



COLORADO FISCAL  
POLICY INSTITUTE

## **How Can Colorado Maximize Federal Stimulus Dollars?** **Eliminate the 6%**

### **Making this Change Now Maximizes the Effects of Federal Stimulus Dollars**

Congress is poised to pass a large economic stimulus plan in the very near future that could mean more than \$2 BILLION for Colorado over two years. As we face a \$1 billion budget shortfall over that same period, we have to ask how our state can maximize that federal investment in Colorado? The answer: eliminate the 6%.

If the 6% provision stays in place, using federal stimulus dollars to replace general fund spending on programs will make the cuts permanent. Since the 6% formula is based on annual general fund spending, it contains a ratchet similar to the one in TABOR. If unchanged, the 6% will mean that when the economy recovers the general fund dollars cut from the budget during the recession cannot be used to restore program cuts and instead will be available only for capital investments forcing health care, higher education, K-12 education and safety net program spending to remain at recession levels.

### **Making this Change will Help Make Government Work for Coloradans**

Eliminating the 6% formula would give the Legislature the tools to invest based on the total amount of general fund available, which would better suit the priorities and needs of the state, instead of complex formulas and arbitrary constraints. Getting rid of the 6% formula would level the playing field for public investments in operating (program spending for health care, higher education, K-12, etc) and capital (transportation and building) spending.

The General Assembly would still have authority to fund transportation, health care, higher education and reserves at the level appropriate for economic conditions—without cannibalizing one priority for another. This change would also retain current rules for funding tax credits that are currently contingent on the 6% strategy, current allocation formulas for general fund transfers to the Highway Users Tax Fund, and current general fund reserve requirements.

### **This Change Does Not Require Voter Approval**

TABOR requires voter approval for a “weakening” of “other limits on district revenue, spending, and debt”. The 6% formula is not a “limit” on spending since it allows the General Assembly to spend all the general fund revenue collected by the State. This statute limits how the general fund can be spent but not how much. The General Assembly has the exclusive constitutional authority to appropriate funds and therefore retains the ability to set and change its own rules for appropriations.

This legislation will not increase spending or taxes, but it will increase accountability of legislators by allowing them the opportunity to fund priorities and not be constrained by formulas.

### **The Bottom Line**

Getting rid of the 6% would maximize federal stimulus dollars in Colorado, and strengthen Colorado’s long-term ability to invest in key priorities both in both good and bad economic conditions.