

Local Impacts

Douglas County and Arapahoe County, Colorado

Focused on Your Region

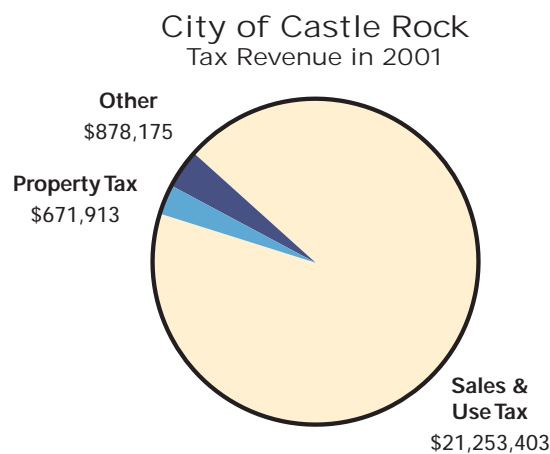
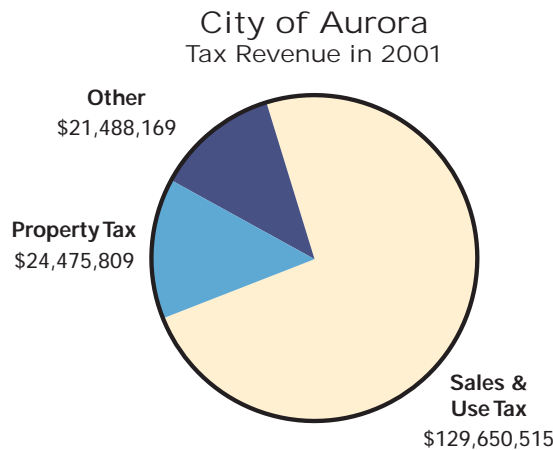
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Statewide Local Impacts

From before statehood, Coloradans have held closely to the philosophy of “local control” when it comes to taxes and government services. While Colorado’s state taxes are below the national average, our local taxes tend to be higher than the national average. The fiscal constraints in our state constitution have had a profound impact on every government entity in the state but no two are alike. Colorado’s counties, cities, towns, school districts, water districts, fire protection districts and other government entities are each unique in demography, economy, tax base and level of government service.

Limitations on Local Revenue
Even before TABOR, Colorado law limited yearly revenue increases for local governments to a 5.5% increase from prior year revenues. In 1993, TABOR modified the local government revenue growth limit to the lesser of the 5.5% limit or the sum of inflation and “annual local growth.” For schools, TABOR caps revenue growth at the rate of inflation plus the increase in student enrollment in each school district. Just as with the

statewide TABOR limit, any revenue beyond the local limit must be refunded to the taxpayers and any changes to the limits are subject to a vote of the people.



Annual local growth is defined by TABOR as inflation plus the net percentage change in real property values of newly constructed property minus destroyed property (net new construction). The TABOR formula does not recognize increases in the actual market value of existing property.

The amazing growth rate in Douglas County (expected to double to 440,000 by 2030) has created a major challenge to the future of the area. Water supplied by non-rechargeable aquifers underneath Douglas County was once expected to last hundreds of years. A recent Rocky Mountain News series claims that the water level is dropping so quickly it may be too expensive to reach within 10–15 years.

TABOR:

Different Growth Limits for Different Levels of Government:

State	Local	School District
Inflation plus % change in population	Inflation plus % change in net new construction	Inflation plus % change in enrollment

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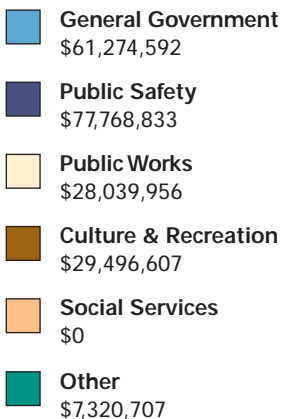
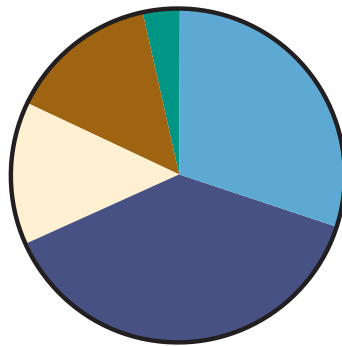
Debrucing: This term is named after the author of TABOR, Doug Bruce and refers to elections where voters are asked to allow government to keep and use all or part of the revenue collected beyond the TABOR limit. Local governments (especially school districts) have been successful in debrucing. In fact, about 70% of Colorado school districts have debruced to some extent since TABOR went into effect while state government has never successfully debruced. Many believe this is because taxpayers have more trust in effective government spending when it takes place closer to home. Debrucing does not mean a government is forever free from under the spending and revenue restrictions of TABOR; it only allows a locality to keep and spend all or part of a TABOR revenue surplus for an specified period of time – often interpreted as not exceeding four years.

Revenue Trends

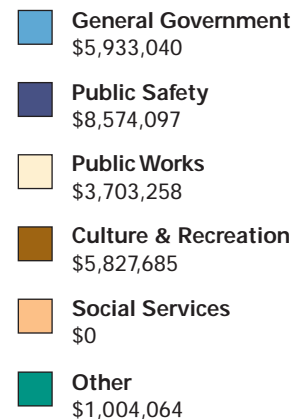
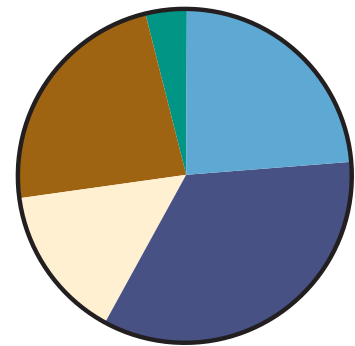
Local governments do not levy an income tax and depend primarily on property tax and sales tax. Although the sum of all local tax revenue continues to climb each year, the effect of the Gallagher Amendment combined with TABOR, have caused a steady erosion of local government’s most reliable source of revenue – property tax. Many localities have responded to

this trend by increasing reliance on the more volatile sales tax and by “debrucing.” In the recent off-year election, Douglas County approved Ballot Issue 3A and 3B, by 52% and 51% respectively. These measures give Douglas County schools a \$100 million bond to build and renovate local schools, and a TABOR budget override of \$17 million to replace programs and staff.

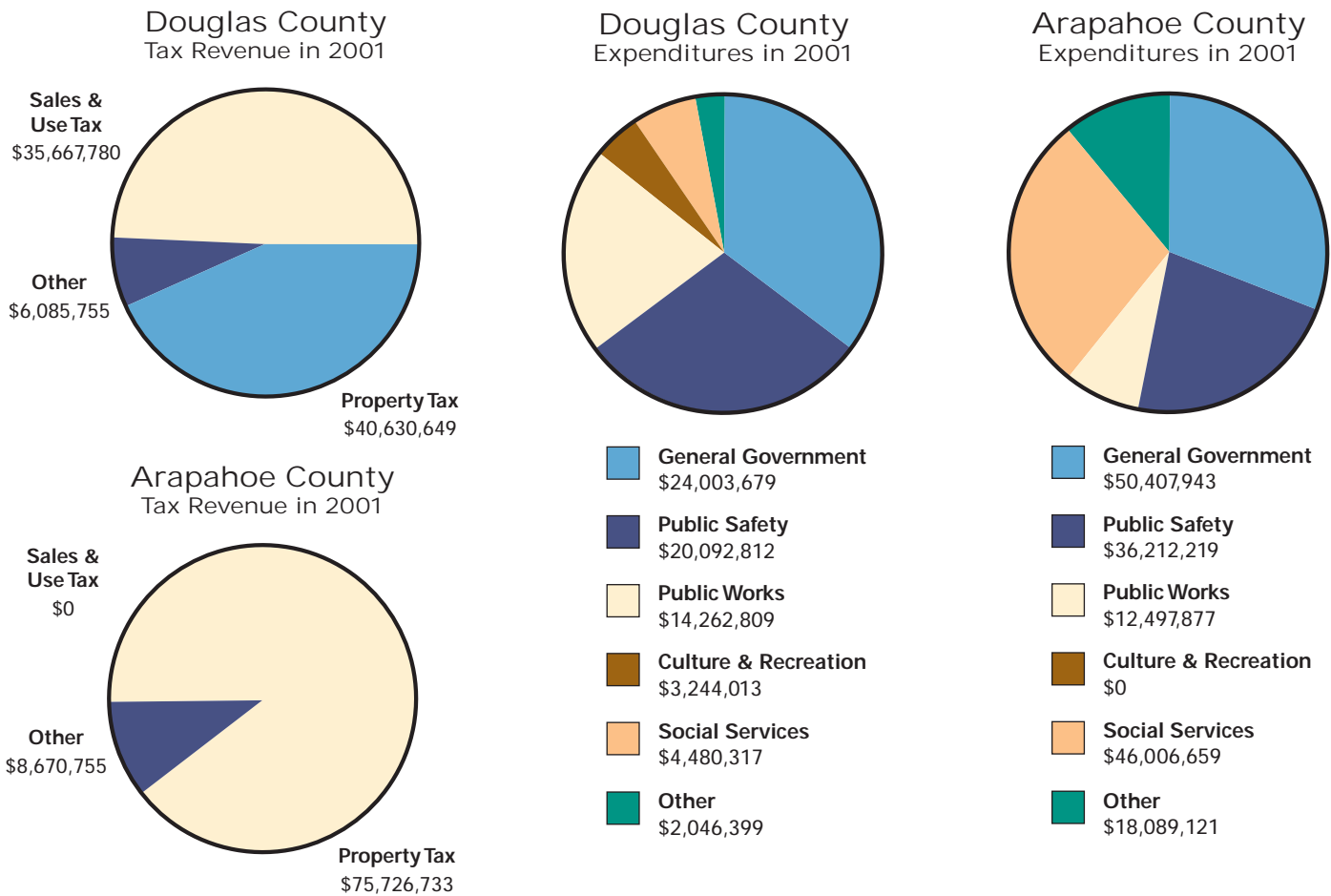
City of Aurora
Expenditures in 2001



City of Castle Rock
Expenditures in 2001



Local Impacts: Douglas County and Arapahoe County, Colorado



Economic Brief: Douglas and Arapahoe Counties

Douglas County is in the geographic center of Colorado and is notable for being the fastest growing county in the United States between 1990 and 2000. Douglas County grew 191% over that decade – over ten times the national growth rate for those years. Located between Denver and Colorado Springs, 80% of Douglas County residents commute to work north or south to these urban centers. The county contains four incorporated municipalities: Castle Rock, Larkspur, Lone Tree, and Parker. Castle Rock, the

Douglas county seat is equidistant between Denver and Colorado Springs and has grown at a considerable rate. Today it is home to about 28,000 residents. Also indicative of the amazing growth of Douglas County is the city of Parker which officially became a municipality in 1981 when the population was only about 300 people. Twenty-two years later, the population of Parker is 35,000 people and still growing rapidly. Understandably, Douglas County School District is one of the fastest growing in the nation, with a

growth rate of between 6% and 7% every year. Enrollment for the 2002–2003 school year exceeds 38,000 students, more than twice the number of students enrolled in the district in 1992. The Douglas County area offers numerous opportunities for recreation with Roxborough and Castlewood Canyon State Park and Chatfield Reservoir.

Highlands Ranch in Douglas County is one of the largest master planned communities in America. Settled by homesteaders, a claim

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was made in 1900 for the large holding of 23,000 acres known as Highlands Ranch. The ranch was owned by Lawrence Phipps, Jr. until 1976 and was then purchased by the Mission Viejo Company which started developing the area in the 1980s. Highlands Ranch was purchased by the J.F. Shea Company in 1997. Today the population of Highlands Ranch is approximately 74,000 and the approximate number of families in Highlands Ranch is 24,500.

Aurora is the third largest city in Colorado with about 284,000 people. Much of the city is located in Arapahoe County and has over 8,800 businesses employing more than 80,000 employees. The largest private employers in Aurora are Raytheon Systems Corp. and ADT Security Systems each with about 1,500 employees. Buckley Air Force and Base and Aurora and Cherry Creek schools are the largest public employers. Retail trade and services are the largest sectors of the city's economy making up 63% of the total employment. High technology and communications companies are well represented in Aurora employing about 3,500 people. Fitzsimons, the decommissioned Army medical center is transitioning to become the home of the University of Colorado Health Sciences Center and a 157 acre

bioscience research park. Upon completion, the center is expected to employ 15,000 people.

Centennial, Colorado was incorporated just three years ago and is the 4th largest city in the Denver area with 36,200 households and about 105,000 people. Located in Arapahoe County, Centennial offers an example of state's demand for governance through local control. Centennial is a statutory city meaning it has little authority outside of creating local tax policy. There are very few city employees. Most services are contracted through private companies or Arapahoe County. Centennial operates as a "virtual" city, where possible taking advantage of the Internet to provide city services.

In Centennial's brief existence there has already been controversy. Created in part to prevent neighboring Greenwood Village from annexing commercial property in Arapahoe County, Centennial runs primarily on sales tax. The current economic downturn caused a sharp decline in sales tax that started not long after Centennial was created. By last summer Centennial was facing a \$10 million budget shortfall and didn't have adequate revenues to pay Arapahoe County for services such as law enforcement and public works. Some of the problem

appears to be that the sales tax rate was simply set too low to provide basic services to a city the size of Centennial.

In November, voters passed Ballot Issue 2G that increased the sales tax by 1% and a 2.5% use tax on vehicles. The approval is expected to increase revenue to Centennial by about \$7.5 million. The tax approvals have boosted the 2004 budget to \$34.9 million and will restore funding for some badly needed street and drainage repairs. The new revenues will also allow Centennial to hire a new code enforcement officer and open a municipal court. In September, the Colorado Treasurer's office agreed to pay about \$1.2 million back to Centennial to make up for a mistake in the amount of Highway User's Tax Fund (HUTF) that the city was supposed to receive. Centennial is also looking forward to a revenue boost from the opening of a new Wal-Mart Supercenter in the fall of 2004.

The Associate Director of the Colorado Municipal League, Sam Mamet, noted that Centennial's growing pains couldn't be fully anticipated when the area was considering becoming incorporated: "What they're going through is the challenge of governance."