STATE OF COLORADO
OFFICE OF THE STATE CONTROLLER
COMPARISON OF NONEXEMPT TABOR REVENUES
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	Fiscal Year 2017-18	Fiscal Year 2016-17	Increase (Decrease)	Percent Change
GENERAL REVENUES				
Individual Income Tax, Net	$ 6,957,330,741	$ 6,217,352,254	$ 739,978,487	11.9%
Sales and Use Tax, Net	3,235,912,170	2,986,889,660	249,022,510	8.3%
Corporate Income Tax, Net	736,021,976	467,410,554	268,611,422	57.5%
Insurance Taxes	303,594,443	290,502,910	13,091,533	4.5%
Tobacco Products Tax, Net	50,982,130	57,789,846	(6,807,716)	-11.8%
Fiduciary Income Tax, Net	48,700,734	45,469,559	3,231,175	7.1%
Alcoholic Beverages Tax, Net	46,487,583	44,993,816	1,493,767	3.3%
Interest and Investment Income	18,123,754	14,249,805	3,873,949	27.2%
Court and Other Fines	9,203,005	23,414,532	(14,211,527)	-60.7%
Business Licenses and Permits	7,453,344	5,314,217	2,139,127	40.3%
Miscellaneous Revenue	1,598,058	1,830,729	(232,671)	-12.7%
General Government Service Fees	667,032	315,724	351,308	111.3%
Gaming and Other Taxes	516,022	578,949	(62,927)	-10.9%
Other Charges For Services	42,542	20,081	22,461	111.9%
Estate and Inheritance Taxes	-	(31,700)	31,700	-100.0%
TOTAL GENERAL-FUNDED REVENUES	11,416,633,534	10,156,100,936	1,260,532,598	12.4%
PROGRAM REVENUES				
Fuel and Transportation Taxes, Net	658,463,068	630,990,319	27,472,749	4.4%
Motor Vehicle Registrations	280,279,899	266,685,397	13,594,502	5.1%
Business Licenses and Permits	175,823,163	169,412,205	6,410,958	3.8%
Court and Other Fines	174,692,569	172,313,824	2,378,745	1.4%
Other Charges For Services	161,187,329	153,669,337	7,517,992	4.9%
Severance Taxes	132,827,140	12,619,042	120,208,098	952.6%
Gaming and Other Taxes	105,879,363	102,835,083	3,044,280	3.0%
Health Service Fees	79,435,462	731,250,340	(651,814,878)	-89.1%
General Government Service Fees	70,193,136	63,753,589	6,439,547	10.1%
Miscellaneous Revenue	69,091,036	20,494,814	48,596,222	237.1%
Interest and Investment Income	62,050,575	49,936,280	12,114,295	24.3%
Rents and Royalties	60,113,530	55,339,198	4,774,332	8.6%
Driver's Licenses	45,855,931	42,403,181	3,452,750	8.1%
Sales and Use Tax, Net	42,921,159	64,305,919	(21,384,760)	-33.3%
Local Governments and Authorities	35,465,294	32,432,799	3,032,495	9.4%
Nonbusiness Licenses and Permits	34,334,358	36,379,181	(2,044,823)	-5.6%
Employment Taxes	34,245,305	32,507,078	1,738,227	5.3%
Certifications and Inspections	25,091,657	24,482,392	609,265	2.5%
Public Safety Service Fees	21,186,165	23,419,927	(2,233,762)	-9.5%
Insurance Taxes	17,096,515	11,010,200	6,086,315	55.3%
Higher Education Auxiliary Sales and Services	6,437,136	4,554,796	1,882,340	41.3%
Educational Fees	6,360,490	6,145,658	214,832	3.5%
Sales of Products	2,969,485	2,538,713	430,772	17.0%
Welfare Service Fees	1,091,995	1,008,783	83,212	8.2%
Alcoholic Beverages Tax, Net	762,525	716,447	46,078	6.4%
Other Excise Taxes, Net	391,759	243,381	148,378	61.0%
Estate and Inheritance Taxes	758	-	758	N/A
Tobacco Products Tax, Net	390	438	(48)	-10.9%
TOTAL PROGRAM REVENUES	2,304,247,192	2,711,448,321	(407,201,129)	-15.0%
Requalification of Western State Colorado University as a TABOR Enterprise	-	24,171,043	(24,171,043)	
Other Agency Revenues from Requalification of Western State Colorado University as a TABOR Enterprise	-	(63,514)	63,514	
TOTAL CASH-FUNDED REVENUE	2,304,247,192	2,735,555,850	(431,308,658)	-15.8%
TOTAL NONEXEMPT REVENUE	$ 13,720,880,726	$ 12,891,656,786	$ 829,223,940	6.4%

STATE OF COLORADO
SCHEDULE OF COMPUTATIONS REQUIRED
UNDER ARTICLE X, SECTION 20
AS OF JUNE 30, 2018

	FISCAL YEAR 2016-17	FISCAL YEAR 2017-18
COMPUTATION OF NONEXEMPT REVENUES		
Total State Expenditures	$ 44,583,527,282	$ 48,097,074,059
Less Exempt Enterprises Expenses:		
Higher Education Enterprises	10,618,379,415	11,568,285,214
Colorado Healthcare Affordability and Sustainability Enterprise	-	3,310,867,117
CollegeInvest	704,500,649	777,595,435
State Lottery	563,096,231	622,320,424
College Assist	600,754,217	540,409,415
Unemployment Compensation Section	519,152,945	444,422,991
Parks and Wildlife	281,272,127	315,167,828
Correctional Industries	75,979,315	92,974,194
State Nursing Homes	84,907,496	90,791,740
Petroleum Storage Tank Fund	40,310,963	37,621,298
Statewide Transportation Enterprise	23,502,067	21,890,869
Statewide Bridge Enterprise	21,910,988	20,201,311
Brand Board	8,192,797	8,726,704
Clean Screen Authority	4,562,319	3,314,143
Capitol Parking Authority	966,673	851,756
Electronic Recording Technology Fund	14,198	97,759
Subtotal Enterprise Expenses	13,547,502,400	17,855,538,198
Total District Expenditures	31,036,024,882	30,241,535,861
Less Exempt District Revenues:		
Interfund Transfers	7,132,670,428	8,030,077,723
Federal Funds	8,690,444,369	7,047,690,375
Voter Approved Revenue Changes (Note 8)	876,407,717	1,023,117,034
Other Sources and Additions (Note 7)	806,703,290	847,158,445
Damage Awards	107,962,725	197,267,370
Gifts	67,512,420	165,341,268
Property Sales	122,106,087	117,685,925
Exempt Investment Income	(19,219,410)	(39,672,595)
Subtotal Exempt District Revenues	17,784,587,626	17,388,665,545
Nonexempt District Expenditures	13,251,437,256	12,852,870,316
District Reserve/Fund Balance Increase (Decrease)	76,373,948	849,500,024
Excess TABOR Revenues	(436,154,418)	18,510,386
Total Nonexempt District Revenues	12,891,656,786	13,720,880,726

	FISCAL YEAR 2016-17	FISCAL YEAR 2017-18
COMPUTATION OF DISTRICT FUND BALANCE CHANGES		
Beginning District Fund Balance	$ 6,674,746,577	$ 6,193,393,968
Prior Period District Fund Balance Adjustments (Note 11)	(5,198,714)	(18,734,901)
(Qualification)/Disqualification of Enterprises (Note 14)	(116,373,425)	(39,703,097)
District Reserve/Fund Balance Increase (Decrease)	76,373,948	849,500,024
Retention of Revenues in Excess of the Limit C.R.S. 24-77-103.6(1)(a)	(436,154,418)	18,510,386
Ending District Fund Balance	$ 6,193,393,968	$ 7,002,966,380

FISCAL YEAR 2017-18 COMPUTATION OF SPENDING LIMITATIONS	FISCAL YEAR SPENDING	EXCESS STATE REVENUES CAP
FY 2016-17 Limit	$ 10,761,666,608	$ 13,327,811,204
Other Agency Revenues From Qualification of Enterprises (Note 14)	63,514	63,514
Qualification of Enterprises (Note 14)	(24,171,043)	(24,171,043)
FY 2016-17 Adjusted Limit	$ 10,737,559,079	$ 13,303,703,675
Allowable TABOR Growth Rate (Note 12)	4.5%	4.5%
FY 2017-18 Unadjusted Limit	$ 11,220,749,237	$ 13,902,370,340
C.R.S. 24-77-103.6(6)(b)(I)(C)	-	(200,000,000)
FY 2017-18 Adjusted Limit	11,220,749,237	13,702,370,340
Less Fiscal Year 2017-18 Nonexempt District Revenues	(13,720,880,726)	(13,720,880,726)
Amount (Over)Under Adjusted Limit FY 2017-18	$ (2,500,131,489)	$ (18,510,386)

FY 2014-15 Remaining Amount in Excess of the Limit to be refunded in the next refund year	$ 21,326,788
Amount to be Refunded for Fiscal Year 2017-18	$ 39,837,174
FY 2017-18 Retention of Revenues in Excess of the Limit (not refundable) C.R.S. 24-77-103.6(1)(b)	$ 2,481,621,103

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 Note 1 to the Financial Statements.

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 [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,
- Electronic Recording Technology Fund,
- Colorado Healthcare Affordability and Sustainability Enterprise.

It further established a statutory mechanism that allows the governing boards of 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 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 to receive less than 10 percent of its revenue in grants from all Colorado state and local governments combined. The State Fair Authority remained disqualified as an enterprise for Fiscal Year 2017-18.

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.

NOTE 5. EMERGENCY RESERVES

TABOR requires the reservation, for declared emergencies, of three percent or more of fiscal year spending, excluding bonded debt service payments. This requirement for Fiscal Year 2017-18 totals $411,626,422. At June 30, 2018 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. Only $73,436,945 of this fund's balance was restricted since, at June 30, 2018 its net assets were less than $83,000,000. The assets restricted were net cash of $70,983,582 and investments, excluding unrealized gains, of $2,453,363.
- 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 – $68,528,000. Only $61,728,938 of this fund's net assets were restricted, all of it cash, since at June 30, 2018 its net assets were less than $68,528,000. During the fiscal year, $8,450,000 was transferred from the Controlled Maintenance Trust Fund to the Disaster Emergency Fund, through seven executive orders, to pay for the costs of fighting wildfires and other purposes.
- Unclaimed Property Tourism Promotion Trust Fund - $5,000,000.

The 2017 legislative session Long Appropriations Act designated up to $160,272,000 of State properties as the remainder of the Fiscal Year 2017-18 emergency reserve.

The estimate of the needed reserve was based on the December 2017 revenue estimate prepared by Legislative Council. Because the revenues subject to the TABOR reserve requirement were more than available in the designated funds as detailed above, the amount restricted for the reserve was $11,188,539 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. 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

For fiscal years prior 2017-18, when TABOR refunds were required they were distributed to individual State taxpayers based on various statutory income tax refund mechanisms. The Department of Revenue continues to distribute TABOR refunds for prior fiscal years 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 result in over or under distribution of the required refund throughout the four-year period allowed for amended tax returns.

With the enactment of Senate Bill 17-267, the Legislature declared that commencing in Fiscal Year 2017-18, the TABOR refund mechanism is the reimbursement to local government treasuries of property tax revenue lost due to the senior and disabled veteran property tax exemption. According to C.R.S. 39-3-209(2), "The lesser of all reimbursement paid by the state treasurer to each treasurer as required by section 39-3-207(4) for the property tax year that commenced during the state fiscal year or an amount of such reimbursement equal to the amount of excess state revenues for the state fiscal year that are required to be refunded is a refund of such excess state revenues."

Regardless of the refund mechanism, C.R.S. 24-77-103.8 requires that under-distributions of refunds be carried forward to subsequent years and added to the required refund in a future year when revenue is over the spending limit. Over-distributions of refunds, pursuant to C.R.S. 24-77-103.7, are also carried forward to subsequent years and are used to offset any future refund liability. The amount of the over/under carry forward is 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 2017-18 the State had an outstanding TABOR refund liability of \$21,807,393. During the year \$480,605 was refunded to taxpayers from the Fiscal Year 2014-15 liability, when revenue last exceeded the spending limit. Before calculation of the amount over/under the excess State revenues cap for Fiscal Year 2017-18, the amount left to refund was thus reduced to \$21,326,788. In Fiscal Year 2017-18 nonexempt revenue again exceeded the excess State revenues cap by \$18,510,386. The resulting liability at June 30, 2018 was \$39,837,174.

NOTE 7. OTHER SOURCES AND ADDITIONS

The \$847.2 million reported in this line item primarily comprises: \$405.8 million of pension and other employee benefit trust fund investment earnings and additions by the State and participants; \$177.6 million of proceeds from the issuance of certificates of participation; \$139.1 million of revenue to permanent funds and trusts; \$18.1 million of local government expenditures recorded by the State as revenues and expenditures to meet grant matching-funds requirements; and \$88.2 million of other miscellaneous 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 $59,562 and $59,142 from this exempt source in Fiscal Years 2017-18 and 2016-17, 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 $1,647,470 and $1,425,668 including interest and unrealized gains/losses from this revenue source in Fiscal Years 2017-18 and 2016-17, 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 $617,552,518 and $542,028,380 of tax revenues, interest, and unrealized gains/losses, being excluded from fiscal year spending in Fiscal Years 2017-18 and 2016-17, 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 $146,991,846 and $147,216,201 of tax revenues, interest, transfers, and unrealized gains/losses from this exempt source in Fiscal Years 2017-18 and 2016-17, 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 $20,232,009 and $15,419,142 of extended limited gaming revenue in Fiscal Years 2017-18 and 2016-17, 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.

With the enactment of Senate Bill 267 in the 2017 legislative session, the retail marijuana sales tax rate increased from 10 percent to 15 percent and exempted the 2.9 percent sales tax. The State's share of the retail tax increased from 85 percent to 90 percent. These changes took effect on July 1, 2017. The 15 percent excise tax on the wholesale price of retail marijuana still applies.

The State recorded $68,435,222 of state excise tax and $168,198,408 of retail marijuana state sales tax revenues from these exempt sources in Fiscal Year 2017-18. In the prior fiscal year, the State recorded $71,915,551 and $98,343,634, respectively, from these two sources.

NOTE 9. REFERENDUM C

Referendum C was placed on the ballot by the General Assembly and was approved by 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 term "ratchet down" is 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.)
- In the 2017 legislative session, enactment of Senate Bill 17-267 lowered the ESRC base by $200 million. This one-time change took effect in Fiscal Year 2017-18 and permanently modifies future year calculations of the amount over or under the ESRC. The revised ESRC in Fiscal Year 2017-18 sets a new base which will continue to increase (or decrease) in future years by the combined percentage change in population and inflation.
- 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 $19,215,296,983 -- $3,593,602,662 during the initial five-year revenue retention period, and an additional $15,621,694,321 due to the ESRC exceeding the Fiscal Year Spending limit in Fiscal Years 2010-11 through 2017-18.

NOTE 10. 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 11. PRIOR PERIOD DISTRICT FUND BALANCE ADJUSTMENTS AND ACCOUNTING CHANGES

Prior period District fund balance adjustments decreased the TABOR District fund balance in total by $18,734,901.

PRIOR PERIOD ADJUSTMENTS –

- The Department of Corrections decreased the district's net assets by $1,200,967 to adjust for misstatements of net position in capital construction funds in the prior fiscal year.
- The Governor's Office of Information Technology decreased the district's net assets by $500,000 for project expenditures that should have been recorded in Fiscal Year 2016-17.
- The Department of Natural Resources increased the district's net assets by $220,429 to correct for a misstatement of net position in the Division of Parks and Wildlife.

ACCOUNTING CHANGES –

- The Office of the State Controller decreased the district's net assets by $15,272,060, for certain State entities, due to implementation of GASB Statement No. 75.
- The Office of the State Controller also decreased the district's net assets by $19,100 to adjust pass-through State grants in the Department of Health Care Policy and Financing.
- The Auraria Higher Education Center decreased the district's net assets by $1,963,203 to adjust the allocation of Fiscal Year 2017-18 pension costs.

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, Bureau of Labor Statistics, or its successor index." The Bureau of Labor Statistics' successor index beginning with the Fiscal Year 2017-18 Schedule of Computations is the index for the Denver-Aurora-Lakewood area.

The 4.5 percent allowable growth rate comprises a 1.7 percent increase for population growth (census date population for 2016 compared to census date population for 2015) and a 2.8 percent increase for inflation.

NOTE 13. SPENDING LIMIT ADJUSTMENTS FOR PRIOR YEAR ERRORS

With the addition of the excess State revenues cap, spending limit adjustments only impact the calculation of the Fiscal Year Spending Limit. In Fiscal Year 2017-18 there were no prior year revenue recognition errors, therefore there were no adjustments to the Fiscal Year 2016-17 Fiscal Year Spending Limit.

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 2017-18, Western State Colorado University re-qualified as a TABOR enterprise upon receiving less than ten percent of its revenues directly from the State and local governments. (See Note 3.) In the prior fiscal year, Western State Colorado University had been nonexempt from TABOR spending limits.

To neutralize the effect of the change in enterprise status in computing both the Fiscal Year 2017-18 spending limit and the excess State revenues cap, $24,171,043 was deducted from the Fiscal Year 2016-17 spending limit and the excess State revenues cap before application of the current year 4.5% allowable growth rate. This amount was Western State Colorado University's nonexempt District revenue from Fiscal Year 2016-17.

The fiscal year spending limit and the excess State revenues cap were also adjusted by adding $63,514 before application of the 4.5% growth rate. This is the amount that Western State Colorado University paid to non-TABOR enterprises in Fiscal Year 2016-17 that would have crossed the District boundary had it been a TABOR enterprise in the prior year.

The Qualification/Disqualification of Enterprises line in the Computation of District Fund Balance Changes section shows a decrease in fund balance of $39,703,097 – an adjustment to the prior year District fund balance for the re-qualification of Western State Colorado University as a TABOR enterprise. The adjustment is necessary because the funds of TABOR enterprises are not included in the TABOR District. (See Note 3.)

NOTE 15. 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 they are discovered. In Fiscal Year 2017-18 there were no errors affecting the amount of the Fiscal Year 2014-15 refund.

Fiscal Year 2014-15 excess revenue refundable to taxpayers at June 30, 2017 was $21,807,393. During Fiscal Year 2017-18, $480,605 was reimbursed to taxpayers. With Fiscal Year 2017-18 nonexempt revenues exceeding the excess State revenues cap by $18,510,386, the refund payable at June 30, 2018 was $39,837,174. (See Note 6.)

NOTE 16. FUTURE REFUNDS

In the 2017 legislative session, Senate Bill 267 established the Senior and Disabled Veterans Property Tax exemption as the TABOR refund mechanism, beginning in Fiscal Year 2017-18. The lesser of the State's reimbursement to local governments for the loss in property tax revenue due to the exemption, or the amount of the State's nonexempt revenue exceeding the Excess State Revenues Cap to be reimbursed, is the TABOR refund. Section 27 of the Act (amending C.R.S. 39-22-627) calls for the temporary adjustment of the state income tax rate from 4.63 percent to 4.5 percent, for any year in which the amount of excess nonexempt revenue to be reimbursed is greater than the senior and veterans property tax exemption payable to local government treasuries, plus the estimated decrease by which nonexempt revenue would be reduced by the reduction in the state income tax rate.