COLORADO
OFFICE OF THE
STATE AUDITOR

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SCHEDULE OF COMPUTATIONS REQUIRED UNDER ARTICLE X, SECTION 20, OF THE STATE CONSTITUTION (TABOR) AS OF JUNE 30, 2015

JUNE 2016

FINANCIAL AUDIT

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FOR THE PEOPLE OF COLORADO

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DIANNE E. RAY, CPA

STATE AUDITOR

May 19, 2016

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, 2015. 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 government.

The audited figures for TABOR revenue, TABOR Revenue Limit, TABOR Excess State Revenues Cap, and Revenue Over the Excess State Revenues Cap for Fiscal Year 2015 are as follows:

STATE OF COLORADO TABOR REVENUE AND REVENUE OVER THE EXCESS STATE REVENUES CAP FISCAL YEAR 2015		
FISCAL YEAR 2015 TABOR REVENUE		$ 12,530,772,216
(LESS): FISCAL YEAR 2015 TABOR REVENUE LIMIT	$(9,976,945,707)	
(LESS): FISCAL YEAR 2015 EXCESS OF THE TABOR REVENUE LIMIT ALLOWED TO RETAIN AND SPEND	$(2,384,086,234)	
TOTAL FISCAL YEAR 2015 EXCESS STATE REVENUES CAP		$(12,361,031,942)
FISCAL YEAR 2015 REVENUE OVER THE EXCESS STATE REVENUES CAP		$ 169,740,274
Source: Office of the State Auditor analysis of the Office of the State Controller's data.		

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CONTENTS

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 government. The Schedule of Computations Required Under Article X, Section 20, of the State Constitution (TABOR) as of June 30, 2015, was prepared by the State Controller and audited as part of our Fiscal Year 2015 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 2015 and April 2016.

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, 2015. We issued an unqualified 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, September 2015*. In that audit we expressed no assurance on the TABOR Financial Report due to a limitation in our audit scope. Specifically, our audit scope was limited due to the TABOR Financial Report being based on information prior to closing the financial accounting records for Fiscal Year 2015.

Upon 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 financial audit. This report contains the results of the financial audit of the Schedule as of April 26, 2016.

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.

FISCAL YEAR 2015 TABOR REVENUE

TABOR REVENUE LIMIT

Article X, Section 20(7)(a) of the State Constitution has 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 2015, the TABOR growth rate was 4.3%.

EXCESS STATE REVENUE CAP

During Fiscal Year 2005, the General Assembly enacted House Bill 05-1194, which was the enabling legislation for Referendum C. In November 2005, Referendum C was approved in the general election and became 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 in order to set the spending limit equal to revenue. Beginning in Fiscal Year 2011, Referendum C allows the State to keep revenue up to a capped amount known as the Excess State Revenues Cap. The first year, 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 Excess State Revenues Cap.

For Fiscal Year 2015, the final audited TABOR revenue was $12,530,772,216. The Office of the State Controller (OSC) recorded adjustments subsequent to the issuance of the September 1, 2015, TABOR Financial Report. These adjustments increased the Excess State Revenues Cap by $7,361,533, increased Fiscal Year 2015 TABOR revenue by $27,110,580, and the Amount Over the Excess State Revenue Cap increased by $19,749,047. EXHIBIT 1.1 shows the effect of the adjustments. As mentioned in the performance audit issued in September, we were unable to conclude on the audit objectives due to a lack of reliable and valid data at that time. Therefore, the September 2015 figures for Fiscal Year 2015 reflected in the table below are shown as "Unaudited".

EXHIBIT 1.1. STATE OF COLORADO
COMPARISON OF THE SCHEDULE OF COMPUTATIONS
REQUIRED UNDER TABOR
FROM SEPTEMBER 2015 (UNAUDITED) AND APRIL 2016 (AUDITED)
FISCAL YEAR 2015

	EXCESS STATE REVENUES CAP	TABOR REVENUE	AMOUNT OVER EXCESS STATE REVENUES CAP
SCHEDULE OF COMPUTATIONS REQUIRED UNDER TABOR AS OF SEPTEMBER 1, 2015 (UNAUDITED)	$ 12,353,670,409	$ 12,503,661,636	$ 149,991,227
ADJUSTMENTS	$ 7,361,533	$ 27,110,580	$ 19,749,047
SCHEDULE OF COMPUTATIONS REQUIRED UNDER TABOR AS OF APRIL 26, 2016 (AUDITED)	$ 12,361,031,942	$ 12,530,772,216	$ 169,740,274

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

As shown, these adjustments increased TABOR revenue for Fiscal Year 2015 from $12,503,661,636 to $12,530,772,216, and the Amount Over the Excess State Revenues Cap increased from $149,991,227 to $169,740,274.

We reviewed the State Controller's computations of the Fiscal Year 2015 TABOR Revenue Limit and the Excess State Revenues Cap. The prior year actual revenue with adjustments and allowable growth rate was $9,976,945,707. However, the prior year TABOR Revenue Limit with adjustments was $11,851,420,845, and this is the base that is used under Referendum C. This amount is multiplied by the TABOR growth rate of 4.3 percent resulting in an Excess State Revenues Cap of $12,361,031,942 for

Fiscal Year 2015. The following figures in EXHIBIT 1.2 show the TABOR revenue, TABOR Revenue Limit, TABOR Excess State Revenue Cap, and revenue over the Excess State Revenue Cap for Fiscal Year 2015:

EXHIBIT 1.2. STATE OF COLORADO TABOR REVENUE LIMIT, EXCESS STATE REVENUE CAP AND REVENUE OVER THE EXCESS STATE REVENUE CAP FISCAL YEAR 2015		
FISCAL YEAR 2015 TABOR REVENUE		$ 12,530,772,216
(LESS): FISCAL YEAR 2015 TABOR REVENUE LIMIT	$(9,976,945,707)	
(LESS): FISCAL YEAR 2015 EXCESS OF THE TABOR REVENUE LIMIT ALLOWED TO RETAIN AND SPEND	$(2,384,086,234)	
TOTAL FISCAL YEAR 2015 EXCESS STATE REVENUES CAP		(12,361,031,942)
FISCAL YEAR 2015 REVENUE OVER/(UNDER) EXCESS STATE REVENUES CAP		$ 169,740,274
Source: Office of the State Auditor's analysis of the Office of the State Controller's data.		

Fiscal Year 2015 revenue is over the Excess State Revenue Cap by $169,740,274. Therefore, a refund of excess TABOR revenue for Fiscal Year 2015 is required.

REFUNDING

Article X, Section 20(7)(d) of the State Constitution says that if non-exempt TABOR revenue exceeds the Excess State Revenue Cap in a fiscal year, the excess revenue will be refunded in the next fiscal year. For Fiscal Year 2015, revenue exceeded the Referendum C Cap by almost $170 million. In addition, approximately $3.6 million must be included from previous under-refunds of pre-Referendum C surpluses and other accounting errors that would have added to previous refunds. Approximately $19.6 million of this surplus will not be included as part of the Fiscal Year 2015 refund because it was not identified until after refund amounts were set on the Calendar Year 2015 income tax forms; this amount will be held in reserve and refunded in a future year with surplus revenue. Therefore, approximately $154 million was refunded as part of the Calendar Year 2015 income tax return cycle.

Senate Bill 10-212 outlines three mechanisms for refunding state surplus revenues including the six-tier sales tax refund, the Earned Income Tax Credit (EITC), and a temporary cut in the income tax rate from 4.63 percent to 4.50 percent. The size of the TABOR refund determines which refund mechanisms are available each year. Based on the Fiscal Year 2015 surplus, the six-tier sales tax refund and the EITC were available on tax returns for Calendar Year 2015. APPENDIX B provides more detail regarding refunding mechanisms.

REVENUE REDUCTIONS

There were no permanent tax cuts enacted during the 2015 Legislative Session. In prior years, voters have approved new taxes that are exempt from being included in TABOR revenue. EXHIBIT 1.3 shows all voter-approved changes, the year of voter approval, and the related decrease in Fiscal Years 2015 and 2014 revenues subject to TABOR:

EXHIBIT 1.3. STATE OF COLORADO
IMPACT OF VOTER-APPROVED REVENUE CHANGES ON TABOR REVENUE
FISCAL YEAR 2015 AND 2014

	Decrease in TABOR Revenue	
	Fiscal Year 2015	Fiscal Year 2014
Amendment 14 (1998)		
Assesses a fee on housed commercial swine feeding operations.	$295,109	$274,023
Amendment 20 (2000)		
Assesses an application fee to obtain a Medical Marijuana identification card.	$1,755,780	$3,174,259
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	$460,192,000	$421,723,000
Corporate income taxes	57,756,000	55,303,000
Fiduciary income taxes	1,854,000	1,772,000
Interest Income – Exempt	10,056,048	7,304,976
Reimbursement of Prior Year Expense	212,110	200,568
Unrealized Gain/Loss	(2,156,250)	4,116,461
Total for Amendment 23	$527,913,908	$490,420,005
Amendment 35 (2004)		
Assesses a statewide tax on cigarette and tobacco products.	$145,902,309	$141,063,587
Amendment 50 (2008)		
Assesses a tax on extended limited gaming.	$12,034,922	$9,664,337
Amendment 64 (2012)		
Assesses a tax on Retail Marijuana		
Excise Tax	$24,034,273	$3,016,026
State Sales Tax	42,062,370	9,026,754
Total for Amendment 64	$66,096,643	$12,042,780
Total Reductions in TABOR Revenue	$753,998,671	$656,638,991

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

ADJUSTMENTS TO REFUNDS

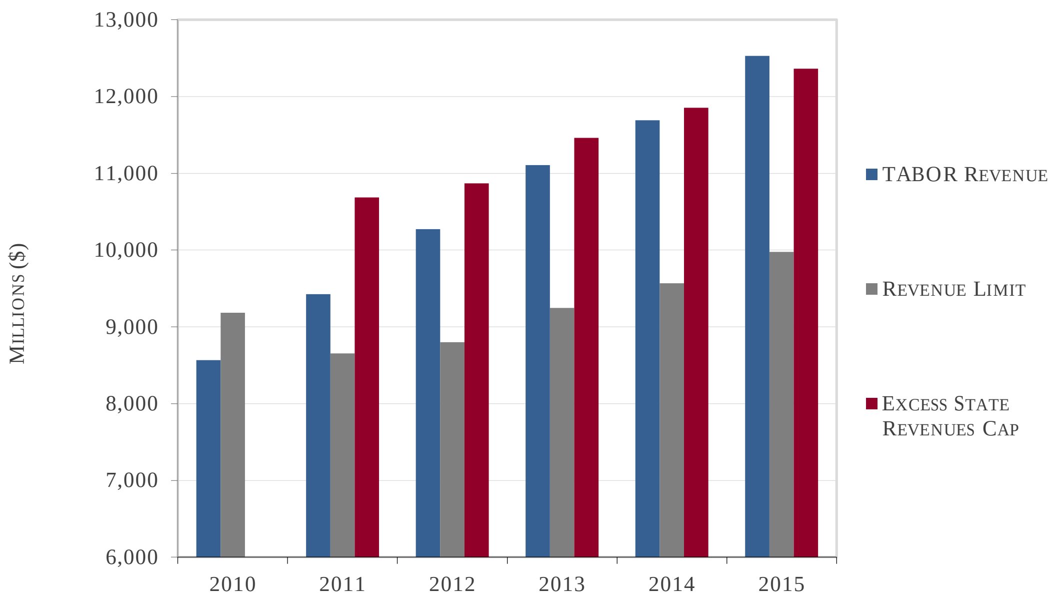
Section 24-77-103.7, C.R.S., states that starting in Fiscal Year 2002, TABOR revenue that exceeds the State fiscal year spending limit will be reduced by any amounts over-refunded in a prior year. The over-refunded balance is to be carried forward to decrease future refund liabilities until the excess is depleted. During our Fiscal Year 2015 audit, no over-refund was identified in the previous Fiscal Years 2006 through 2014 that would affect the TABOR revenue over the limit for Fiscal Year 2015.

Section 24-77-103.8, C.R.S., states that starting in Fiscal Year 2002, any revenue that exceeds the State 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. Under Referendum C, $2,899,667 has been carried forward for prior years' net understatement of refunds along with $705,716 of TABOR refunds payable from excess amounts over the Fiscal Year 2005 spending limit. As a result, $3,605,383 was paid out in the refund for Calendar Year 2015.

REVENUE LIMIT

EXHIBIT 1.4 compares the TABOR Revenue Limit computed each year to the TABOR revenue from Fiscal Year 2010 to Fiscal Year 2015. As of Fiscal Year 2011, both the TABOR Revenue Limit and the Excess State Revenues 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 Excess State Revenues Cap as set forth in Referendum C.

EXHIBIT 1.4. STATE OF COLORADO
TABOR REVENUE VS. REVENUE LIMIT
AND THE EXCESS STATE REVENUES CAP
FISCAL YEARS 2010 TO 2015



SOURCE: Schedules of Computations Required Under Article X, Section 20 for Fiscal Years 2010-2015. 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 TABORCgeneral 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 8.8 percent in Fiscal Year 2015, while cash funds increased by 1.8 percent in Fiscal Year 2015. Overall, TABOR revenue increased by 7.2 percent in Fiscal Year 2015. EXHIBITS 1.5 and 1.6 show the major sources of revenue in Fiscal Year 2015, with comparative figures for Fiscal Year 2014, separated by general-funded and cash-funded revenue. The Schedule of TABOR Revenue on PAGE 31 combines the general fund, shown on PAGE 9, and cash fund revenue presented on PAGE 10.

EXHIBIT 1.5. STATE OF COLORADO
SOURCES OF TABOR REVENUE
GENERAL FUND REVENUE
FISCAL YEAR 2015 AND 2014

GENERAL FUND REVENUE	FISCAL YEAR 2015	FISCAL YEAR 2014	2014 TO 2015 % CHANGE
Individual Income Tax, Net	$5,829,650,793	$5,224,325,302	11.6%
Sales and Use Tax, Net	2,837,452,888	2,657,616,024	6.8%
Corporate Income Tax, Net	635,114,790	665,362,734	-4.5%
Insurance Taxes	256,662,582	239,059,118	7.4%
Fiduciary Income Tax, Net	58,384,780	48,323,488	20.8%
Tobacco Products Tax, Net	55,681,549	53,462,368	4.2%
Alcoholic Beverages Tax, Net	41,479,003	40,337,006	2.8%
Severance Tax, Net	16,226,733	-	N/A
Interest and Investment Income	7,713,221	14,925,038	-48.3%
Court and Other Fines	6,466,697	8,129,137	-20.5%
Business Licenses and Permits	5,198,179	7,036,456	-26.1%
Miscellaneous Revenue	2,084,932	2,333,516	-10.7%
Gaming and Other Taxes	669,155	617,384	8.4%
General Government Service Fees	304,363	493,620	-38.3%
Other General Revenue	60,314	569,714	-89.4%
TOTAL GENERAL FUND REVENUE	$9,753,149,979	$8,962,590,905	8.8%

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

EXHIBIT 1.6. STATE OF COLORADO
SOURCES OF TABOR REVENUE
CASH FUND REVENUE
FISCAL YEAR 2015 AND 2014

CASH FUND REVENUE	FISCAL YEAR 2015	FISCAL YEAR 2014	2014 TO 2015 % CHANGE
Fuel and Transportation Taxes, Net	$ 601,514,776	$ 575,457,506	4.5%
Health Service Fees	597,926,458	633,638,515	-5.6%
Severance Taxes	272,991,579	260,821,948	4.7%
Motor Vehicle Registrations	250,417,149	238,192,200	5.1%
Court and Other Fines	166,890,612	167,329,876	-0.3%
Business Licenses and Permits	155,808,015	147,613,626	5.6%
Other Charges For Services	147,995,864	147,522,222	0.3%
Gaming and Other Taxes	98,862,345	95,824,618	3.2%
General Government Service Fees	60,122,937	50,906,419	18.1%
Sales and Use Tax, Net	50,740,590	48,420,449	4.8%
Interest and Investment Income	49,000,717	45,156,389	8.5%
Rents and Royalties	48,133,798	47,519,807	1.3%
Miscellaneous Revenue	44,358,962	21,912,882	102.4%
Nonbusiness Licenses and Permits	34,660,937	33,442,359	3.6%
Driver's Licenses	33,773,790	29,484,105	14.5%
Public Safety Service Fees	35,361,469	33,135,910	6.7%
Local Governments and Authorities	29,720,066	44,876,434	-33.8%
Employment Taxes	29,380,594	28,634,556	2.6%
Educational Fees	21,580,233	20,735,514	4.1%
Certifications and Inspection	19,821,410	21,190,611	-6.5%
Insurance Taxes	18,162,254	17,803,877	2.0%
Higher Education Auxiliary Sales and Services	5,402,622	7,882,546	-31.5%
Other Program Revenue[1]	4,995,061	3,791,425	31.7%
TOTAL CASH FUND REVENUE EXCLUDING TABOR ENTERPRISE	$2,777,622,237	$2,721,293,794	2.1%
DISQUALIFICATION ERROR			
Adams State	-	(1,092,774)	N/A
CORE METHODOLOGY ADJUSTMENT			
Colorado Geological Survey	-	9,112,655	N/A
TOTAL CASH FUND REVENUE	2,777,622,237	2,729,313,675	1.8%
TOTAL NONEXEMPT REVENUE	$12,530,772,216	$11,691,904,580	7.2%

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

AUDITOR'S

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

INDEPENDENT AUDITOR=S REPORT

Members of the Legislative Audit Committee:

REPORT ON THE SCHEDULE

We have audited the accompanying *Schedule of Computations Required Under Article X, Section 20, of the State Constitution (TABOR)* (Schedule), as of June 30, 2015, and the related notes.

MANAGEMENT'S RESPONSIBILITY FOR THE SCHEDULE

The Office of the State Controller is responsible for the preparation and fair presentation of this Schedule in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the Schedule that is free from material misstatement, whether due to fraud or error.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on the Schedule based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the Schedule is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the Schedule. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the Schedule, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the Schedule in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the Schedule.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

OPINION

In our opinion, the *Schedule of Computations Required Under Article X, Section 20, of the State Constitution (TABOR)* referred to above presents fairly, in all material respects, the revenues, expenditures, changes in reserves, and spending limitation as determined under Article X, Section 20, of the State Constitution for the year ended June 30, 2015, in accordance with accounting principles generally accepted in the United States of America.

OTHER MATTER

We have audited, in accordance with auditing standards generally accepted in the United States of America, the financial statements of the State of Colorado for the year ended June 30, 2015, and our report thereon dated April 26, 2016, expressed an unmodified opinion on those financial statements.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

Our auditing procedures also included reconciling amounts contained in this Schedule to the State's Comprehensive Annual Financial Report for the year ended June 30, 2015, and testing for irreconcilable conflicts between the State's financial statements and the provisions of TABOR. Additional procedures consisted of 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.

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. Article 77 further 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.

Denver, Colorado
April 26, 2016

STATE OF COLORADO
SCHEDULE OF COMPUTATIONS REQUIRED
UNDER ARTICLE X, SECTION 20
AS OF JUNE 30, 2015

	FISCAL YEAR 2013-14	FISCAL YEAR 2014-15
COMPUTATION OF NONEXEMPT REVENUES		
Total State Expenditures	$ 38,786,499,993	$ 40,414,297,024
Less Exempt Enterprises Expenses:		
Higher Education Enterprises	7,847,346,334	8,455,491,475
Unemployment Compensation Section	760,174,178	530,129,631
College Assist	602,270,498	631,865,367
State Lottery	547,956,437	540,933,178
CollegeInvest	527,016,026	613,766,152
Parks and Wildlife	209,798,705	220,670,719
Correctional Industries	64,207,401	68,900,760
State Nursing Homes	53,951,013	58,660,713
Petroleum Storage Tank Fund	35,765,093	39,891,367
Statewide Transportation Enterprise	22,197,016	8,232,300
Statewide Bridge Enterprise	11,383,446	15,558,306
Clean Screen Authority	5,585,870	5,868,209
Brand Board	4,992,832	5,434,154
Capitol Parking Authority	962,569	721,685
Subtotal Enterprise Expenses	10,693,607,418	11,196,124,016
Total District Expenditures	28,092,892,575	29,218,173,008
Less Exempt District Revenues:		
Interfund Transfers	7,953,077,495	6,897,422,383
Federal Funds	7,193,469,489	8,294,352,602
Other Sources and Additions (Note 7)	807,382,278	567,127,848
Voter Approved Revenue Changes (Note 8)	656,638,991	753,998,671
Property Sales	183,650,122	171,130,690
Gifts	127,988,145	118,754,344
Damage Awards	108,447,800	142,436,624
Exempt Investment Income	45,650,993	35,196,477
Subtotal Exempt District Revenues	17,076,305,313	16,980,419,639
Nonexempt District Expenditures	11,016,587,262	12,237,753,369
District Reserve/Fund Balance Increase (Decrease)	675,317,318	123,278,573
Excess TABOR Revenues	-	169,740,274
Total Nonexempt District Revenues	11,691,904,580	12,530,772,216

	FISCAL YEAR 2013-14	FISCAL YEAR 2014-15
COMPUTATION OF DISTRICT FUND BALANCE CHANGES		
Beginning District Fund Balance	$ 6,122,074,058	$ 6,844,181,851
Prior Period District Fund Balance Adjustments (Note 12)	(1,720,287)	(347,542,331)
(Qualification)/Disqualification of Enterprises (Note 15)	48,510,762	132,818
District Reserve/Fund Balance Increase (Decrease)	675,317,318	123,278,573
Retention of Revenues in Excess of the Limit CRS 24-77-103.6(1)(a)	-	169,740,274
Ending District Fund Balance	$ 6,844,181,851	$ 6,789,791,186

FISCAL YEAR 2014-15 COMPUTATION OF SPENDING LIMITATIONS	FISCAL YEAR SPENDING	EXCESS STATE REVENUES CAP
FY 2013-14 Limit	$ 9,566,585,725	$ 11,852,382,690
Post Audit Entries (Note 8)		
Errors in Prior Year Disqualification of Enterprises and Other Adjustments (Note 14)	(961,845)	(961,845)
FY 2013-14 Adjusted Limit	$ 9,565,623,880	$ 11,851,420,845
Allowable TABOR Growth Rate (Note 13)	4.3%	4.3%
FY 2014-15 Unadjusted Limit	$ 9,976,945,707	$ 12,361,031,942
FY 2014-15 Adjusted Limit	9,976,945,707	12,361,031,942
Less Fiscal Year 2014-15 Nonexempt District Revenues	(12,530,772,216)	(12,530,772,216)
Amount (Over)Under Adjusted Limit FY2014-15	$ (2,553,826,509)	$ (169,740,274)
Under(Over) Statement of Prior Years' Refunds to be refunded in FY 2015-16		$ 2,899,667
FY2004-05 Amount in Excess of the Limit to be refunded in FY 2015-16		$ 705,716
Total FY2015-16 Refund		$ 173,345,657
FY2014-15 Retention of Revenues in Excess of the Limit (not refundable) CRS 24-77-103.6(1)(b)		$ 2,384,086,234

SOURCE: Office of the State Controller.

NOTES TO THE TABOR SCHEDULE OF REQUIRED COMPUTATIONS

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.

SOURCE: 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 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;

(I.5) an institution or group of institutions of higher education that has been designated as an enterprise pursuant to section 23-5-101.7, C.R.S;

(I.6) an institution or group of institutions of higher education that has been designated as an enterprise pursuant to section 23-5-101.8, C.R.S;

(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 institution 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 2014-15.

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 2014-15 totals $375,923,166. At June 30, 2015, 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 2014 legislative session Long Appropriations Act designated up to $105,172,000 of State properties as the remainder of the Fiscal Year 2014-15 emergency reserve. The estimate of the needed reserve was based on the December 2014 revenue estimate prepared by Legislative Council. Because revenues subject to the TABOR reserve requirement were more than estimated, the

SOURCE: Office of the State Controller

amount designated for the reserve was $14,423,166 less 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.

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.

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 the current fiscal year's excess revenue of $169,740,274 make up the $173,345,657 refund liability at June 30, 2015. Only $154 million of this amount was refunded in 2016 since the rest of the liability was not identified until after publication of the 2015 income tax forms.

NOTE 7. OTHER SOURCES AND ADDITIONS

The $567.1 million reported in this line item primarily comprises: $339.6 million of pension and other employee benefit trust fund investment earnings and additions by participants; $110.3 million of permanent and trust fund additions; $94.5 million of prior year expense reimbursements and rebates; $16.4 million of local government expenditures recorded by the State as revenues and expenditures to meet grant matching-funds requirements; $2.0 million of inter-fund transfers; $1.9 million of insurance recovery proceeds; and $2.4 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

SOURCE: Office of the State Controller

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 $295,109 and $274,023 from this exempt source in Fiscal Years 2014-15 and 2013-14, 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 $1,755,780 and $3,174,259 including interest and unrealized gains/losses from this revenue source in Fiscal Years 2014-15 and 2013-14, 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 $527,913,909 and $490,420,006 of tax revenues, interest, and unrealized gains/losses, being excluded from fiscal year spending in Fiscal Years 2014-15 and 2013-14, 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 $145,902,309 and $141,063,587 of tax revenues, interest, transfers, and unrealized gains/losses from this exempt source in Fiscal Year 2014-15 and 2013-14, 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 $12,034,922 and $9,664,337 of extended limited gaming revenue in Fiscal Year 2014-15 and 2013-14, 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 the regulatory structure. The excise tax and additional sales tax revenue are exempted from the TABOR limitations.
  The State recorded $24,034,273 and $3,016,026 of state excise tax in Fiscal Year 2014-15 and Fiscal Year 2013-14 respectively. It recorded $42,062,370 and $9,026,754 of additional state sales tax revenues from these exempt sources in Fiscal Year 2014-15 and Fiscal Year 2013-14 respectively.

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 shall appropriate the moneys 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 $12,376,623,897; $3,593,602,662 during the initial five-year revenue retention period, and an additional $8,783,021,235 as a result of the ESRC limit exceeding the Fiscal Year Spending limit in Fiscal Years 2010-11 through 2014-15.

NOTE 10. TABOR ELECTION PROVISIONS

Article X Section 20 of the State Constitution (TABOR) provides that if the first year of a tax increase exceeds the Blue Book estimate for those taxes, the State must refund the combined excess of tax revenues generated. Any excess must be refunded to the taxpayers in the next fiscal year, unless the State receives voter approval to keep the revenue.

Two estimates must be provided to voters upon approval of a new tax: 1) an estimate of total state revenue subject to the TABOR spending limit and 2) an estimate of revenue from the new tax. If actual revenue exceeds either estimate, the State must issue a refund of the excess up to the amount collected from the new tax.

In 2012, voters approved Amendment 64 legalizing the sale and use of retail marijuana. Later, a "Yes" vote on Proposition AA authorized the State to collect excise and sales taxes on retail marijuana. In Fiscal Year 2014-15 total revenue subject to TABOR limits exceeded the 2015 Blue Book Estimate of $12.08 billion by approximately $270 million. Revenue from retail marijuana taxes was $1.0 million below the estimate. That being the case, the state would nevertheless have been required to refund $66.1 million of retail marijuana sales and excise tax revenue.

In the general election held in November 2015, voters approved Proposition BB allowing the State to retain and spend the $66.1 million of revenue, exempting marijuana tax revenue from TABOR spending limits.

NOTE 11. DISTRICT RESERVES

District reserves are the cumulative fund balances of the State reported in the State's Comprehensive Annual Financial Report at 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 12. PRIOR PERIOD DISTRICT FUND BALANCE ADJUSTMENTS

Total Prior Period District Fund Balance Adjustments decreased the TABOR District fund balances in total by $347,542,331.

A PRIOR PERIOD ADJUSTMENTS

The prior period adjustment of fund balance reported in the State's Comprehensive Annual Financial Report decreased the TABOR District fund balance by $6,625,696 as follows:

The Department of Health Care Policy and Financing decreased the district's beginning net assets by $6,625,696 for having misstated, in the prior year, the Home Clinical Pastoral Education receivable due from the federal government.

B ACCOUNTING CHANGES

As reported in the State's Comprehensive Annual Financial Report, during Fiscal Year 2014-15, the State implemented GASB Statement No. 68 – Accounting and Financial Reporting for Pensions – an Amendment of GASB Statement No. 27. As a result of this implementation, the beginning net assets of the District were decreased by $340,916,635 by recording the State's share of the Colorado Public Employees' Retirement Association's (PERA) calendar year 2014 net pension liability, and contributions to PERA from January 1, 2014 to June 30, 2014.

NOTE 13. 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 4.3 percent allowable growth rate comprises a 1.5 percent increase for population growth (census date population for 2013 compared to census date population for 2012) and a 2.8 percent increase for inflation.

NOTE 14. SPENDING LIMIT ADJUSTMENTS

With the addition of the excess State revenue cap calculation, adjustments may impact Fiscal Year Spending, the ESRC, or both.

In Fiscal Year 2014-15, there was a $961,845 adjustment to decrease both Fiscal Year 2013-14 TABOR Spending and the ESRC before application of the 4.3% allowable growth rate.

The purpose of these reductions was to eliminate a non-comparability problem between fiscal years caused by a change in accounting methodology, due to implementation of a new enterprise resource planning system (the "system") in Fiscal Year 2014-15. The change in methodology is described by an example.

In the State's financial operations, a single expenditure is often made from a budget line containing multiple funding sources. The previous system's limitations however, allowed that expenditure to be paid from only one of the funding sources. To work around this limitation, when multiple cash funds were to be the source of a single payment, cash from those funds would have to be transferred as revenue to the General Fund. The General Fund would then pay the expenditure. In that type of transaction, whenever revenue in the General Fund was transferred from a TABOR enterprise, that revenue became an addition to the TABOR revenue base. In Fiscal Year 2014-15 with the State's new system, transfers of revenue from cash funds to the General Fund, made solely in order to expend funds from multiple sources, became unnecessary because the new system is capable of recording such transactions.

Since the State's new system is designed to manage single payments from multiple sources, a new accounting methodology was

SOURCE: Office of the State Controller

implemented for the type of scenario described above, whereby each funding source in an expenditure transaction is reduced by its proportional share of the appropriated budget.

The $961,845 reduction to the Fiscal Year 2013-14 base, before application of the allowable growth rate, was made to eliminate the non-comparability problem in TABOR revenue between the prior fiscal year and current fiscal year. TABOR revenue was higher in Fiscal Year 2014 than in Fiscal Year 2015 due to transfers of cash from TABOR enterprises that were unnecessary in the current year.

NOTE 15. 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).

The Qualification/Disqualification of Enterprises line in the Computation of District Fund Balance Changes section shows a net increase in fund balance of $132,818, an adjustment to the prior year District fund balance for the disqualification of certain activities at Adams State University.

Apart from the adjustment noted above, there were no changes during Fiscal Year 2014-15 in the enterprise status of any state entity.

NOTE 16. TREATMENT OF AMOUNTS HELD FOR FUTURE REFUND

C.R.S. 24-77-103.5 requires that errors in the amount to be refunded be corrected in the year that they are discovered. In Fiscal Year 2014-15, no errors were identified that affected the prior year TABOR refunds being carried forward under Referendum C. The TABOR liability at June 30, 2015 was $173.3 million. Approximately $154 million was refunded in 2016, leaving $19 million as the new carry forward in future years, until the next TABOR refund is required.

NOTE 17. 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

SOURCE: Office of the State Controller

session, House Bill 10-1002 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 for the 2015 tax year, the earned income tax credit mechanism would be applied when the refund exceeded $97.7 million. After 2015, the Earned Income Tax Credit becomes permanent and will 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.

SCHEDULE
OF TABOR REVENUE

STATE OF COLORADO
OFFICE OF THE STATE CONTROLLER
SCHEDULE OF TABOR REVENUE
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

	Fiscal Year 2014-15	Fiscal Year 2013-14	Increase (Decrease)	2014 to 2015 % Change
Individual Income Taxes, Net	$ 5,829,650,793	$ 5,224,325,302	$ 605,325,491	11.6%
Corporate Income Taxes, Net	635,114,790	665,362,734	(30,247,944)	-4.5%
Fiduciary Income Taxes, Net	58,384,780	48,323,488	10,061,292	20.8%
TOTAL INCOME TAX	6,523,150,363	5,938,011,524	585,138,839	9.9%
Sales Tax, Net	2,627,923,951	2,464,772,521	163,151,430	6.6%
Use Tax, Net	260,269,527	241,263,952	19,005,575	7.9%
Tobacco Products Tax, Net	55,681,927	53,462,748	2,219,179	4.2%
Alcoholic Beverages Tax, Net	42,210,933	41,045,233	1,165,700	2.8%
Other Excise Taxes, Net	265,676	322,126	(56,450)	-17.5%
TOTAL EXCISE TAX	2,986,352,014	2,800,866,580	185,485,433	6.6%
Fuel and Transportation Taxes, Net	601,514,776	575,457,506	26,057,270	4.5%
Insurance Taxes	274,824,836	256,862,995	17,961,841	7.0%
Severance Taxes	289,218,310	260,821,948	28,396,362	10.9%
Gaming and Other Taxes	99,531,500	96,442,002	3,089,498	3.2%
Employment Taxes	29,380,594	28,634,556	746,038	2.6%
Estate and Inheritance Taxes	31,700	434,103	(402,403)	-92.7%
TOTAL OTHER TAXES	1,294,501,716	1,218,653,110	75,848,606	6.2%
Health Service Fees	597,926,458	633,638,515	(35,712,057)	-5.6%
Motor Vehicle Registrations	250,417,149	238,192,200	12,224,949	5.1%
Business Licenses and Permits	161,006,194	154,650,082	6,356,112	4.1%
Other Charges for Services	148,022,000	147,541,147	480,853	0.3%
General Government Service Fees	60,427,300	51,400,039	9,027,261	17.6%
Public Safety Service Fees	35,361,469	33,135,910	2,225,559	6.7%
Nonbusiness Licenses and Permits	34,660,987	33,546,479	1,114,508	3.3%
Driver's Licenses	33,773,790	29,484,105	4,289,685	14.5%
Certifications and Inspections	19,823,838	21,203,097	(1,379,259)	-6.5%
Educational Fees	21,580,233	20,735,514	844,719	4.1%
Welfare Service Fees	666,233	810,736	(144,503)	-17.8%
TOTAL LICENSES, PERMITS, AND FEES	1,363,665,651	1,364,337,824	(672,173)	0.0%
Court and Other Fines	173,357,309	175,459,013	(2,101,704)	-1.2%
Interest and Investment Income	56,713,938	60,081,427	(3,367,489)	-5.6%
Rents and Royalties	48,133,798	47,519,807	613,991	1.3%
Local Governments and Authorities	29,720,066	44,876,434	(15,156,368)	-33.8%
Miscellaneous Revenue	46,443,894	24,246,405	22,197,489	91.5%
Higher Education Auxiliary Sales and Services	5,402,622	7,882,546	(2,479,924)	-31.5%
Sales of Products	3,330,844	1,950,029	1,380,815	70.8%
Other Revenue	1	-	1	100.0%
TOTAL OTHER REVENUE	363,102,472	362,015,661	1,086,811	0.3%
Error Related to Prior Year Disqualification Calculation for Adams State University	-	(1,092,774)	1,092,774	100.0%
CORE Methodology Adjustment	-	9,112,655	(9,112,655)	100.0%
TOTAL TABOR REVENUE	$ 12,530,772,216	$ 11,691,904,580	$ 838,867,636	7.2%

SOURCE: Office of the State Controller (Unaudited).

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 31.

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.

Severance Taxes, Net

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

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).

Public Safety Service Fees

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

Nonbusiness Licenses and Permits

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

Driver's Licenses

Fees for driver's licenses and ID cards.

Certifications and Inspections

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

Educational Fees

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

Child Welfare Service Fees

Child abuse registry fees.

OTHER REVENUE

Court and Other Fines

Fines and forfeits levied by the courts.

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.

Miscellaneous Revenue

Revenue not included in another category.

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

EARNED INCOME TAX CREDIT (EITC)

The Colorado EITC is based on the federal EITC, which provides a tax credit to individuals who work but do not earn high incomes. Qualifying Colorado taxpayers may receive up to 10 percent of the federal credit amount in years of revenue surplus. Colorado taxpayers who claim the federal credit may claim the state credit. This refund mechanism is triggered when excess TABOR revenue exceeds a threshold amount. The threshold is increased each year by the growth in Colorado personal income. For Fiscal Year 2015, the threshold is $97.7 million.

AMOUNT OF FISCAL YEAR 2015 TABOR REFUND:
Approximately $86 million

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.

AMOUNT OF FISCAL YEAR 2015 TABOR REFUND:
Approximately $68 million.

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 state experiences a surplus equal to at least the EITC refund mechanism trigger plus the projected amount of the income tax rate reduction.

AMOUNT OF FISCAL YEAR 2015 TABOR REFUND:
*NONE.

*THE FISCAL YEAR 2015 TABOR REFUND DOES NOT TRIGGER THIS 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 15 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 one 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.

2008

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 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
Sales Tax Refund[1]	Remaining

[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 2010—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 concerning income tax credits to support working families. A permanent and refundable state earned income tax credit was established for all income tax years regardless if there is a refund of excess state revenues required by the taxpayer's bill of rights (TABOR) through the Earned Income Tax Credit (EITC) refund mechanism. The credit is equal to 10 percent of a resident individual’s federal earned income tax credit. When a refund of revenue surplus is required, the Earned Income Tax Credit is considered to count toward the EITC TABOR refund mechanism threshold.

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 “Marijuana Products Sales Tax,” passed in November 2013, assesses a statewide TABOR-exempt tax of 15 percent excise tax to be levied upon wholesale sales of marijuana.