

Using Ref C Money the Way Voters Want: Baking the Biggest Pie



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Referendum C: Good News/Bad News

Good News

- Demonstrates Colorado voters are willing to support public expenditures
- More money for public investments
- Most program cuts avoided

Referendum C: Good News/Bad News

Bad News

- Doesn't come close to solving the state's fiscal problems
- Can't restore cuts made during recession and before
- Doesn't add new services
- Some service cuts are still likely *to be cut*

Common Interest in How Money is Spent

- Accountability to voters
- Maximize “Operating Spending”-Use as much of the money as possible for operating or non-capital spending

What Does Ref C Say About the Cutting the Pie?

- Creates General Fund Exempt Account
- Money in Exempt Account may be used:
 - To fund health care
 - To fund education
 - To fund retirement plans for firefighters and police officers
 - To pay for strategic transportation projects

What Do the Voters Think *They* Said About the Pie?

REFERENDUM C

Based on \$3.1 billion in TABOR surplus over next five years

As required under Colorado Law HB05-1194/1350

30% K-12 Schools

Textbooks, libraries, kindergarten and pre-school, in-classroom instruction.

30% Health Care

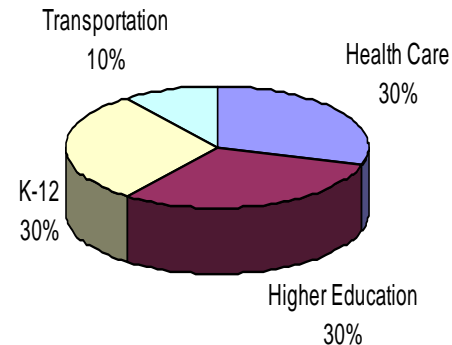
Health care for Colorado's elderly, low-income and disabled populations; programs to lower health insurance costs for individuals and small businesses.

30% Community Colleges & State Colleges

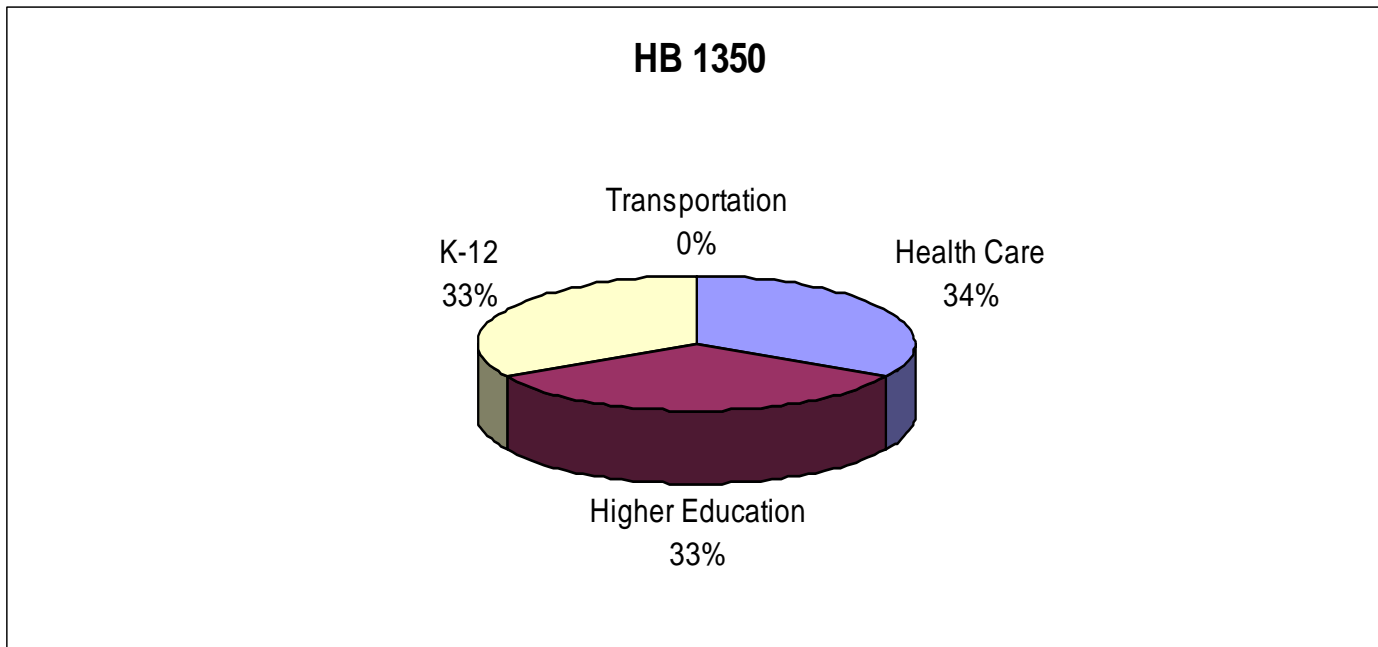
Need-based financial help; merit-based financial aid; College Opportunity Fund Program.

10% Repayment of Referendum D Bonds

Campaign Message



Are There Other Ways to Divide the Pie?

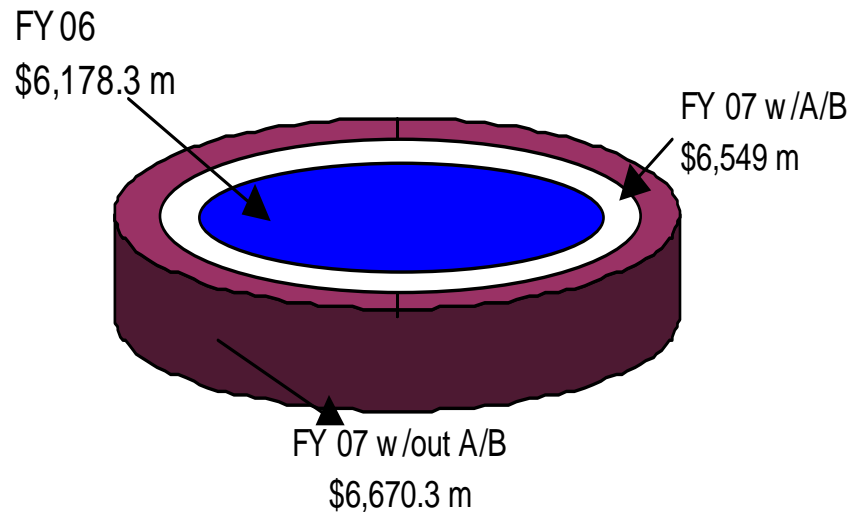


How Does the New-Sized Pie Fit With Pre-Existing Spending Rules?

- 4% Reserve Requirement
- Arveschoug-Bird Statutory Spending Limit
 - General fund operating budget can increase by no more than 6% from one year to the next
- SB1 General Fund Transfer to HUTF

A/B Restricts the Size of the Operating Pie

Comparison of Size of Operating Budget



SB 97-01 HUTF transfer

Restricts Use of Non-Operating

If General Funds are sufficient to:

support a 6% increase in spending for operations, and

fill the 4% statutory reserve. THEN,

General Funds equivalent to 10.335% of Sales and excise tax receipts are transferred to the Highway Users Tax Fund

What Do We Mean by “New Money”

1. All Money in General Fund Exempt Account

FY 2006-07---\$760.3m

2. All the Arveschoug-Bird allowable increase

FY 2006-07---\$377.6m

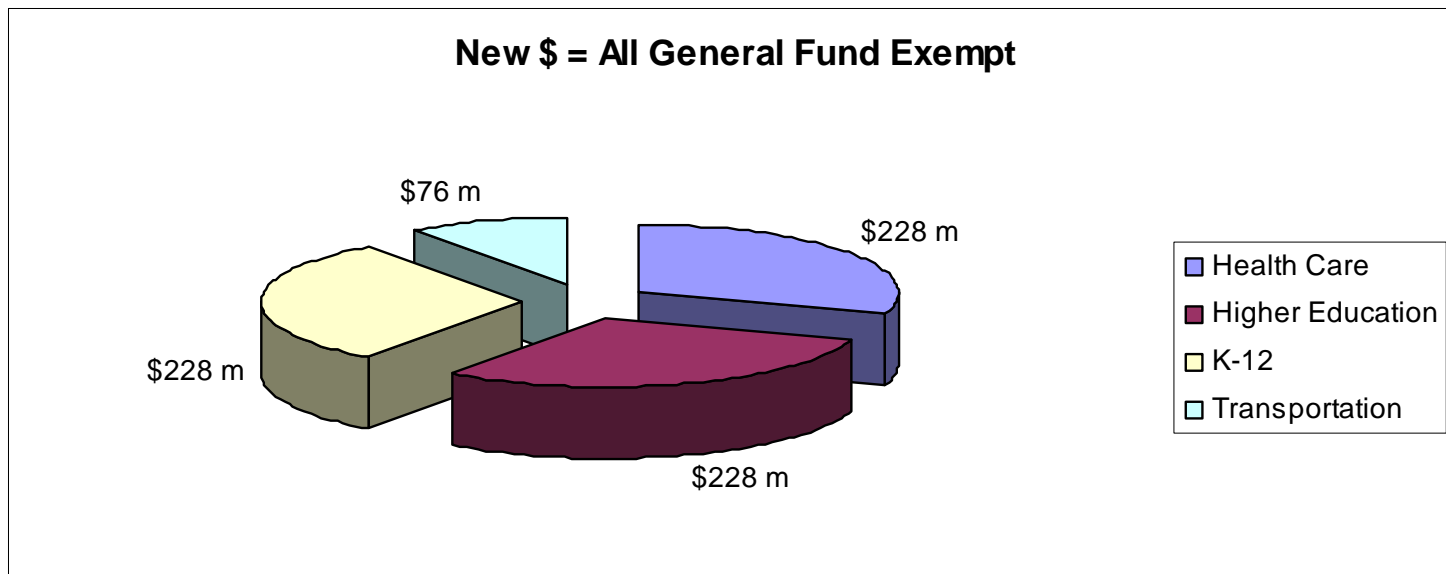
3. General Fund left after Current Services Funding

FY 2006-07---\$74.6m

1. All General Fund Exempt

FY 2006-07 -- \$760.3 million

Split=30-30-30-10



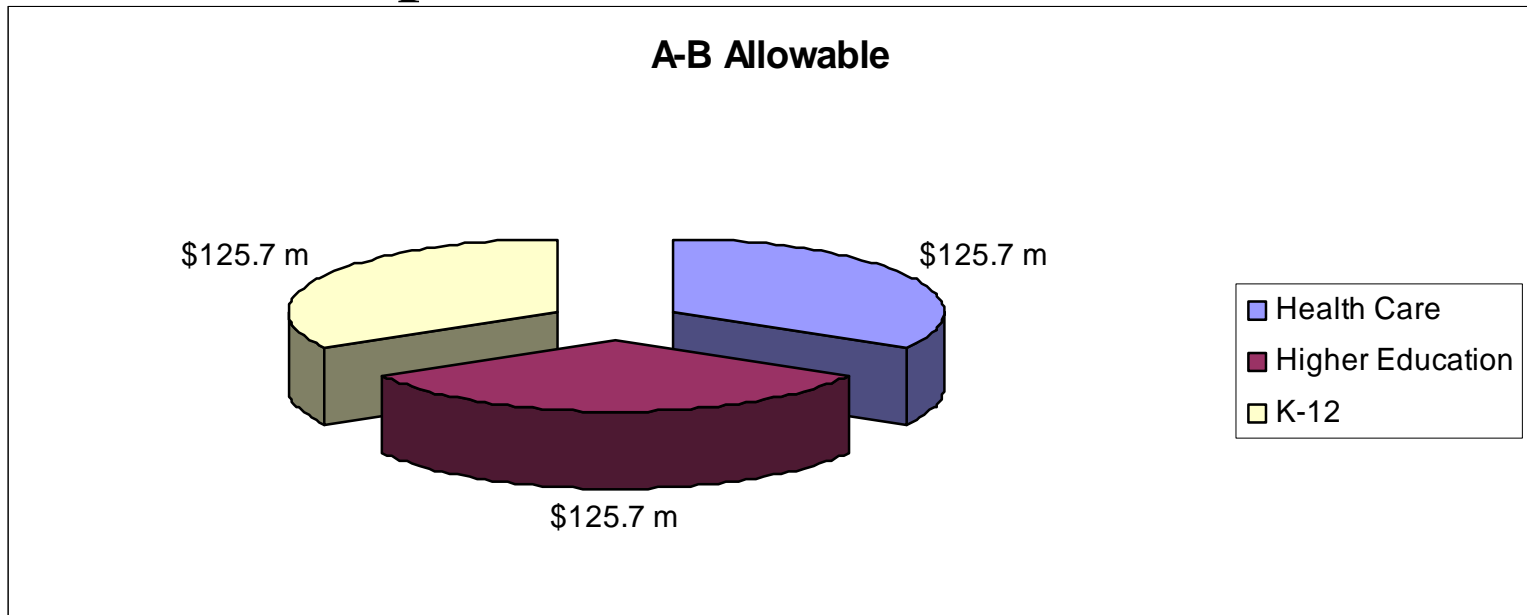
Issues with “All General Fund Exempt” Definition

- Results in cuts to non-Referendum C services
- Requires new statutory interpretations and potential statute changes

2. All “Arveschoug-Bird Allowable” Increase

FY 2006-07--\$377.6 million

Split=1/3-1/3-1/3



Issues with “All A/B Allowable Definition”

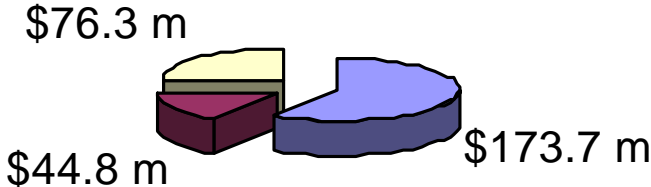
- Means cuts in current services
- Lots of money for capital only

3. General Fund after Maintaining Current Services

- Keeping spending flat means fewer services
- JBC projections to avoid cuts for the “Big Six” is \$303 million
- **\$74.6m in new money** (\$377.6m - \$303m)
- Health care, K-12 and Higher Ed divide
\$74.6m for \$24.9m each
- All other parts of General Fund Operating budget Share \$82.9 million

Maintain Current Services

Maintain Current Services and Split Difference-1/3-1/3-1/3



- Education
- Higher Education
- Health Care

What Spending is not Included in These Spending Calculations?

- Statutory Reserve increases
- Pay back of money borrowed from cash funds-- HB02-1391 CRS 24-75-217(3)
- Senior Homestead Property Tax Exemption

All of these can be funded as non-operating, according to A-B

FY 2005-06 Supplemental Spending of General Fund Exempt

- General Fund Exempt Account--\$644.3m
- If we want to consider options to expand the size of the operating pie, we should advocate for using Exempt money for one time expenditures in the last half of FY 2006.

Is It Possible to Change Any of the Pre-Existing Rules?

YES!

- Some can change, some can be more completely used.
- **ALL SUCH PROPOSALS WILL REQUIRE LEGISLATIVE ACTION!**

Why should we care?

- Our long term interests dictate that we care about accountability to voters.
- If no changes are made, barely 50% of the Exempt money can be used for operating spending.
- Of the 50% of the operating money available, nearly 40% is needed just to comply with Amendment 23.

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