

Glossary Of Colorado Fiscal Policy Terms

Amendment 23: An amendment to the Colorado constitution, approved by voters in 2000, requiring the state to increase per-pupil and categorical funding to public education by at least the rate of inflation plus 1% for 10 years, and by the rate of inflation thereafter. Amendment 23 also created the State Education Fund to help pay for its costs.

Arveschoug-Bird spending limit: As applied, Arveschoug-Bird is a statutory 6% limit on annual increases in General Fund appropriations. For example, if legislators spent \$1 billion from the General Fund in a given year, the next year their General Fund spending could not exceed \$1.06 billion (\$1 billion plus 6% of \$1 billion). Exemptions from the limit include: spending increases required by federal mandates and transfers to Capital Construction.

Assessment rate: The portion of actual property value subject to taxation. For example, the Gallagher Amendment fixes the assessment rate for business property at 29%. This means that only 29% of the market value of the property will be taxed.

Capital Construction: Funds dedicated to the construction of buildings or the purchase of land for state buildings such as prisons and higher education facilities. General Funds transferred for capital construction are not counted under the Arveschoug-Bird spending limit on state operations.

Cash funds: State funds collected and earmarked for a specific purpose. Usually a fee-for-service, such as the amount charged for a driver's license or college tuition. These funds are not part of the General Fund but are included in calculating the TABOR revenue limit.

Crowding out: Refers to the effect of spending mandates that squeeze resources from non-mandated programs, such as when federally mandated Medicaid spending combines with state mandated K-12 spending to "crowd out" other government programs.

Debrucing: Named after Doug Bruce, the author of the TABOR amendment, this term most often refers to local or state elections where voters are asked whether government can keep or use all or part of the revenue collected in excess of the TABOR limit.

Equalization: A legal requirement to even out per pupil spending across all 178 school districts statewide. Through the School Finance Act of 1994, state funding makes up the difference or *equalizes* between what is provided to school districts through local taxes.

Federal Funds: Funds received directly from the federal government, exempt from the TABOR amendment's revenue ceiling. Federal funds supplement state programs such as highway construction or require matching state funding such as Medicaid spending.

Fiscal year: The 12-month period used for record keeping, budgeting, appropriations, revenue collecting, and other aspects of fiscal management. The fiscal year of the state of Colorado runs from July 1 to June 30.

Gallagher Amendment: A constitutional amendment passed by voters in 1982, freezing the non-residential property assessment rate at 29% and providing that of the total amount of property taxes collected by the state, residential properties are to bear 45% of the tax burden and other properties shall bear 55%.

General Fund: A fund maintained by the state to receive revenue that is not earmarked for a specific purpose. State income and sales tax make up 90 percent of the General Fund. The General Fund is the state's primary operating account used to support general functions of state government, such as K-12 and higher education, human services, health care, prisons and the judicial system.

Growth dividend: The term used to refer to the legislative decision to recapture surplus funds paid to taxpayers as a result of a persistent population undercount during the 1990s (discovered after the 2000 census). Since the allowable TABOR revenue limit depends in part on population growth, the population undercount had led to a lower than allowed TABOR revenue limit in previous years.

Maintenance of effort: A clause in Amendment 23 requiring the legislature to increase General Fund appropriations for K-12 education by at least 5% annually through 2011, thereby preventing the legislature from using the State Education Fund to substitute for monies that otherwise would be appropriated from the General Fund.

Mill levy: A property tax levied on each thousand dollars of assessed valuation. Mill levies are levied on property owners by local governments such as school districts. Each taxing district must set a single mill levy that applies uniformly to all property within the district.

Per-pupil funding: Under the School Finance Act, total per-pupil funding for a district equals the statewide base set by the legislature adjusted by "factors" specific to the district: cost-of-living, personnel costs, and district size.

Property tax: A local tax calculated using the following formula: (market value of the property) x (assessment rate) x (mill levy).

Rainy day fund: A general purpose, statewide reserve intended primarily to reduce the fiscal impact of revenue shortfalls and/or dramatic increases in expenditures over the course of a multi-year business cycle.

Ratchet effect: A consequence of TABOR's revenue limit that prevents the state from recovering lost revenue after an economic downturn. TABOR allows revenue growth of inflation plus population growth based on the *prior year's* collected revenue. When revenue decreases, allowable state revenue and spending for future years is always based upon the low revenue year, regardless of future revenues.

Single-subject requirement: A constitutional amendment requiring that any measure to be voted on may contain only one subject, which is clearly expressed in the ballot title for the measure.

State Education Fund: A trust fund created by Amendment 23 to assist in funding the requirements of the law and other education programs. The State Education Fund receives diverted state income tax revenue equal to one-third of 1% of federal taxable income.

Taxpayer's Bill of Rights: TABOR is an amendment to the Colorado constitution, approved by voters in 1992, that among other things restricts the amount of revenue that can be received and spent by state and local governments and that requires voter approval of any tax increase.

TABOR revenue limit: TABOR limits revenue collected by state government to the amount of revenue collected in the previous year, to be increased by the amount of inflation plus population growth. For local governments, the increase in revenue is limited to the net percentage change in the value of new property plus inflation. For school districts, the increase is limited to the percentage change in student enrollment plus inflation.

TABOR surplus: Any revenue over and above the local or state TABOR revenue limit. The TABOR surplus must be returned annually to the taxpayers unless they vote to let state or local government to keep and spend the extra revenue (see "Debruce").