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SCHEDULE OF COMPUTATIONS REQUIRED UNDER ARTICLE X, SECTION 20, OF THE STATE CONSTITUTION (TABOR) AS OF JUNE 30, 2016



FEBRUARY 2017

FINANCIAL AUDIT

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OFFICE
OF THE STATE AUDITOR

February 27, 2017

DIANNE E. RAY, CPA

STATE AUDITOR

Members of the Legislative Audit Committee:

This report contains the results of the financial audit of the TABOR Financial Report including the Schedule of Computations Required Under Article X, Section 20, of the State Constitution (TABOR) as of June 30, 2016. The audit was conducted under the authority of Section 2-3-103, C.R.S., which authorizes the State Auditor to conduct audits of all financial transactions and accounts kept by or for all departments, institutions and agencies of the State.

The audited figures for TABOR revenue, TABOR Revenue Limit, TABOR Excess State Revenues Cap, and Revenue Under the Excess State Revenues Cap for Fiscal Year 2016 are as follows:

STATE OF COLORADO TABOR REVENUE AND REVENUE OVER THE EXCESS STATE REVENUES CAP FISCAL YEAR 2016			
FISCAL YEAR 2016 TABOR REVENUE			$ 12,824,408,049
TOTAL FISCAL YEAR 2016 EXCESS STATE REVENUES CAP			$(12,946,498,914)
FISCAL YEAR 2016 REVENUE (UNDER) THE EXCESS STATE REVENUES CAP			($ 122,090,865)
SOURCE: Office of the State Auditor analysis of the Office of the State Controller's data.			

Dianne E. Ray

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TABOR

REVENUE

AUTHORITY, PURPOSE, AND SCOPE

This audit was conducted as part of the annual financial audit of the State of Colorado under the authority of Section 2-3-103, C.R.S., which authorizes the State Auditor to conduct audits of all financial transactions and accounts kept by or for all departments, institutions, and agencies of the State. The *Schedule of Computations Required Under Article X, Section 20, of the State Constitution* (TABOR) as of June 30, 2016, was prepared by the State Controller and audited as part of our Fiscal Year 2016 financial and compliance audit of the State.

This audit was conducted in accordance with generally accepted auditing standards and was performed during the period between July 2016 and February 2017.

The purpose and scope of the audit were to express an opinion on the *Schedule of Computations Required Under Article X, Section 20, of the State Constitution* (Schedule) as of June 30, 2016. We issued an unmodified opinion on the Schedule.

DESCRIPTION AND BACKGROUND

The Taxpayer's Bill of Rights (TABOR) was added as Article X, Section 20 of the Colorado Constitution in the November 1992 general election. TABOR limits the annual growth in state revenues to the sum of the inflation rate and the percentage change in the State's population. Any money the State raises above that amount must be returned to the taxpayers.

Section 24-77-106.5, C.R.S., requires that the State Controller prepare and distribute a TABOR Financial Report annually to the Governor, the General Assembly and the Executive Director of the Department of Revenue no later than September 1 following the end of a fiscal year. The TABOR Financial Report includes the preliminary Schedule of Computations Required Under Article X, Section 20, of the State Constitution. The State Auditor must audit the TABOR Financial Report no later than September 15. This was conducted under performance audit standards and issued as the *Schedule of TABOR Revenue, October 2016*.

In conjunction with the completion of the Comprehensive Annual Financial Report (CAFR), the State Controller provides an updated Schedule of Computations Required Under Article X, Section 20, of the State Constitution to the State Auditor which reflects any changes or adjustments that may have occurred since the performance audit in September. The Schedule included in this report is audited as part of the State's financial audit. This report contains the results of the financial audit of the Schedule as of February 27, 2017.

This report contains the Schedule, which includes the amount of non-exempt revenue subject to TABOR, the amount of revenue in excess of the State

Revenue Cap, and the amount of refund applicable to the fiscal year. The report also includes a comparison of nonexempt TABOR revenue called the Schedule of TABOR Revenue.

TABOR REVENUE LIMIT

Article X, Section 20(7)(a) of the State Constitution contains a formula for calculating the TABOR Revenue Limit which involves multiplying a base amount by the TABOR growth rate. The base amount for the TABOR Revenue Limit is the lesser of either the prior year's revenue or spending limit.

TABOR GROWTH RATE

Article X, Section 20(7)(a) limits the annual growth in state revenues to the sum of the inflation rate and the percentage change in the State's population. For Fiscal Year 2016, the TABOR growth rate was 4.4 percent.

EXCESS STATE REVENUE CAP

In November 2005, Referendum C, which would allow the State to spend or save the full amount of revenue it collected during a specified subsequent 5-year period, was approved in the general election. During Fiscal Year 2005, the General Assembly enacted House Bill 05-1194 as the enabling legislation for Referendum C, making it effective as of July 1, 2005. Referendum C allowed the State to spend or save the full amount of revenue it collected from Fiscal Year 2006 through 2010. After this 5-year break, Referendum C allows the State to keep revenue up to a capped amount known as the Excess State Revenues Cap (Cap). Beginning in Fiscal Year 2011, the Cap was equal to the highest amount of revenue that was collected in the 5 previous years, multiplied by the TABOR growth rate. In subsequent years, the Cap is calculated using the previous year's Cap multiplied by the TABOR growth rate. The State is allowed to retain and spend revenue in excess of the TABOR Revenue Limit but must refund revenue above the Cap.

EXEMPT AND NONEXEMPT REVENUE

All revenue collected by the state is included in the TABOR revenue limit calculation or "nonexempt" revenue unless it is exempted under Article X, Section 20(7)(d) as follows:

- Revenue collected by an enterprise which is defined as a government-owned business receiving under 10 percent in grants of annual revenue from state and local governments.

- Voter approved revenue exemptions.

FISCAL YEAR 2016 TABOR REVENUE

We reviewed the State Controller's computations of the Fiscal Year 2016 TABOR Revenue Limit and the Cap. The following figures in EXHIBIT 1.1 show the TABOR revenue, TABOR Revenue Limit, TABOR Cap, and revenue over the Cap for Fiscal Year 2016:

EXHIBIT 1.1. STATE OF COLORADO
TABOR REVENUE LIMIT, EXCESS STATE REVENUE CAP AND REVENUE OVER THE EXCESS STATE REVENUE CAP
FISCAL YEAR 2016

FISCAL YEAR 2016 TABOR REVENUE	$ 12,824,408,049
TOTAL FISCAL YEAR 2016 EXCESS STATE REVENUES CAP	(12,946,498,914)
FISCAL YEAR 2016 REVENUE OVER/(UNDER) EXCESS STATE REVENUES CAP	$ (122,090,865)

SOURCE: Office of the State Auditor's analysis of the Office of the State Controller's data.

Fiscal Year 2016 revenue is under the Cap by $122,090,865. Therefore, there is no TABOR refund for Fiscal Year 2016.

REFUNDING

Article X, Section 20(7)(d) of the State Constitution says that if non-exempt TABOR revenue exceeds the Cap in a fiscal year, the excess revenue will be refunded in the next fiscal year. For Fiscal Year 2016, revenue was under the Cap by approximately $122 million and no refund will be issued.

There are two mechanisms for refunding state surplus revenues including the six-tier sales tax refund established by House Bill 99-1001 and a temporary cut in the income tax rate from 4.63 percent to 4.50 percent established under HB 05-1317. The size of the TABOR refund determines which refund mechanisms are used each year. APPENDIX B provides more detail regarding current refunding mechanisms.

REVENUE REDUCTIONS

There were no permanent tax cuts enacted during the 2016 Legislative Session. In prior years, voters have approved new taxes that are exempt from being included in TABOR revenue. EXHIBIT 1.2 shows all voter-approved changes, the year of voter approval, and the related decrease in Fiscal Years 2016 and 2015 revenues subject to TABOR:

EXHIBIT 1.2. STATE OF COLORADO
IMPACT OF VOTER-APPROVED REVENUE CHANGES ON TABOR REVENUE
FISCAL YEAR 2016 AND 2015

	Decrease in TABOR Revenue	
	Fiscal Year 2016	Fiscal Year 2015
Amendment 14 (1998)		
Assesses a fee on housed commercial swine feeding operations.	$56,305	$295,109
Amendment 20 (2000)		
Assesses an application fee to obtain a Medical Marijuana identification card.	$1,641,029	$1,755,780
Amendment 23 (2000)		
Creates the State Education Fund, which receives all state revenue collected from a tax of 1/3 of 1 percent of federal taxable income as follows:		
Individual income taxes	$474,623,000	$460,192,000
Corporate income taxes	45,897,000	57,756,000
Fiduciary income taxes	2,080,000	1,854,000
Interest Income – Exempt	5,978,697	10,056,048
Reimbursement of Prior Year Expense	240,204	212,110
Unrealized Gain/Loss	(188,128)	(2,156,250)
Total for Amendment 23	$528,630,773	$527,913,908
Amendment 35 (2004)		
Assesses a statewide tax on cigarette and tobacco products.	$148,097,981	$145,902,309
Amendment 50 (2008)		
Assesses a tax on extended limited gaming.	$15,275,218	$12,034,922
Amendment 64 (2012)		
Assesses a tax on Retail Marijuana		
Excise Tax	$42,667,419	$24,034,273
State Sales Tax	67,336,023	$42,062,370
Total for Amendment 64	$110,003,442	$66,096,643
Total Reductions in TABOR Revenue	$803,704,748	$753,998,671

SOURCE: Office of the State Auditor's analysis of the Office of the State Controller's data.

ADJUSTMENTS TO REFUNDS

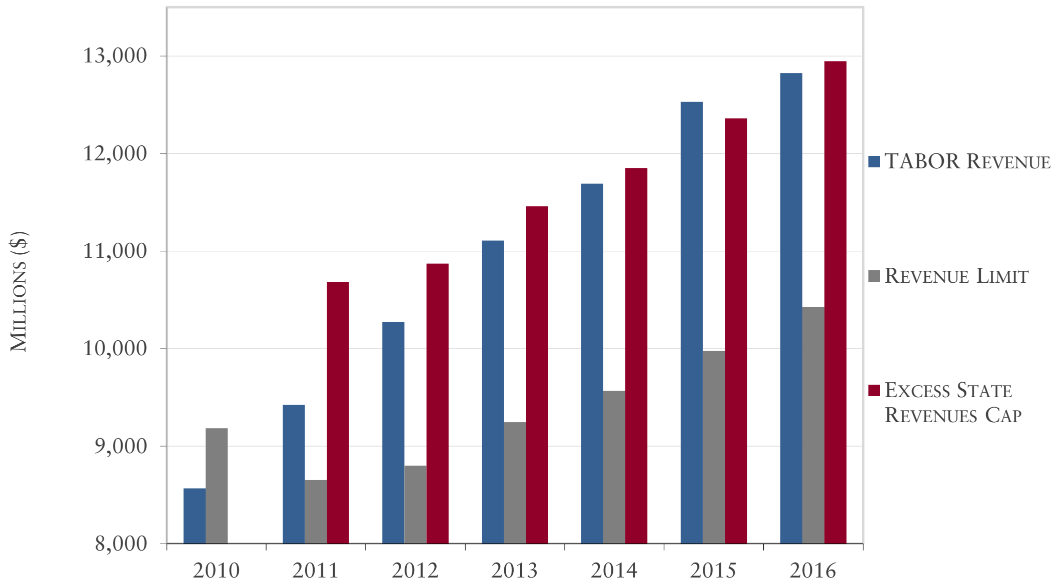
Section 24-77-103.7, C.R.S., states that starting in Fiscal Year 2002, TABOR revenue that exceeds the State's fiscal year spending limit will be reduced by any amounts over-refunded in a prior year. The over-refunded balance is to be carried forward to decrease future refund liabilities until the excess is depleted. During our Fiscal Year 2016 audit, no over-refund was identified in the previous Fiscal Years 2006 through 2015 that would affect the TABOR revenue over the limit for Fiscal Year 2016.

Section 24-77-103.8, C.R.S., states that starting in Fiscal Year 2002, any revenue that exceeds the State's fiscal year spending limit from past fiscal years and has not yet been refunded by the State as required, should be included in any current year refunds. There will not be a refund for Fiscal Year 2016; however, $31,358,300 will be carried forward from Fiscal Year 2015 as a liability on the State's financial statements which will be paid out in the next refund year. See Note 6 on PAGE 18 for further information.

REVENUE LIMIT

EXHIBIT 1.3 compares the TABOR Revenue Limit computed each year to the TABOR revenue from Fiscal Year 2010 to Fiscal Year 2016. As of Fiscal Year 2011, both the TABOR Revenue Limit and the Cap are calculated independently. However, the State will be allowed to retain and spend the amount of revenue in excess of the TABOR Revenue Limit and up to the Cap as set forth in Referendum C.

EXHIBIT 1.3. STATE OF COLORADO
TABOR REVENUE VS. REVENUE LIMIT
AND THE EXCESS STATE REVENUES CAP
FISCAL YEARS 2010 TO 2016



SOURCE: Schedules of Computations Required Under Article X, Section 20 for Fiscal Years 2010-2016. Office of the State Auditor's analysis of the Office of the State Controller's data.

SOURCES OF TABOR REVENUE

There are two types of revenue subject to the growth limitations set forth in TABOR-general funds and cash funds. General funds primarily include revenue from the general taxing authority of the State, such as individual and corporate income taxes. Cash funds generally include revenue from fees and other sources that are to be used for specific programs, such as education service fees and fuel/transportation taxes. General funds increased by 1.5 percent in Fiscal Year 2016, while cash funds increased by 5.4 percent in Fiscal Year 2016. Overall, TABOR revenue increased by 2.3 percent in Fiscal Year 2016. EXHIBITS 1.4 and 1.5 show the major sources of revenue in Fiscal Year 2016, with comparative figures for Fiscal Year 2015, classified by general-funded and cash-funded revenue. The Schedule of TABOR Revenue on PAGE 29 combines the general fund, shown on PAGE 8, and cash fund revenue presented on PAGE 9.

EXHIBIT 1.4. STATE OF COLORADO
SOURCES OF TABOR REVENUE
GENERAL FUND REVENUE
FISCAL YEAR 2016 AND 2015

GENERAL FUND REVENUE	FISCAL YEAR 2016	FISCAL YEAR 2015	2015 TO 2016 % CHANGE
Individual Income Tax, Net	$6,009,321,330	$5,829,650,793	3.1%
Sales and Use Tax, Net	2,826,501,589	2,837,452,888	-0.4%
Corporate Income Tax, Net	606,441,176	635,114,790	-4.5%
Insurance Taxes	280,345,463	256,662,582	9.2%
Tobacco Products Tax, Net	58,310,466	55,681,549	4.7%
Alcoholic Beverages Tax, Net	43,563,728	41,479,003	5.0%
Fiduciary Income Tax, Net	40,481,628	58,384,780	-30.7%
Interest and Investment Income	12,247,469	7,713,221	58.8%
Court and Other Fines	9,635,176	6,466,697	49.0%
Business Licenses and Permits	7,794,948	5,198,179	50.0%
Miscellaneous Revenue	1,627,174	1,374,401	18.4%
Gaming and Other Taxes	573,330	669,155	-14.3%
General Government Service Fees	436,561	304,363	43.4%
Other General Revenue	40,001	60,314	-33.7
Severance Tax	-	16,226,732	-100%
GENERAL REVENUES	$9,897,320,039	$9,752,439,448	1.5%
PRIOR YEAR ADJUSTMENTS*			
Errors	-	710,531	
TOTAL GENERAL FUND REVENUE	$9,897,320,039	$9,753,149,979	1.5%

SOURCE: Office of the State Auditor's analysis of the Office of the State Controller's data.
* See Note 13 on PAGE 22 for further details.

EXHIBIT 1.5. STATE OF COLORADO
SOURCES OF TABOR REVENUE
CASH FUND REVENUE
FISCAL YEAR 2016 AND 2015

CASH FUND REVENUE	FISCAL YEAR 2016	FISCAL YEAR 2015	2015 TO 2016 % CHANGE
Health Service Fees	$ 877,773,803	$ 597,926,458	46.8%
Fuel and Transportation Taxes, Net	611,582,083	601,514,776	1.7%
Motor Vehicle Registrations	255,992,618	250,417,149	2.2%
Court and Other Fines	174,498,360	166,890,612	4.6%
Business Licenses and Permits	166,927,963	155,808,015	7.1%
Other Charges For Services	147,675,579	147,995,864	-0.2%
Miscellaneous Revenue	113,461,165	59,531,384	90.6%
Gaming and Other Taxes	101,887,325	98,862,345	3.1%
General Government Service Fees	61,870,047	60,122,937	2.9%
Rents and Royalties	53,773,977	48,129,695	11.7%
Sales and Use Tax, Net	45,222,821	50,740,590	-10.9%
Educational Fees	44,812,190	45,384,088	-1.3%
Interest and Investment Income	48,497,259	52,921,549	-8.4%
Local Governments and Authorities	43,177,160	29,730,406	45.2%
Driver's Licenses	38,235,424	33,773,790	13.2%
Nonbusiness Licenses and Permits	34,903,177	34,660,937	0.7%
Employment Taxes	30,767,812	29,380,594	4.7%
Public Safety Service Fees	22,336,453	20,230,069	10.4%
Certifications and Inspections	20,141,368	19,821,410	1.6%
Severance Taxes	11,772,706	272,991,579	-95.7%
Insurance Taxes	10,770,330	18,162,254	-40.7%
Higher Education Auxiliary Sales and Services	6,002,495	6,803,645	-11.8%
Other Program Revenue	5,005,897	4,995,061	0.2%
TOTAL CASH FUND REVENUE EXCLUDING TABOR ENTERPRISE	$2,927,088,010	$2,806,795,205	4.3%
REQUALIFICATION OF TABOR ENTERPRISE STATUS *			
Adams State	-	16,914,050	N/A
DISQUALIFICATION OF TABOR ENTERPRISE STATUS *			
Fort Lewis College and Western State	-	(59,275,821)	N/A
PRIOR YEAR ADJUSTMENTS			
Errors **	-	13,188,802	
TOTAL CASH FUND REVENUE	2,927,088,010	2,777,622,236	5.4%
TOTAL NONEXEMPT REVENUE	$12,824,408,049	$12,530,772,216	2.3%

SOURCE: Office of the State Auditor's analysis of the Office of the State Controller's data.
* See Note 14 on PAGE 24 for further details.
** See Note 13 on PAGE 22 for further details.

AUDITOR'S

REPORT & SCHEDULE OF COMPUTATIONS REQUIRED UNDER ARTICLE X, SECTION 20 OF THE STATE CONSTITUTION (TABOR)

Office of the State Auditor

Dianne E. Ray, CPA
State Auditor

INDEPENDENT AUDITOR'S REPORT

Members of the Legislative Audit Committee:

REPORT ON THE SCHEDULE

We have audited the financial statements of the State of Colorado as of and for the year ended June 30, 2016, and have issued our report thereon dated February 27, 2017, which contained an unmodified opinion on those financial statements. Our audit was performed for the purpose of forming an opinion on the financial statements as a whole. The *Schedule of Computations Required under Article X, Section 20, of the State Constitution (TABOR)* (Schedule) is presented for the purposes of additional analysis and is not a required part of the financial statements.

MANAGEMENT'S RESPONSIBILITY

The accompanying Schedule was prepared by the Office of the State Controller pursuant to Section 24-77-106.5, C.R.S., which requires a financial report ascertaining compliance with state fiscal policies relating to Article X, Section 20, of the State Constitution. The Schedule was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on the Schedule in relation to the financial statements as a whole. The Schedule has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America.

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Opinion

In our opinion, the *Schedule of Computations Required under Article X, Section 20, of the State Constitution (TABOR)* is fairly stated in all material respects in relation to the financial statements as a whole.

Report on Other Legal and Regulatory Requirements

Article 77 requires a financial report to be prepared in conformity with generally accepted accounting principles unless an irreconcilable conflict exists between generally accepted accounting principles and TABOR, in which case the provisions of said constitutional provision shall control. Our auditing procedures included testing for irreconcilable conflicts between the State's financial statements and the provisions of TABOR and evaluating the State of Colorado's compliance with constitutional and statutory provisions of TABOR. Our audit does not provide a legal determination of the State's compliance with specified requirements.

Restriction on Use

This information is intended solely for the use of the Legislative Audit Committee and management of the State and is not intended to be, and should not be, used by anyone other than these specified parties. However, upon release by the Legislative Audit Committee this report is a public document.

Denver, Colorado
February 27, 2017

STATE OF COLORADO
SCHEDULE OF COMPUTATIONS REQUIRED
UNDER ARTICLE X, SECTION 20
AS OF JUNE 30, 2016

	FISCAL YEAR 2014-15	FISCAL YEAR 2015-16
COMPUTATION OF NONEXEMPT REVENUES		
Total State Expenditures	$ 40,414,297,024	$ 42,537,731,555
Less Exempt Enterprises Expenses:		
Higher Education Enterprises	8,455,491,475	8,458,394,515
Unemployment Compensation Section	530,129,631	531,606,636
College Assist	631,865,367	613,735,094
State Lottery	540,933,178	597,474,129
CollegeInvest	613,766,152	623,149,830
Parks and Wildlife	220,670,719	229,006,335
Correctional Industries	68,900,760	73,701,031
State Nursing Homes	58,660,713	59,711,521
Petroleum Storage Tank Fund	39,891,367	43,305,095
Statewide Transportation Enterprise	8,232,300	33,580,526
Statewide Bridge Enterprise	15,558,306	16,675,940
Clean Screen Authority	5,868,209	4,347,950
Brand Board	5,434,154	5,079,919
Capitol Parking Authority	721,685	1,091,211
Subtotal Enterprise Expenses	11,196,124,016	11,290,859,732
Total District Expenditures	29,218,173,008	31,246,871,823
Less Exempt District Revenues:		
Interfund Transfers	6,897,422,383	7,287,302,792
Federal Funds	8,294,352,602	9,060,833,952
Other Sources and Additions (Note 7)	567,127,848	626,657,872
Voter Approved Revenue Changes (Note 8)	753,998,671	803,704,749
Property Sales	171,130,690	115,177,508
Gifts	118,754,344	93,632,186
Damage Awards	142,436,624	107,875,638
Exempt Investment Income	35,196,477	75,230,590
Subtotal Exempt District Revenues	16,980,419,639	18,170,415,287
Nonexempt District Expenditures	12,237,753,369	13,076,456,536
District Reserve/Fund Balance Increase (Decrease)	123,278,573	(129,957,622)
Excess TABOR Revenues	169,740,274	(122,090,865)
Total Nonexempt District Revenues	12,530,772,216	12,824,408,049

COMPUTATION OF DISTRICT FUND BALANCE CHANGES		
Beginning District Fund Balance	$ 6,844,181,851	$ 6,789,791,186
Prior Period District Fund Balance Adjustments (Note 11)	(347,542,331)	44,247,600
(Qualification)/Disqualification of Enterprises (Note 14)	132,818	92,756,278
District Reserve/Fund Balance Increase (Decrease)	123,278,573	(129,957,622)
Retention of Revenues in Excess of the Limit CRS 24-77-103.6(1)(a)	169,740,274	(122,090,865)
Ending District Fund Balance	$ 6,789,791,186	$ 6,674,746,577

FISCAL YEAR 2015-16 COMPUTATION OF SPENDING LIMITATIONS	FISCAL YEAR SPENDING	EXCESS STATE REVENUES CAP
FY 2014-15 Limit	$ 9,976,945,707	$ 12,361,031,942
Prior Year Errors (Note 13)	(28,646,470)	-
Other Agency Prior Year Revenues from Disqualified Enterprises (Note 14)	(34,470)	(34,470)
Qualification of Enterprises (Note 14)	(16,914,050)	(16,914,050)
FY 2014-15 Adjusted Limit	$ 9,931,350,717	$ 12,344,083,422
Allowable TABOR Growth Rate (Note 12)	4.4%	4.4%
FY 2015-16 Unadjusted Limit	$ 10,368,330,149	$ 12,887,223,093
Disqualification of Enterprises (Note 14)	59,275,821	59,275,821
FY 2015-16 Adjusted Limit	10,427,605,970	12,946,498,914
Less Fiscal Year 2015-16 Nonexempt District Revenues	(12,824,408,049)	(12,824,408,049)
Amount (Over)Under Adjusted Limit FY2015-16	$ (2,396,802,079)	$ 122,090,865

FY2014-15 Remaining Amount in Excess of the Limit not refunded at June 30, 2016	$ 31,358,300
FY 2015-16 Retention of Revenues in Excess of the Limit (not refundable) C.R.S. 24-77-103.6(1)(b)	$ 2,396,802,079

SOURCE: Office of the State Controller.

NOTE 1. PURPOSE OF THE SCHEDULE OF REQUIRED COMPUTATIONS

The purpose of the Schedule of Required Computations is to determine and document compliance with Title 24 Article 77 of the Colorado Revised Statutes, which is the implementing statute for Article X Section 20 of the State Constitution (TABOR). The report is required to include at a minimum State fiscal year spending, reserves, revenues, and debt. The schedule also includes a calculation of the limit on fiscal year spending, a calculation of the excess State revenues cap under Referendum C (See Note 9), and the amount required to be refunded or the amount of excess revenue retained by law, as well as all related adjustments.

TABOR has many provisions including a requirement for a vote of the people for new taxes or tax rate increases and a limit on the amount of fiscal year spending. Fiscal year spending is defined as District expenditures and reserve increases except those expended from exempt sources, such as gifts, federal funds, damage awards, property sales, reserves, and other items. This definition, while focused on spending is essentially a limitation on revenue retention because reserve increases are unspent revenues. Therefore, the terms fiscal year spending and nonexempt revenue are used interchangeably throughout these notes.

The limit on revenue retention is based on an allowable growth percentage (See Note 12) applied to the lesser of the prior year's revenues or the prior year's limit. Revenues in excess of the limit are required to be refunded to taxpayers unless voters approve retention of the excess. In the 2005 general election, voters approved Referendum C, which allowed the State to retain revenues in excess of the limit for a five-year period. Beginning in Fiscal Year 2010-11, under Referendum C provisions, revenues are refunded only when they exceed the excess State revenues cap (See Note 9).

NOTE 2. 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) for governmental entities except where an irreconcilable difference exists between GAAP, and State statute or the provisions of Article X Section 20 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 Office of the State Controller.

NOTE 3. DEFINITION OF THE DISTRICT

TABOR defines the District as "the State or any local government, excluding enterprises." It further defines an enterprise as "a government-owned business authorized to issue its own revenue bonds and receiving under 10 percent of annual revenue in grants from all Colorado state and local governments combined."

The General Assembly, for the purpose of implementing TABOR, stated in C.R.S. 24-77-102(16) (a) that "State" means the

SOURCE: Office of the State Controller.

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 [including an institution or group of institutions of higher education that has been designated as an enterprise];

(II) any special purpose authority;

(III) any organization declared to be a joint governmental entity.

The General Assembly has designated the following as enterprises excluded from the District:

- State Lottery,
- College Assist,
- CollegeInvest,
- Division of Parks and Wildlife,
- State Nursing Homes,
- Division of Correctional Industries,
- Petroleum Storage Tank Fund,
- State Fair Authority,
- Division of Brand Inspection,
- Clean Screen Authority,
- Capitol Parking Authority,
- Statewide Transportation Enterprise,
- Statewide Bridge Enterprise,
- Unemployment Insurance Enterprise.

It further established a statutory mechanism that allows governing boards of the institutions of higher education to designate certain auxiliary operations as enterprises, which are also exempt from TABOR. Senate Bill 189 enacted in the 2004 legislative session expanded the authority for each governing board of the State institutions of higher education to designate the entire institution as a TABOR exempt enterprise. The Board of Regents of the University of Colorado designated the entire University of Colorado as an enterprise during Fiscal Year 2004-05, and the remaining boards designated their institutions as enterprises in Fiscal Year 2005-06. The Auraria Higher Education Center Board of Directors did not designate all of its activities as a TABOR enterprise, but it continues to have selected activities designated as a TABOR enterprise.

Although the General Assembly and governing boards have designated certain enterprises as exempt from TABOR, those enterprises must continue to meet the criteria of a government-owned business authorized to issue its own revenue bonds and annually receiving less than 10 percent of its revenue in grants from all Colorado state and local governments combined. The State Fair Authority remained disqualified for Fiscal Year 2015-16.

NOTE 4. 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 C.R.S. 24-30-202(5.5).

In interrogatories submitted by the General Assembly regarding House Bill 99-1325, the Colorado Supreme Court ruled that

Transportation Revenue Anticipation Notes (TRANS) issued by the Colorado Department of Transportation do not constitute debt of the State as defined in Article XI Section 3 of the State Constitution. However, the Supreme Court ruled that the TRANS are a multiple-fiscal year obligation as defined by Article X Section 20 of the State Constitution, thus requiring an approving election before issuance. In November 1999 the voters approved the issuance of $1.7 billion of TRANS.

NOTE 5. EMERGENCY RESERVES

TABOR requires the reservation, for declared emergencies, of 3 percent or more of fiscal year spending, excluding bonded debt service payments. This requirement for FY 2015-16 totals $384,732,241. At June 30, 2016, the net assets of the following funds were designated as the reserve, up to the limits set in the Long Appropriations Act:

- Major Medical Fund – $83,000,000.
- Wildlife Cash Fund – $34,000,000.
- Perpetual base account of the Severance Tax Fund – $33,000,000.
- Colorado Water Conservation Board Construction Fund – $33,000,000.
- Controlled Maintenance Trust Fund – $68,328,000.
- Unclaimed Property Tourism Promotion Trust Fund - $5,000,000.

The 2015 legislative session Long Appropriations Act designated up to $130,372,000 of State properties as the remainder of the Fiscal Year 2015-16 emergency reserve. The estimate of the needed reserve was based on the December 2015 revenue estimate prepared by Legislative Council. Because revenues subject to the TABOR reserve requirement were less than estimated, the amount designated for the reserve was $1,967,759 more than required by the State Constitution. There is no process by which the General Assembly can adjust the designated reserve after the end of the legislative session when the total TABOR revenues are finally known. In the event of an emergency that exceeds the financial assets in the reserve, the designated Wildlife Cash Fund capital assets and general capital assets would have to be liquidated to meet the constitutional requirement.

NOTE 6. STATUS OF REFUNDING

When refunds are required they are distributed to individual State taxpayers based on a statutory mechanism as discussed in Note 16. The Department of Revenue makes distributions of the TABOR refund through the income tax refund process using estimates of the number of taxpayers expected to qualify for the TABOR refund. Because the exact number of qualifying taxpayers cannot be known in advance, the estimates may result in over or under distribution of the required refund throughout the four-year period allowed for amended tax returns.

As required by statute, under-distributions of refunds are carried forward to subsequent years and added to the required refund. Over-distributions of refunds are also carried forward to subsequent years and are used to offset any future refund liability. The statute requires the over/under refund carry forward to be applied in the year following the year in which the refund is required to be made, which results in a two year lag between the recording of the excess revenue and the adjustment for over or under refunds of those excess revenues.

SOURCE: Office of the State Controller.

At the beginning of Fiscal Year 2014-15 the State had an outstanding TABOR refund liability of $705,716 related to Fiscal Year 2004-05 nonexempt revenues in excess of the limit. It also had a $2,899,667 carry forward of prior years' net understatement of refunds. These amounts, combined with that fiscal year's excess revenue of $169,740,274 were required to be refunded in Fiscal Year 2015-16. The total amount of the refund liability at June 30, 2015 was $173,345,657.

In the months following June 30, 2015, the State discovered $13,899,334 of aggregate revenue – mostly federal reimbursements of costs related to wild fire suppression – that had been included in the $173,345,657 refund liability but which should have been recognized as exempt from TABOR. At June 30, 2016 the prior year refund liability was retroactively reduced by $13,899,334 (Note 13). During Fiscal Year 2015-16, the State refunded $128,088,023 back to tax payers. At June 30, 2016, the remaining Fiscal Year 2014-15 refund liability was $31,358,300.

NOTE 7. OTHER SOURCES AND ADDITIONS

The $626.7 million reported in this line item primarily comprises: $377.2 million of pension and other employee benefit trust fund investment earnings and additions by participants; $107.5 million of permanent and trust fund additions; $107.1 million of prior year expense reimbursements and rebates; $17.6 million of local government expenditures recorded by the State as revenues and expenditures to meet grant matching-funds requirements; $10.1 million of inter-fund transfers; $2.1 million of insurance recovery proceeds; and $5.1 million of other revenue.

NOTE 8. VOTER APPROVED REVENUE CHANGES

When State voters approve a revenue change, the resulting revenues are exempt from the TABOR limit on fiscal year spending. The following revenue changes were approved by voters:

- In the 1998 general election, voters approved a citizen-initiated law, C.R.S. 25-8-501.1 – Regulation of Commercial Hog Facilities, which instituted a permit fee. The State collected $56,305 and $295,109 from this exempt source in Fiscal Years 2015-16 and 2014-15, respectively.
- In the 2000 general election, voters approved a citizen-initiated amendment that added Section 14 to Article XVIII of the State Constitution. This amendment allowed the use of marijuana for medical purposes and authorized the Department of Public Health and Environment to charge a fee for the issuance of a permit for such purpose. The State recorded $1,641,029 and $1,755,780 including interest and unrealized gains/losses from this revenue source in Fiscal Years 2015-16 and 2014-15, respectively.
- In the 2000 general election, voters approved a citizen-initiated amendment that added Section 17 to Article IX of the State Constitution. This amendment created the State Education Fund and diverted the revenues from a tax of one-third of one percent on taxable income of individuals, corporations, estates, and trusts from the General Fund to the State Education Fund. It also exempted the revenue from TABOR. The amendment was effective January 1, 2001, and resulted in $528,630,773 and $527,913,909 of tax revenues, interest, and unrealized gains/losses, being

SOURCE: Office of the State Controller.

excluded from fiscal year spending in Fiscal Years 2015-16 and 2014-15, respectively.

- In the 2004 general election, voters approved a citizen-initiated amendment that added Section 21 to Article X of the State Constitution. The amendment authorized additional cigarette and tobacco taxes (3.2 cents per cigarette and 20 percent of manufacturer's list price for other tobacco products) effective January 1, 2005. The amendment specified the use of the tax revenue generated for specific health related programs, and it exempted the revenue from the TABOR limitations. The State recorded $148,097,981 and $145,902,309 of tax revenues, interest, transfers, and unrealized gains/losses from this exempt source in Fiscal Year 2015-16 and 2014-15, respectively.

- In the 2005 general election, Colorado voters approved Referendum C – a measure referred to the voters by the Legislature. The referendum allowed the State to retain revenues in excess of the TABOR limit for a period of five years, and it stated that the excess revenue retained qualified as a voter approved revenue change. However, in order to determine the amount retained, the Schedule of Required Computations includes the retained amount as nonexempt revenue. Therefore, the retained amount is not reported in this note as a voter approved revenue change (See Note 9).

- In the 2008 general election, voters approved an amendment required to implement locally approved changes to the parameters for Limited Gaming under Section 9(7) of Article XVIII of the Colorado Constitution. This amendment allowed the residents of Central City, Black Hawk, and Cripple Creek to vote to extend casino hours, approve additional games and increase the maximum single bet limit. It required distribution of most of the gaming tax revenue that resulted from the new gaming limits to Colorado community colleges and to gaming cities and counties, and it exempted the new revenue from state and local revenue and spending limits. The State collected $15,275,218 and $12,034,922 of extended limited gaming revenue in Fiscal Year 2015-16 and 2014-15, respectively.

- In the 2013 general election, Colorado voters approved Proposition AA, a measure referred to the voters by the Legislature. The proposition authorized a 15 percent state excise tax on the average wholesale price of retail marijuana, and, in addition to the existing 2.9 percent state sales tax, an additional 10 percent state sales tax on retail marijuana and retail marijuana products, effective January 1, 2014. The amendment specified the use of the excise tax revenue generated for public school construction (for the first $40.0 million collected) with any additional excise revenue generated to be used for marijuana regulation.

  For the additional state sales tax, 15 percent of the revenues generated are allocated to the cities and counties that allow retail marijuana sales to consumers. The measure was silent as to the use of the revenue by cities and counties. In addition, the remaining amount of sales tax revenue generated is to be used for health, public safety, and education costs, in addition to funding

SOURCE: Office of the State Controller.

the regulatory structure. The excise tax and additional sales tax revenue are exempted from the TABOR limitations.

The State recorded $42,667,419 in state excise tax and $67,336,023 of additional state sales tax revenues from these exempt sources in Fiscal Year 2015-16. In the prior fiscal year, the State recorded $24,034,273 and $42,062,370, respectively, from these two sources.

NOTE 9. REFERENDUM C

Referendum C was placed on the ballot by the General Assembly and was approved by the voters in the November 2005 election. It contained the following provisions:

- The State was authorized to retain and spend all revenues in excess of the limit on fiscal year spending after July 1, 2005, and before July 1, 2010 (five fiscal years). The authorization constituted a voter approved revenue change.
- After July 1, 2010, the State is allowed to retain revenues in excess of the limit on fiscal year spending up to a newly defined excess State revenues cap (ESRC). The excess State revenues cap is the highest population and inflation-adjusted nonexempt revenue amount in the period from July 1, 2005, to June 30, 2010, also adjusted for qualification and disqualification of enterprises. This provision effectively disabled the ratchet down provision of TABOR during the five-year period. (The “ratchet down” is a term used to describe the TABOR provision that requires each year’s base for calculating the limit to be the lesser of the prior year’s revenues or the prior year’s limit.)
- A General Fund Exempt Account was created within the General Fund to consist of the retained revenues for each fiscal year of the retention period. The Legislature appropriates money in the account for health care, education (including related capital projects), firefighter and police pension funding (for local governments), and strategic transportation projects.
- The Director of Research of the Legislative Council is required to report the amount of revenues retained with a description of how the retained revenues were expended.
- The State Controller’s annual report demonstrating compliance with the statutes implementing TABOR is required to include the amount of revenues that the State is authorized to retain and expend.

With the end of the Referendum C five-year excess revenue retention period, the State was subject to an ESRC starting in Fiscal Year 2010-11. Calculation of the original TABOR limit continues to apply, but the ESRC replaces the previous TABOR limit for triggering taxpayer refunds.

Since the inception of Referendum C in Fiscal Year 2005-06 the State has retained $14,773,425,976 -- $3,593,602,662 during the initial five-year revenue retention period, and an additional $11,179,823,314 due to the ESRC exceeding the Fiscal Year Spending limit in Fiscal Years 2010-11 through 2015-16.

NOTE 10. DISTRICT RESERVES

District reserves are the cumulative fund balances of the State reported in the State’s Comprehensive Annual Financial Report at

SOURCE: Office of the State Controller.

the fund level rather than the government-wide level. District reserves therefore exclude capital assets, liabilities that are not recorded in governmental funds at the fund level (primarily long-term liabilities), as well as net assets of the TABOR enterprises. The majority of these funds include balances not available for general appropriation due to legal and contractual restrictions.

NOTE 11. PRIOR PERIOD DISTRICT FUND BALANCE ADJUSTMENTS

Total prior period District fund balance adjustments increased the TABOR District fund balances in total by $44,247,600.

A. PRIOR PERIOD ADJUSTMENTS

Prior period adjustments of fund balances reported in the State's Comprehensive Annual Financial Report increased the TABOR District fund balance by $44,247,600 as follows:

The Department of Health Care Policy and Financing decreased the district's beginning net assets by $5,991,979 due to a negotiated settlement between the Department and Denver Health and Hospital Authority (Denver Health). The Department had paid Denver Health in previous fiscal years, under Medicaid federal financial participation, for certain activities which were subsequently disallowed by the federal government.

The Department of Public Safety increased District fund balance by $50,239,579 in an adjustment for over-accrued operating expenses in its Division of Homeland Security & Emergency Management.

B. ACCOUNTING CHANGES

In Fiscal Year 2015-16, there were no accounting changes affecting prior period TABOR District fund balances.

NOTE 12. SOURCES OF TABOR GROWTH LIMIT

The allowable percentage increase in State fiscal year spending equals the sum of inflation and the percentage change in State population in the calendar year ending six months prior to the start of the fiscal year. Inflation is defined in C.R.S. 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 4.4 percent allowable growth rate comprises a 1.6 percent increase for population growth (census date population for 2014 compared to census date population for 2013) and a 2.8 percent increase for inflation.

NOTE 13. SPENDING LIMIT ADJUSTMENTS

With the addition of the Excess State Revenue Cap, spending limit adjustments only impact the calculation of the Fiscal Year Spending Limit.

The Fiscal Year 2015-16 spending limit was adjusted downward by $28,646,470 net, before application of the 4.4% allowable growth rate, due to the correction of prior year revenue as detailed below.

Between Fiscal Years 2011-12 and 2014-15, $12,778,609 of transfers from the Department of Revenue to the Department of Public Safety, for law enforcement of gaming activities, were incorrectly recorded as nonexempt TABOR revenue. As a result,

SOURCE: Office of the State Controller.

the Fiscal Year Spending Limit was adjusted downward by $14,090,344 before application of the current year allowable growth rate of 4.4% as follows:

- $3,523,536 for Fiscal Year 2011-12 after application of allowable growth rates to incorrectly recorded transfers of $3,041,958 that year. Allowable growth rates between Fiscal Years 2011-12 through 2014-15 were 2.0%, 5.4%, 3.3% and 4.3% respectively.
- $3,592,919 for Fiscal Year 2012-13 after application of allowable growth rates to incorrectly recorded transfers of $3,163,896 that year. Allowable growth rates between Fiscal Years 2012-13 through 2014-15 were 5.4%, 3.3% and 4.3% respectively.
- $3,709,582 for Fiscal Year 2013-14 after application of allowable growth rates to incorrectly recorded transfers of $3,443,026 that year. Allowable growth rates between Fiscal Years 2013-14 through 2014-15 were 3.3% and 4.3% respectively.
- $3,264,307 for Fiscal Year 2014-15 after application of an allowable growth rate to incorrectly recorded transfers of $3,129,729 that year. The allowable growth rate for Fiscal Year 2014-15 was 4.3%.

Between Fiscal Years 2012-13 and 2014-15, $28,173,787 of reimbursements from various federal agencies for costs related to fire suppression were incorrectly recorded as nonexempt TABOR revenue. The Fiscal Year Spending Limit was adjusted downward by $29,946,243 before application of the current year allowable growth rate of 4.4% as follows:

- $1,940,625 for Fiscal Year 2012-13 after application of allowable growth rates to incorrectly recorded federal reimbursements of $1,708,899 that year. Allowable growth rates between Fiscal Years 2012-13 through 2014-15 were 5.4%, 3.3% and 4.3% respectively.
- $12,606,978 for Fiscal Year 2013-14 after application of allowable growth rates to incorrectly recorded federal reimbursements of $11,701,091 that year. Allowable growth rates between Fiscal Years 2013-14 through 2014-15 were 3.3% and 4.3% respectively.
- $15,398,640 for Fiscal Year 2014-15 after application of an allowable growth rate to incorrectly recorded federal reimbursements of $14,763,797 that year. The allowable growth rate for Fiscal Year 2014-15 was 4.3%.

The Fiscal Year Spending Limit was adjusted downward by $1,183,228 due to reclassification of equipment maintenance reimbursements of $1,091,129 in the Wildfire Preparedness fund Between Fiscal Years 2012-13 and 2014-15. Allowable growth rates between Fiscal Years 2012-13 through 2014-15 were 5.4%, 3.3% and 4.3% respectively.

The Fiscal Year Spending Limit was adjusted downward by $436,960 due to reclassification of $395,735 in revenue between Fiscal Years 2011-12 and 2014-15, from nonexempt to exempt, in relation to the offset of booking GTRAN (tax and revenue anticipation notes) expenditures. Allowable growth rates between Fiscal Years 2011-12 through 2014-15 were 2.0%, 5.4%, 3.3% and 4.3% respectively.

The Fiscal Year Spending Limit was adjusted upward by $361,106 due to an error in recording nonexempt revenue of $346,219 in the Colorado Water Conservation Board Construction fund in

SOURCE: Office of the State Controller.

Fiscal Year 2014-15. The allowable spending growth rate that year was 4.3%.

Between Fiscal Years 2011-12 and 2014-15, $15,126,820 of transfers from the Unclaimed Property Tourism Promotion Trust Fund to the State Fair Authority and Agriculture Management Funds per CRS 38-13-116.7 were incorrectly recorded as exempt TABOR revenue. As a result, the Fiscal Year Spending Limit was adjusted upward by $16,649,201 before application of the current year allowable growth rate of 4.4% as follows:

- $3,966,320 for Fiscal Year 2011-12 after application of allowable growth rates to incorrectly recorded transfers of $3,424,225 that year. Allowable growth rates between Fiscal Years 2011-12 through 2014-15 were 2.0%, 5.4%, 3.3% and 4.3% respectively.
- $4,218,696 for Fiscal Year 2012-13 after application of allowable growth rates to incorrectly recorded transfers of $3,714,950 that year. Allowable growth rates between Fiscal Years 2012-13 through 2014-15 were 5.4%, 3.3% and 4.3% respectively.
- $4,165,479 for Fiscal Year 2013-14 after application of allowable growth rates to incorrectly recorded transfers of $3,866,164 that year. Allowable growth rates between Fiscal Years 2013-14 through 2014-15 were 3.3% and 4.3% respectively.
- $4,298,706 for Fiscal Year 2014-15 after application of an allowable growth rate to incorrectly recorded transfers of $4,121,481 that year. The allowable growth rate for Fiscal Year 2014-15 was 4.3%.

TABOR District fund balances were not affected by any of these spending limit adjustments, as none of the revenue adjustments or the originally recorded amounts crossed the TABOR District boundary.

NOTE 14. ENTERPRISE QUALIFICATION AND DISQUALIFICATION

The TABOR amendment to the State Constitution specifies that qualification and disqualification of enterprises shall change the District base. In order to ensure comparability between the base and current year nonexempt revenue, when an activity qualifies as an enterprise the base is reduced by the activity's prior year nonexempt revenue offset by revenue that would have been counted as nonexempt due to the activity's interaction with other State agencies. When a TABOR enterprise becomes disqualified, its current year nonexempt revenue is added to the base after application of the population and inflation growth adjustment and its prior year payments to other State agencies are removed from the base (before application of the allowable growth rate).

In Fiscal Year 2015-16, Fort Lewis College and Western State Colorado University disqualified as TABOR enterprises upon receiving more than ten percent of their revenues directly from the State and local governments. (See Note 3.) In the prior fiscal year, both entities had been exempt from TABOR spending limits.

To neutralize the effect of the change in enterprise status in computing both the Fiscal Year 2015-16 spending limit and the Excess State Revenues Cap, $34,470 in combined prior-year expenditures from these two entities to TABOR enterprises in Fiscal Year 2014-15 were deducted before application of the current 4.4% allowable

SOURCE: Office of the State Controller.

growth rate. Also in order to neutralize the effect of the status change, $59,275,821 of combined nonexempt revenues for both entities, from the current year, were added back to the Fiscal Year Spending Limit and Excess State Revenues Cap after application of the 4.4% allowable growth rate.

In Fiscal Year 2015-16 Adams State University requalified as a TABOR enterprise. In order to neutralize the effect of its status change in calculating the Fiscal Year 2015-16 spending limit and the Excess State Revenues Cap, $16,914,050 was deducted from both calculations before application of the 4.4% allowable growth rate.

The Qualification/Disqualification of Enterprises line in the Computation of District Fund Balance Changes section shows a net increase in fund balance of $92,756,278 – an adjustment to the prior year District fund balance for the disqualification of Fort Lewis College and Western State Colorado University as TABOR enterprises, and the requalification of Adams State University as a TABOR enterprise. These adjustments are necessary because the funds of TABOR enterprises are not included in the TABOR District, while the funds of non-enterprises are included in the District. (See Note 3.)

NOTE 15. TREATMENT OF AMOUNTS HELD FOR FUTURE REFUND

CRS 24-77-103.5 requires that errors in the amount to be refunded be corrected in the year they are discovered. In Fiscal Year 2015-16, $13,899,334 was deducted from the Fiscal Year 2014-15 TABOR refund liability for the reasons explained in Note 13.

Fiscal Year 2014-15 excess revenue refundable to taxpayers was calculated to be $173,345,657. After $128,088,023 of this amount was returned to taxpayers in the current fiscal year, and the reduction of $13,899,334 for prior year errors, the remaining amount of excess revenue refundable to taxpayers at June 30, 2016 is $31,358,300. (See Note 6.)

NOTE 16. FUTURE REFUNDS

In the 2010 legislative session, Senate Bill 212 removed all prior alternative mechanisms for refunding TABOR revenues in excess of the fiscal year spending limit except for the earned income tax credit refund mechanism. Also passed in the 2010 session, House Bill 1002 created a temporary income tax rate reduction, applicable beginning in Fiscal Year 2010-11, as an additional refunding mechanism.

On October 1, 2015, the Department of Revenue reported that after 2015 tax year, the Earned Income Tax Credit would become permanent and would no longer be a TABOR refund mechanism.

After application of a temporary income tax rate reduction from 4.63 percent to 4.50 percent and the earned income tax credit mechanism, any remaining amount is distributed to all full-year Colorado residents 18 years and older as a refund of sales taxes. When the refund is estimated to be under $15 for each qualified taxpayer, an identical amount is refunded to each qualified taxpayer. When the sales tax refund is estimated to be over $15 for each qualified taxpayer, a fixed amount is set 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.

SOURCE: Office of the State Controller.

SCHEDULE
OF TABOR REVENUE

STATE OF COLORADO
OFFICE OF THE STATE CONTROLLER
SCHEDULE OF TABOR REVENUE
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

	Fiscal Year 2015-16	Fiscal Year 2014-15	Increase (Decrease)	2015 to 2016 % Change
Individual Income Taxes, Net	$ 6,009,321,330.24	$ 5,829,650,793.02	$ 179,670,537.22	3.1%
Corporate Income Taxes, Net	$ 606,441,175.70	$ 635,114,790.17	$ (28,673,614.47)	-4.5%
Fiduciary Income Taxes, Net	$ 40,481,627.66	$ 58,384,779.86	$ (17,903,152.20)	-30.7%
TOTAL INCOME TAX	$ 6,656,244,133.60	$ 6,523,150,363.05	$ 133,093,770.55	2.0%
Sales and Use Tax, Net	$ 2,871,724,410.44	$ 2,888,193,477.83	$ (16,469,068.39)	-0.6%
Tobacco Products Tax, Net	$ 58,310,910.92	$ 55,681,926.80	$ 2,628,984.12	4.7%
Alcoholic Beverages Tax, Net	$ 44,318,148.01	$ 42,210,932.82	$ 2,107,215.19	5.0%
Other Excise Taxes, Net	$ 329,800.20	$ 265,676.00	$ 64,124.20	24.1%
TOTAL EXCISE TAX	$ 2,974,683,268.57	$ 2,986,352,014.45	$ (11,668,744.88)	-0.4%
Fuel and Transportation Taxes, Net	$ 611,582,082.55	$ 601,514,775.71	$ 10,067,306.84	1.7%
Insurance Taxes	$ 291,115,793.05	$ 274,824,836.43	$ 16,290,956.62	5.9%
Gaming and Other Taxes	$ 102,460,654.13	$ 99,531,500.03	$ 2,929,154.10	2.9%
Employment Taxes	$ 30,767,811.82	$ 29,380,593.69	$ 1,387,218.13	4.7%
Severance Taxes	$ 11,772,705.85	$ 289,218,310.27	$ (277,445,604.42)	-95.9%
Estate and Inheritance Taxes	$ 255.97	$ 31,700.00	$ (31,444.03)	-99.2%
TOTAL OTHER TAXES	$ 1,047,699,304.37	$ 1,294,501,716.13	$ (246,802,411.76)	-19.1%
Health Service Fees	$ 877,773,802.73	$ 597,926,458.38	$ 279,847,345.35	46.8%
Motor Vehicle Registrations	$ 255,992,617.51	$ 250,417,148.65	$ 5,575,468.86	2.2%
Business Licenses and Permits	$ 174,722,910.26	$ 161,006,194.00	$ 13,716,716.26	8.5%
Other Charges for Services	$ 147,703,067.32	$ 148,021,999.66	$ (318,933.34)	-0.2%
General Government Service Fees	$ 62,306,607.70	$ 60,427,299.59	$ 1,879,308.11	3.1%
Educational Fees	$ 44,812,190.19	$ 45,384,088.01	$ (571,897.82)	-1.3%
Driver's Licenses	$ 38,235,423.52	$ 33,773,789.57	$ 4,461,633.95	13.2%
Nonbusiness Licenses and Permits	$ 34,903,176.52	$ 34,660,987.47	$ 242,190.05	0.7%
Public Safety Service Fees	$ 22,336,452.59	$ 20,230,068.58	$ 2,106,384.01	10.4%
Certifications and Inspections	$ 20,153,624.23	$ 19,823,838.26	$ 329,785.97	1.7%
Welfare Service Fees	$ 780,564.00	$ 666,233.35	$ 114,330.65	17.2%
TOTAL LICENSES, PERMITS, AND FEES	$ 1,679,720,437.57	$ 1,372,338,105.52	$ 307,382,332.05	22.4%
Court and Other Fines	$ 184,133,536.19	$ 173,357,309.13	$ 10,776,227.06	6.2%
Miscellaneous Revenue	$ 115,088,339.14	$ 60,905,784.83	$ 54,182,554.31	89.0%
Interest and Investment Income	$ 60,744,728.88	$ 60,634,770.26	$ 109,958.62	0.2%
Rents and Royalties	$ 53,773,977.43	$ 48,129,694.56	$ 5,644,281.87	11.7%
Local Governments and Authorities	$ 43,177,160.29	$ 29,730,406.12	$ 13,446,754.17	45.2%
Higher Education Auxiliary Sales and Services	$ 6,002,494.50	$ 6,803,645.27	$ (801,149.77)	-11.8%
Sales of Products	$ 3,140,518.23	$ 3,330,843.51	$ (190,326.28)	-5.7%
Other Revenue	$ 150.00	$ -	$ 150.00	100.0%
TOTAL OTHER REVENUE	$ 466,060,903.66	$ 382,892,453.68	$ 83,168,449.98	21.7%
SUBTOTAL TABOR REVENUE BEFORE BEFORE ADJUSTMENTS	$ 12,824,408,048.77	$ 12,559,234,652.83	$ 265,173,395.94	2.1%
Requalification of Adams State University as a TABOR Enterprise	$ -	$ 16,914,050.46	$ (16,914,050.46)	
Disqualification of Fort Lewis College and Western State Colorado University as TABOR Enterprises	$ -	$ (59,275,821.16)	$ 59,275,821.16	
Prior Year Errors	$ -	$ 13,899,333.58	$ (13,899,333.58)	
TOTAL TABOR REVENUE	$ 12,824,408,048.77	$ 12,530,772,215.71	$ 293,635,833.06	2.3%

SOURCE: Office of the State Controller.

APPENDIX A

DESCRIPTION OF REVENUE CATEGORIES

The revenue categories described in APPENDIX A correspond to the categories presented on the Schedule of TABOR Revenue – PAGE 29.

INCOME TAX

Individual Income Tax, Net

Taxes paid on wages, unearned income, and other income of individuals, net of refunds on property tax credits, income tax intercepts (e.g., IRS and child support), tax checkoffs, and Amendment 23 transfers to the State Education Fund.

Corporate Income Tax, Net

Taxes based on the net profits of corporations net of Amendment 23 transfers to the State Education Fund.

Fiduciary Income Tax, Net

Taxes on trust and estate income net of Amendment 23 transfers to the State Education Fund.

EXCISE TAX

Sales Tax, Net

Taxes collected by retailers on consumer purchases of tangible personal property net of refunds.

Use Tax, Net

Taxes remitted by the end consumer of tangible personal property purchased at retail prices net of refunds.

Tobacco Products Tax, Net

Taxes on the sale, use, consumption, handling, or distribution of tobacco products net of refunds.

Alcoholic Beverages Tax, Net

Taxes collected from retailers who sell alcohol products net of refunds.

Other Excise Taxes, Net

Taxes for occupational license renewals and certain penalties net of refunds.

OTHER TAXES

Fuel and Transportation Taxes, Net

Gross ton mileage tax on motor carriers and taxes on diesel, gasoline, aviation jet fuel, aviation gasoline, and other fuels net of refunds.

Insurance Taxes, Net

Taxes on insurance premiums collected by insurance companies net of refunds.

Gaming and Other Taxes, Net

Taxes on gaming facilities based on percentages of income net of refunds.

Employment Taxes, Net

Employment insurance paid by employers for funding unemployment benefits net of refunds.

Severance Taxes, Net

Mineral extraction taxes, net of refunds on coal, oil and gas, molybdenum, and metallic minerals net of refunds.

Estate and Inheritance Taxes, Net

Taxes collected on the assets of estates net of refunds.

LICENSES, PERMITS, AND FEES

Health Service Fees

Hospital Provider Fees and other fees collected other for health services including laboratory test fees, genetic testing, vital records fees, and children's health plan premiums.

Motor Vehicle Registrations

Collection of fees for license plates, tags, and registrations.

Business Licenses and Permits

Licenses and permits for special functions of a business (e.g., alcoholic beverage licenses, tobacco products licenses, business registrations, health licenses, child care licenses, and waste management permits).

Other Charges for Services

Various fees, the majority of which are collected by Public Utilities Commission, the Division of Banking, and the Oil and Gas Conservation Fund, which are used to ensure compliance with applicable regulations.

General Government Service Fees

Service charges by various agencies to the public (e.g., filing fees charged by the Department of State, charges by the Motor Vehicle Division for driving record inquiries, and certain fees charged by the Department of Agriculture and Department of Natural Resources).

Educational Fees

Conference fees and teacher certification fees collected primarily by the Department of Education.

Driver's Licenses

Fees for driver's licenses and ID cards.

Nonbusiness Licenses and Permits

Environmental response surcharges, park passes, motorcycle operator safety training, waste tire recycling, etc.

Public Safety Service Fees

Fees for firefighter response, fire service education and training, search and rescue fund fees.

Certifications and Inspections

Emission inspection stickers, emission registration, emission inspection station licenses, and other fees.

Child Welfare Service Fees

Child abuse registry fees.

OTHER REVENUE

Court and Other Fines

Fines and forfeits levied by the courts.

Miscellaneous Revenue

Revenue not included in another category.

Interest and Investment Income

Interest income, finance charges, and gains/losses on investments.

Rents and Royalties

Income from the lease of state land to private parties.

Local Governments and Authorities

Funds from counties, cities, special districts, etc., primarily in the form of grants.

Higher Education Auxiliary Sales and Services

Revenue from library fees, internal service center fees, athletic camp fees.

Sales of Products

Sales of publications, maps, materials, and supplies.

APPENDIX B

DESCRIPTION OF TABOR REVENUE REFUNDING MECHANISMS

SIX-TIER SALES TAX REFUND

Taxpayers will receive a state sales tax refund based on where their adjusted gross income falls among six adjusted gross income tiers. The refund is distributed to the six tiers when the TABOR surplus is large enough to support at least a $15 refund for each Colorado income taxpayer. If the surplus is less than $15 per taxpayer, an equal refund is provided to each taxpayer regardless of income.

TEMPORARY INCOME TAX RATE REDUCTION

Under the temporary income tax rate reduction mechanism, the state income tax rate would be temporarily reduced from the current rate of 4.63 percent to 4.50 percent. The rate reduction occurs in the tax year following the fiscal year surplus. This refund mechanism is triggered when the surplus reaches the projected amount of the income tax rate reduction. The temporary income tax rate reduction was created under House Bill 05-1317 and has not yet been used as a TABOR refund mechanism.

APPENDIX C

TABOR HISTORY: FISCAL YEARS 1993 - 2015

The following provides highlights of certain legislation or voter-approved changes affecting the Office of the State Controller's *Schedule of Computations Required Under Article X, Section 20* contained in this report. The fiscal year in which the change was effective and a brief summary of the legislation or voter-approved change is provided below.

1993

VOTER APPROVAL. The Taxpayer's Bill of Rights (TABOR) was added as Article X, Section 20 of the Colorado Constitution in the November 1992 general election. TABOR limits increases in the State's revenue to the annual inflation rate plus the percentage change in Colorado's population unless voters approve a revenue change.

1997 AND 1998

REFUNDS. The TABOR Revenue Limit was exceeded for the first time during the fiscal year ended June 30, 1997, and again for fiscal year ended June 30, 1998. The General Assembly decided to distribute the entire excess from general funds as a sales tax credit on each full-year resident's individual tax return.

1999—2001

REFUNDS. TABOR revenue exceeded the TABOR Revenue Limit for each of these years, resulting in refunds. In 1999, the excess was refunded through three mechanisms; in 2000, nine mechanisms were used, and in 2001, the excess was refunded through 16 mechanisms.

REVENUE REDUCTIONS. During the period, there were several revenue reductions enacted that lowered the amount of TABOR revenue to be received in subsequent years. The most significant reduction was the lowering of income tax rates effective January 1, 1999, for individuals, estates, and trusts from 5 percent to 4.75 percent, and a further reduction effective January 1, 2000, of the rate to 4.63 percent. Effective January 1, 2001, the sales tax rate was reduced from 3 percent to 2.9 percent. Other permanent tax reductions include the establishment of low-income housing owner credits, redevelopment incentives for contaminated property, sales and use tax exemptions for certain agricultural items, unemployment insurance tax credits, and oil and gas severance tax exemptions.

CONSTITUTIONAL AMENDMENT. Amendment 14 was approved by the voters in November 1998 and authorized a permit fee that is exempt from TABOR for the regulation of commercial hog facilities.

2001

CONSTITUTIONAL AMENDMENTS. Voters approved changes that lowered revenue subject to TABOR requirements through some constitutional amendments. The amendment having the largest impact on decreasing revenue subject to TABOR was Amendment 23, passed in November 2000. The Amendment created the State Education Fund, funded through a transfer of an amount equivalent to a tax of 1/3 of 1 percent of federal taxable income. This essentially reduces the State's TABOR revenue by the amount of the transfer. At this same time, voters also approved Amendment 20 that authorized a fee for patients receiving an identification card for the medical use of marijuana. The resulting revenues are TABOR exempt.

2002

GROWTH DIVIDEND. TABOR states that the TABOR Revenue Limit will be the lesser of the current fiscal year's revenue or the prior fiscal year's TABOR Revenue Limit adjusted by the population growth and the inflation factor. The population growth is adjusted every decade to match the federal census. Based on the 2000 census, it was determined that the federal government underestimated Colorado's population during the 1990s, resulting in greater TABOR refunds than required.

In 2002, the General Assembly enacted Senate Bill 02-179 to account for underestimates of population growth in prior years, adding a carry-forward mechanism for a census-related adjustment in population growth. This can be applied to future calculations of the TABOR Revenue Limit for up to 9 years. This carry-forward is referred to as the growth dividend. The growth dividend determined from the 2000 census allowed the State to raise the TABOR Revenue Limit by $565.3 million. This amount was fully utilized during Fiscal Years 2004 and 2005.

2004

QUALIFIED ENTERPRISES. The TABOR amendment allows qualified enterprises to be exempt from TABOR requirements. Over the years, the General Assembly has enacted statutes to designate certain state entities as TABOR-exempt enterprises. One of the most significant of these bills was Senate Bill 04-189, which enabled higher education governing boards to designate a qualified institution or group of institutions to be exempt from TABOR requirements. In 2004, the University of Colorado was approved as a TABOR-exempt enterprise. In 2005, 10 additional higher education institutions were approved as TABOR-exempt enterprises. Once designated as a TABOR-exempt enterprise, the institution will retain the designation as long as it continues to meet the requirements for an enterprise.

2005 AND 2006

REFERENDUM C. Referendum C was approved by the voters in the November 2005 election. Referendum C allows the State to retain and spend all revenue in excess of the TABOR Revenue Limit annually for 5 fiscal years starting with Fiscal Year 2006. After July 1, 2010, the State is allowed to retain revenues in excess of the TABOR Revenue Limit up to a newly defined

"Excess State Revenues Cap." The Excess State Revenues Cap is defined as the highest total state revenue earned between Fiscal Years 2006 and 2010, adjusted for inflation and population growth for each subsequent year.

For Fiscal Years 2006, 2007, and 2008, the amounts of excess revenue that the State was allowed to retain and spend were $1,116,134,410, $1,308,040,131, and $1,169,428,121, respectively, for a 3-year total of $3,593,602,662. The funds retained by the State were to be applied toward education; healthcare; roads, bridges, and other strategic transportation projects; and retirement plans for firefighters and police officers. TABOR Revenue did not exceed the TABOR Revenue Limit in Fiscal Years 2009 and 2010.

CONSTITUTIONAL AMENDMENT. Amendment 35 was passed by voters in November 2004. The Amendment assesses a statewide TABOR-exempt tax of 64 cents per pack of cigarettes and 20 percent on tobacco products. The Amendment requires that the revenue be used for health care services and tobacco education and cessation programs.

OVERREFUNDS. Prior to July 1, 2005, state statutes provided a mechanism to apply refunds paid in excess of the TABOR refund liability ("overrefunds") for 1 fiscal year against the following year's TABOR refund liability, if one exists. Effective Fiscal Year 2005 under House Bill 05-1310, the State Controller was required to change the methodology for calculating the TABOR Revenue Limit for Fiscal Years 2002 through 2004 by applying the overrefunds after the TABOR Revenue Limit was set. This resulted in an increase of $92.7 million to the Fiscal Year 2005 TABOR Revenue Limit.

In addition, the State Controller was required to reduce the Fiscal Year 2005 TABOR revenue in excess of the TABOR Revenue Limit for the total amount of overrefunds paid during Fiscal Years 2002 through 2004. This resulted in a $127.8 million reduction to the TABOR refund liability for Fiscal Year 2005.

House Bill 05-1310 requires that, in Fiscal Year 2006 and future years, TABOR revenue in excess of the TABOR Revenue Limit be reduced by any amounts overrefunded in the prior year. Any unused amount is to be carried forward and decrease future refund liabilities until the excess is depleted.

2009

CONSTITUTIONAL AMENDMENT. Amendment 50 was passed by voters in November 2008. The Amendment made several revisions to gaming limits. Casinos pay taxes on income from gaming and pay various fees and fines. Most of the revenue the state receives from new gaming limits is to be used for financial aid and classroom instruction at the state's community colleges and distributed to the gaming communities.

2011

REFUND MECHANISMS. The General Assembly enacted Senate Bill 10-212, which repealed the following TABOR surplus refund mechanisms except for the Earned Income Tax Credit and the Six-Tier Sales Tax Refund, effective July 1, 2010:

REFUNDING MECHANISM	ORIGINAL THRESHOLD[2]
Earned Income Credit[1]	$ 50,000,000
Charitable Contributions Deduction	$ 100,000,000
Foster Parents Credit	$ 200,000,000
Business Personal Property Tax Credit	$ 170,000,000
Child Care Credits	$ 290,000,000
Tangible Personal Property Used for Research and Development	$ 358,400,000
Motor Vehicle Registration Fees	$ 330,000,000
High Technology Scholarship Program Credit	$ 330,000,000
Interest, Dividends, and Capital Gains Deduction	$ 350,000,000
Pollution Control Provisions	$ 350,000,000
Interstate Commerce Sales and Use Tax Refund	$ 350,000,000
Agriculture Value-Added Development Credit	$ 400,000,000
Cost of Health Benefits Credit	$ 400,000,000
6-Tier Sales Tax Refund[1]	Remaining Excess

[1] Still in effect under current law.
[2] Thresholds were adjusted annually by the personal income growth rate for Colorado.

For any year in which a refund of TABOR surplus revenue is required, the remaining refund mechanism with a threshold in statute is the Earned Income Tax Credit. In addition, House Bill 05-1317 created a

TABOR refund mechanism that—starting with income tax year 2011 —reduces the state income tax rate from the rate of 4.63 percent to 4.50 percent when the state experiences a revenue surplus large enough to support the rate reduction. The Temporary Income Tax Rate Reduction follows the Earned Income Tax Credit refund mechanism. See APPENDIX B.

2013

EARNED INCOME TAX CREDIT. The General Assembly enacted Senate Bill 13-001 which establishes a permanent Earned Income Tax Credit (EITC) to replace the EITC TABOR refund mechanism. The EITC provides credit to individuals that work but do not earn high incomes. Taxpayers who qualify for the federal credit may claim a state credit equal to up to 10 percent of the federal credit amount. The permanent EITC begins the year following the first year the EITC TABOR refund mechanism is triggered.

CONSTITUTIONAL AMENDMENT. Amendment 64 "Use and Regulation of Marijuana," passed in November 2012, required the general assembly to enact an excise tax to be levied upon wholesale sales of marijuana. The Amendment requires that the first $40 million raised annually goes to school capital construction. Proposition AA "Retail Marijuana Taxes," passed in November 2013, assesses a statewide TABOR-exempt tax of 15 percent excise tax to be levied upon wholesale sales of marijuana.

2015

REFUNDS. TABOR revenue exceeded the TABOR Revenue Limit for Fiscal Year 2015 resulting in a refund. The excess was refunded through two mechanisms including the Six-Tier Sales Tax Refund and the Earned Interest Tax Credit (EITC). The EITC became permanent after it was triggered and will no longer be considered a TABOR refund mechanism going forward.