Number		FY 2001-02	FY 2002-02	
1999	Income Tax	231.6	246.9	
Income Tax reductions:	Rate Reduction (HB 99-1207)			
	Marriage Penalty (HB 99-1003)	21.1	22.4	
	Pension Exclusion (HB 99-1151)	9.0	9.2	
	Long Term Care Insurance Credit (HB 99-1246)	5.2	5.9	
	Foreign Source Income Adjustment (HB 99-1125)	3.1	3.1	
	Conservation Easement Tax Credit (HB 99-1155)	1.2	2.1	
	Sales and Use Tax reductions	Farm Equipment (HB 99-1002)	3.7	3.8
		Food Sold Through Vending Machines (HB 99-1015)	3.4	3.6
		Agricultural Pesticides (HB 99-1381)	2.7	2.7
		Biotechnology (HB 99-1335)	1.1	1.2
Alternative Fuels (HB 99-1271)		0.9	0.9	
	Agricultural Compounds (HB 99-1016)	0.5	0.5	
	Coins and Precious Metal	0.2	0.2	

	Bullion (HB 99-1009)		
Cash Fund Reductions	Severance Tax (HB 99-1249)	2.7	2.7
Subtotal		266.4	305.1
2000	Income Tax	129.6	138.1
Income Tax Reductions	Reduction (HB 00-1103)		
	Low Income Housing Credit (HB 00-1302)	6.3	10.0
	Brownfield Redevelopment Incentive (HB 00-1306)	2.3	2.3
	Prepaid Tuition (HB 00-1274)	1.2	1.2
	Conservation Easement (HB 00-1348)	1.2	1.2
	Exclusion from Residential (HB00-1134)	1.1	1.1
	Alternative Fuels (HB 00-1067)	0.0	0.0
Sales and Use Tax reductions	Reduce sales and use Tax Rate (HB 00-1259)	74.7	79.9
	Exempt Agriculture (HB 00-1162)	3.1	3.1
Cash Fund Reductions	UI Tax Credits (HB 00-1310)	31.6	8.8
	Oil and Gas Severance (HB 00-1065)	0.5	0.5
	Purple Heart License Plate (HB 00-1042)	0.1	0.1
Subtotal		251.8	246.3
2001	Conservation Easement (HB 01-1090)	Not in Effect	1.5
Income Tax reductions	Penalty	Not in	1.0

	Underestimating	Effect	
	Income Tax (HB 01-1312)		
Sales and Use Reductions	Bingo Equipment (HB 01-1223)	0.2	0.2
	Dairy (HB 01-1256)	0.1	0.1
Other General Fund Reduction	Certified Capital Company	Not in Effect	5.0
Subtotal		0.3	7.8
Total Tax Reductions		538.4	559.3

** Office of State Planning and Budgeting, Colorado Economic Perspective: State Revenue and Economic Projections Through FY 2006-07, September 20, 2001.*