

CALCON 2015

Friday October 23, 2015

Presenters:

Carol Hedges, Colorado Fiscal Institute
Executive Director

Michael Varnet, Pikes Peak Library District
Chief Financial Officer

UNDERSTANDING TABOR

Art X Sec 20

Carol Hedges
Executive Director



Explanation: TABOR

- Taxpayers Bill of Rights is an amendment to the Colorado Constitution approved by voters in 1992
- It passed the fifth time that a tax and/or spending limitation had appeared on the ballot since 1978, and the third time a comprehensive limit had appeared

TABOR:

Four Major Provisions

**Limits Elected's Ability to
Raise Revenue**

Limits Revenue Collections

Limits Tax Options

Sets Election Provisions

Explanation Provision 1:

Limits Ability of Elected Officials to Raise Revenue

Art X sec 20 (4) ...districts must have voter approval in advance for:

(a)...“any new tax, tax rate increase, mill levy above that for the prior year, valuation for assessment ratio increase for a property class, or extension of an expiring tax, or a tax policy changes directly causing a net tax revenue.

Explanation of Provision 2:

Limits Revenue Collections

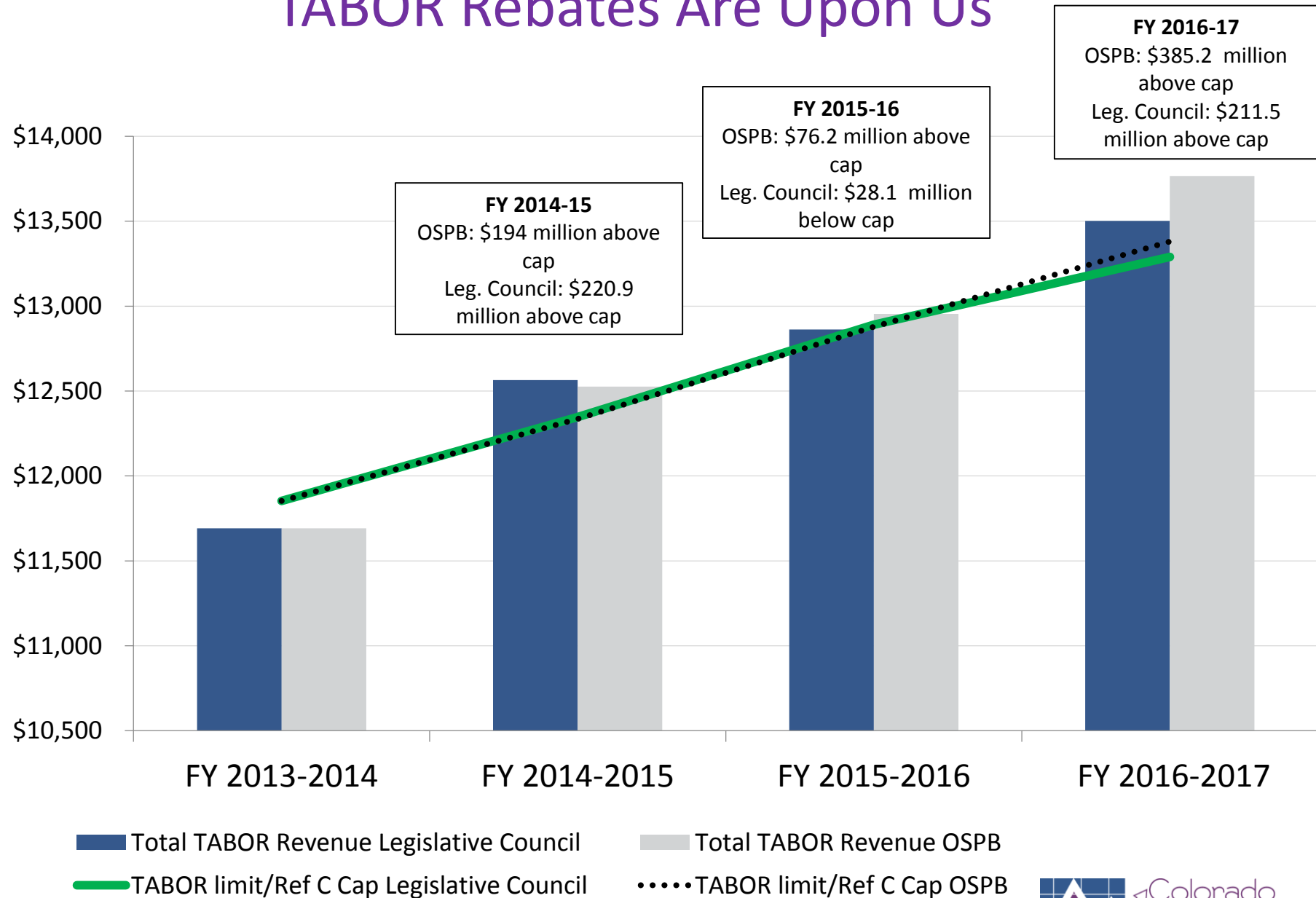
- **State:** inflation + change in population
- **Local District:** inflation + annual local growth*
- **Property Tax:** inflation + annual local growth*

*Net Percentage change in actual value of all real property in a district from construction co taxable real property improvements, minus destruction of similar improvements and additions to, minus deletions from, taxable real property

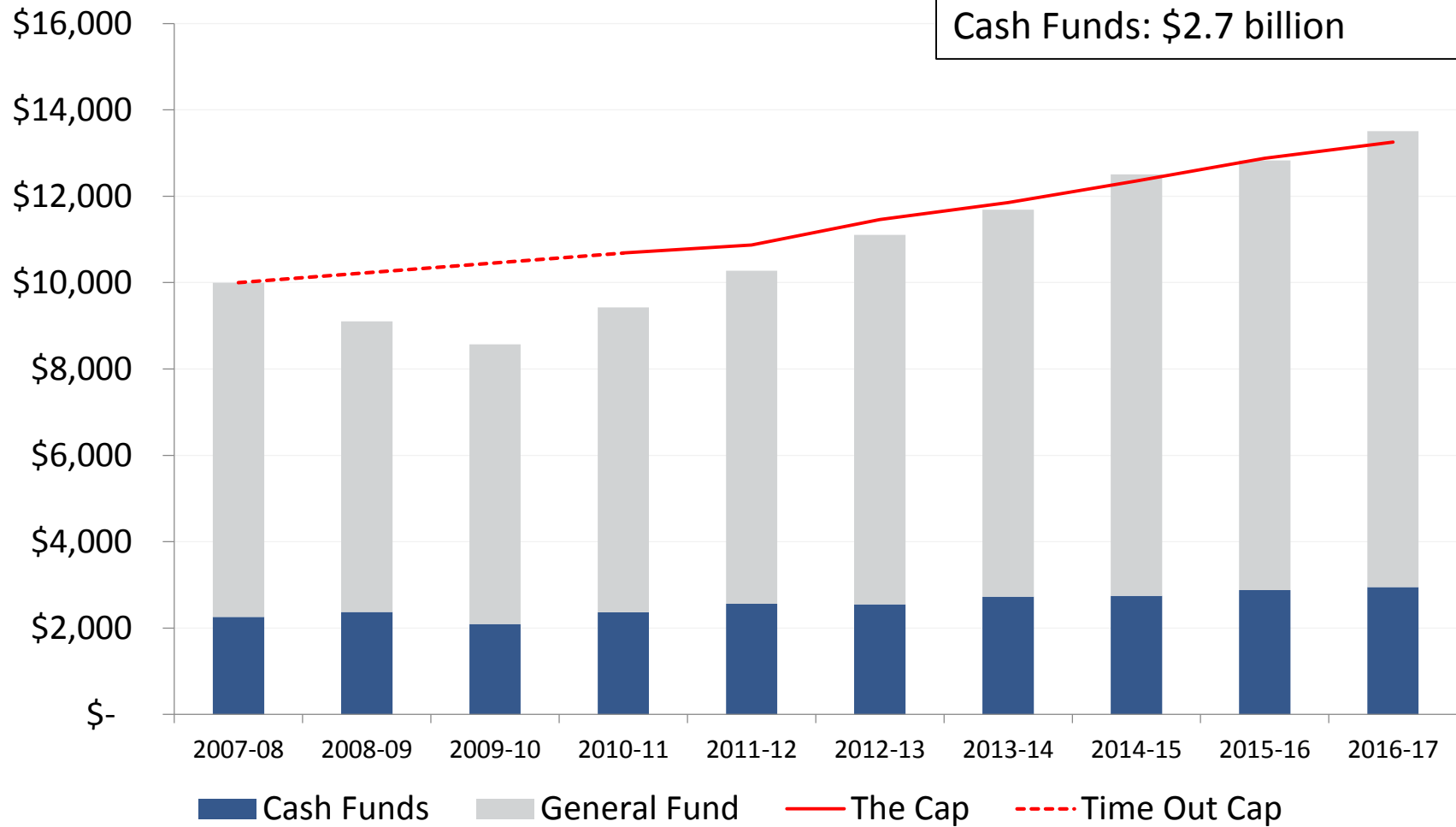
What are TABOR Rebates?

When state revenues (Fiscal Year Spending) exceed the voter approved cap, the Colorado Constitution requires money be refunded to taxpayers.

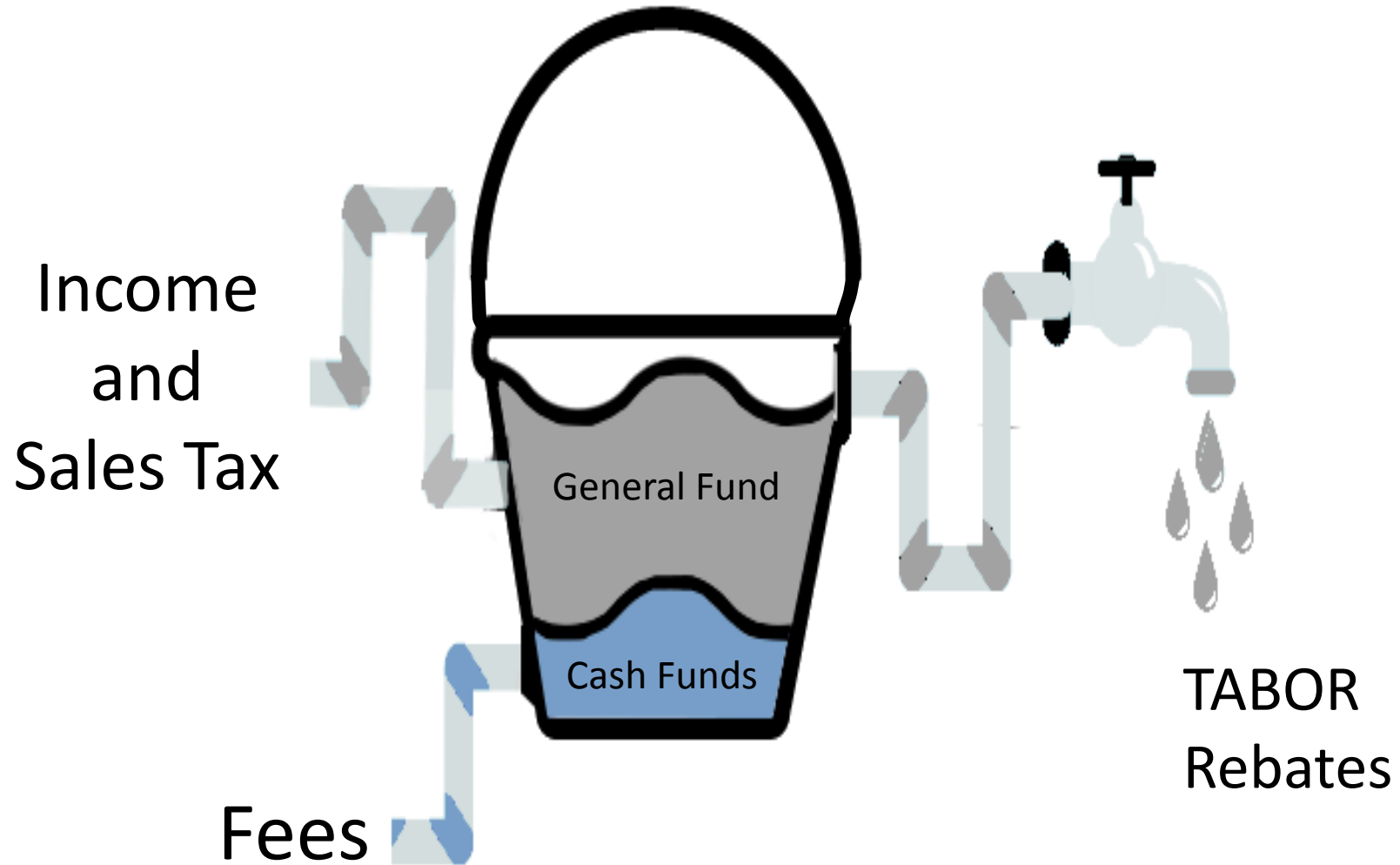
TABOR Rebates Are Upon Us



Revenue Subject to Cap Comes from Taxes and Cash Funds



TABOR Rebates are Paid from General Fund



Reasonable Means to Return Money

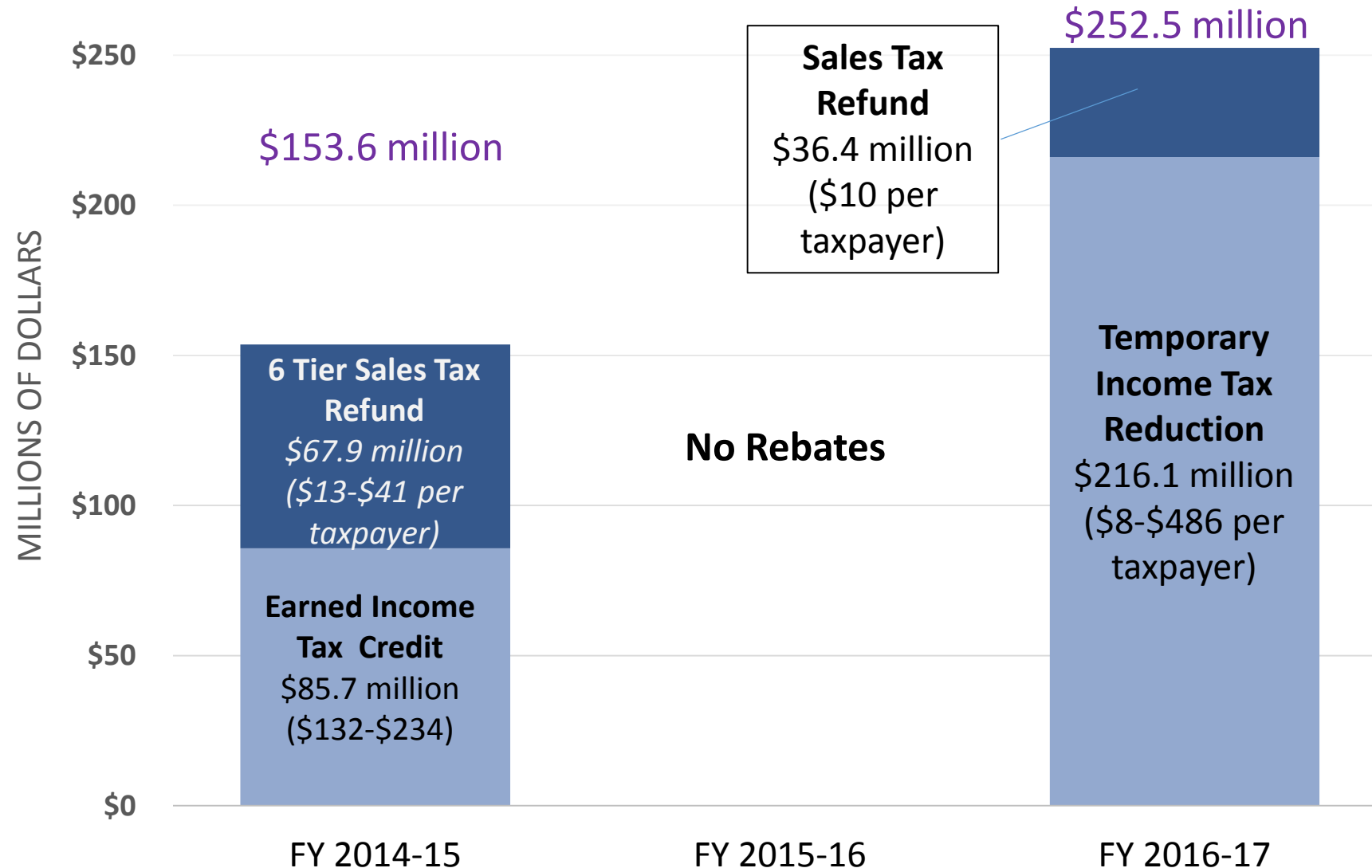
“...districts may use any reasonable method for refunds under this section, including temporary tax credits or rate reductions”

-Colorado Constitution—Article X Section 20

Currently there are 3 Rebate Mechanisms

Size of the Rebate Depends How Money is Returned

September Estimates of Legislative Council



Explanation of Provision 3:

Limits Tax Options

Art X Sec 20 Section (8) prohibits real estate transfer taxes, state property taxes, local income taxes, and graduated income tax.

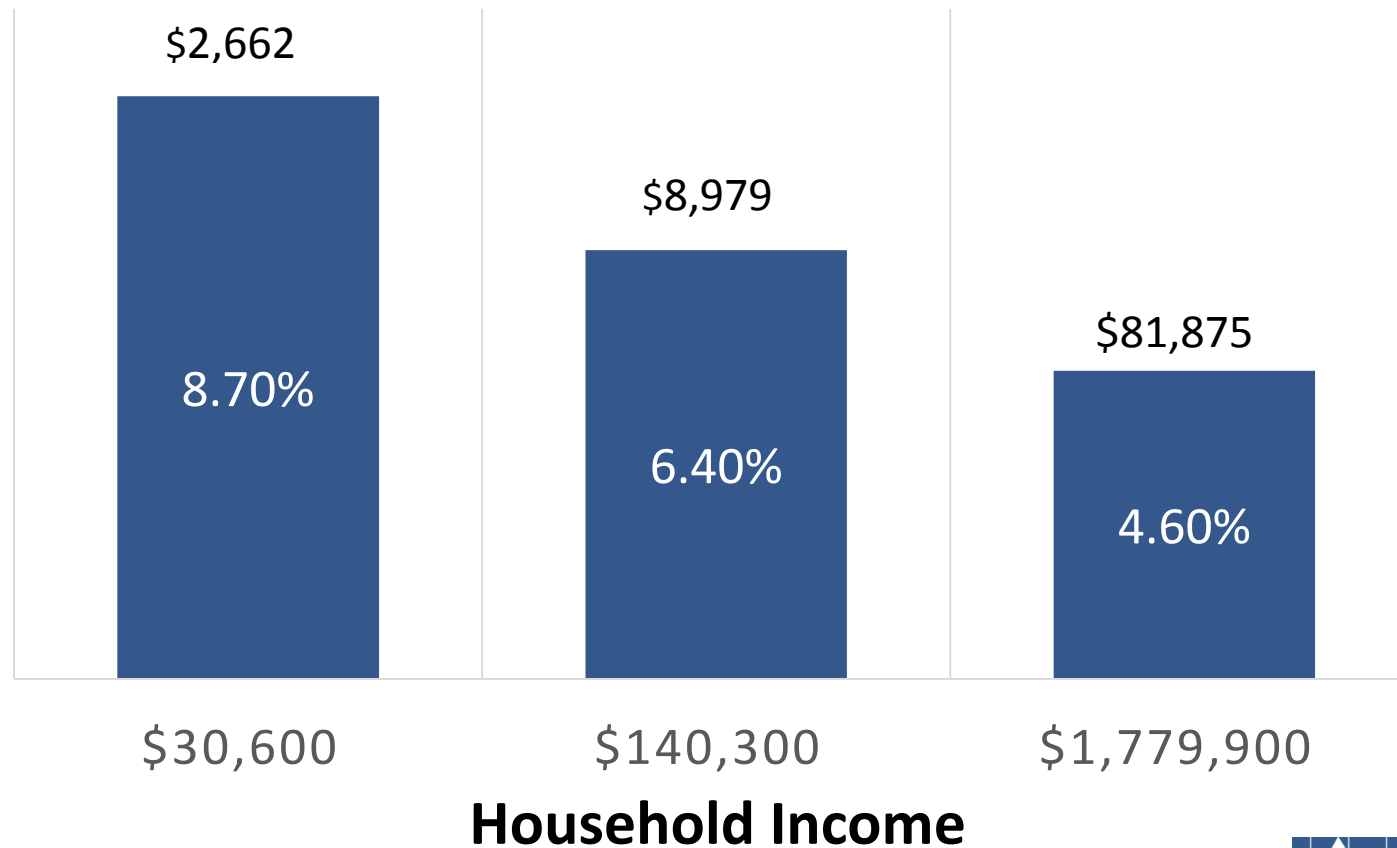
Explanation of Provision 4:

Set Election Provisions

Created general elections in odd numbered years, required specific language for ballot measures that increase taxes per section 7, required estimates of the amount of money that would be raised by the proposed increase and required estimates of the amount of spending that would occur if the increase were not passed.

We Can't Fix Our Upside Down Tax System

Share of income paid in state and local taxes in CO



Marijuana Rebate not Related to Revenue Cap

	Blue Book Estimate FY 2014-15	June 2015 Estimate FY 2014-15
State spending without new taxes	\$12,080	\$12,565
State revenue from new tax	\$67	\$58

(dollar figures in millions)

Marijuana rebate not because taxes on marijuana were higher than expected, but because total taxes/fees were higher than expected.

The Conundrum: Rapidly Growing Economy Doesn't Allow for Better Investments

- K-12 is **\$855 million below** what was agreed upon by voters - spending **\$2,053 less per pupil** than the national average.

40th in starting teacher salary

We support our future workers less than we used to

Today families/students pay 2/3 cost of college education and state helps out with 1/3. Back in 2001, that ratio was flipped.

Tuition in CO growing faster than other states

Keep ourselves from being able to enjoy the bounty and beauty of the state

Congestion on our roads

More damage to our cars

Dealing with Colorado Conundrum

Make sure that what counts toward the cap are actually public dollars.

Ask voters if they want services or a refund.

Update economic policy in the constitution to reflect changing conditions.

Questions?

Colorado Fiscal Institute

720-379-3019

www.coloradofiscal.org

hedges@coloradofiscal.org

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TABOR Issues Related to Pikes Peak Library District

- TABOR Factors
 - Inflation
 - Growth
- Property Tax Mill Levy
- Property Tax Revenue Limit
 - TABOR and State 5.5% Limit
- Fiscal Year Spending Limit
- Emergency Reserve



TABOR Factors Inflation

- CPI Denver/Boulder (all items, all urban customers)
- Use prior year CPI to calculate current year limits
- Final CPI comes out after budget is approved; leads to estimates

Pikes Peak Library District			
CPI - Denver/Boulder			
Fiscal Year 2014			
		CPI	%
2008		209.903	
2009		208.548	-0.646%
2010		212.447	1.870%
2011		220.288	3.691%
2012		224.568	1.943%
2013		230.791	2.771%



TABOR Factors Growth

- Data is provided by County Assessor
- Net percentage change in actual value of all real property in a district from construction of taxable real property improvements, minus destruction of similar improvements, and additions to, minus deletions from, taxable real property

Pikes Peak Library District	
TABOR - Growth Calculations	
Fiscal Year 2014	
	<u>2014</u>
Total actual value of all real property	50,404,536,078
Construction of taxable real property	787,366,472
Annexations/Inclusions	-
Increase in mining production	-
Previously exempt property	54,031,929
Oil and gas production from new wells	-
Taxable property omitted	6,948,121
Destruction of property improvements	98,787,807
Disconnections/exclusions	-
previously taxable property	56,709,520
Calculation	
Net Growth	692,849,195
Valuation of property	49,711,686,883
Local growth	1.3937%



Property Tax Mill Levy

- Voter approval required to increase mill levy over prior year
- PPLD received voter approval in 1986 to increase mill levy to 4.000 mills
- Courts upheld 1986 election and prior voter approval

Pikes Peak Library District							
Mill Levies and Property Tax Revenue							
Fiscal Years 2006 - 2014							
		PPLD Mill Levy - All Components					
		General Fund			Temporary	Total	Assessed
Collection Year		Operating	Abatements	Bond Fund	Reduction	Mill levy	Valuation
2006		3.332	0.021	-	(0.057)	3.296	5,236,880,910
2007		3.501	0.014	-	-	3.515	5,407,012,540
2008		3.337	0.018	-	(0.030)	3.325	6,142,321,540
2009		3.526	0.031	-	(0.017)	3.540	6,208,041,670
2010		3.439	0.029	-	-	3.468	6,454,866,500
2011		3.526	0.030	-	-	3.556	6,462,164,700
2012		3.982	0.017	-	-	3.999	5,968,035,500
2013		4.000	-	-	-	4.000	6,042,452,470
2014		4.000	-	-	-	4.000	6,028,899,300



Property Tax Revenue Limit

- Current Year Property Tax Revenue Can't Exceed Prior Year Property Tax Revenue Adjusted for inflation and growth
- Excess revenue above limit must be refunded to taxpayers plus 10% simple interest per annum, unless voters approve otherwise

Pikes Peak Library District								
TABOR								
Fiscal Year 2014								
							Property Tax Revenue	
Collection	Operating	Property Tax	TABOR Factors			TABOR	Actual	(Over)
<u>Year</u>	<u>Mill Levy</u>	<u>Revenue</u>	<u>Inflation</u>	<u>Growth</u>	<u>Total</u>	<u>Limit</u>	<u>Levy</u>	<u>Under</u>
2013							24,169,810	
2014	4.000	23,978,299	2.7711%	1.3937%	4.1648%	25,176,442	24,115,597	1,060,845

State 5.5% Property Tax Revenue Limitation

- PPLD follows more restrictive of two property tax revenue limits (TABOR and State 5.5%)
- State calculates 5.5% limit annually
- <https://dola.colorado.gov/lgis/dlg53EntityAlpha.jsf>

Statutory Property Tax Revenue Limitation
The "5.5%" Limit, 29-1-301, C.R.S
Tax Year 2014 (Budget Year 2015)

Form DLG-53
Revised 2006
Calculated: 09:08 12/03/2014
Generated: 12:57 09/27/2015
Limit ID: 68973

Pikes Peak Library District (21052/1)

The following steps were used to calculate your limit. The Division of Local Government encourages you to check each figure for accuracy. Years referenced are "Tax Year", not budget years. Amounts are rounded to whole dollars.

A1. Adjust the 2013 5.5% Revenue Limit to correct the revenue base, if necessary:

A1a. The 2013 Revenue Limit [\$25,727,247] + 2012 Amount Over Limit [\$0] = \$25,727,247
A1b. The lesser of Line A1a [\$25,727,247] or the 2013 Certified Gross General Operating Revenue [\$23,978,299] = A1. **\$23,985,241**
A1c. Line A1b [\$23,978,299] + 2013 Omitted Revenue, If any [\$6,942]

A2. Calculate the 2013 Tax Rate, based on the adjusted tax base:

Adjusted 2013 Revenue Base [\$23,985,241] + 2013 Net Assessed Value [\$5,994,574,660] = A2. **0.004001**

A3. Total the assessed value of all the 2014 "growth" properties:

Annexation or Inclusion [\$0] + New Construction [\$116,197,500] + Increased Production of Producing Mine [\$0] + Previously Exempt Federal Property [\$0] + New Primary Oil & Gas Production [\$0]* = A3. **\$116,197,500**

A4. Calculate the revenue that the "growth" properties would have generated in 2013:

Line A3 [\$116,197,500] x Line A2 [0.004001] = A4. **\$464,906**

A5. Expand the Revenue Base by "revenue" from "growth" properties:

Line A1 [\$23,985,241] + Line A4 [\$464,906] = A5. **\$24,450,147**

A6. Increase the Expanded Revenue Base by allowable amounts:

A6a. The greater of 5.5% of Line A5 [\$1,344,758] or \$0 = \$1,344,758
A6b. Line A5 [\$24,450,147] + Line A6a [\$1,344,758] + DLG Approved Revenue Increase [\$0] + Voter Approved Revenue Increase [\$0] = A6. **\$25,794,905**

A7. 2014 Revenue Limit:

Line A6 [\$25,794,905] - 2014 Omitted Property Revenue [\$3,972] = A7. **\$25,790,933**

A8. Adjust 2014 Revenue Limit by amount levied over the limit in 2013:

Line A7 [\$25,790,933] - 2013 Amount Over Limit [\$0] = A8.* **\$25,790,933**

* THE ALLOWED REVENUE OF A8 DOES NOT TAKE INTO ACCOUNT ANY OTHER LIMITS THAT MAY APPLY TO YOUR PROPERTY TAX REVENUE, SUCH AS STATUTORY MILL LEVY CAPS, VOTER-APPROVED LIMITATIONS, THE TABOR PROPERTY TAX REVENUE LIMIT, OR THE TABOR PROHIBITION AGAINST INCREASING THE MILL LEVY WITHOUT VOTER AUTHORIZATION. THE PROPERTY TAX LIMITATIONS WORKSHEET (FORM DLG-53A) MAY BE USED TO PERFORM SOME OF THESE CALCULATIONS FOR COMPARISON TO THE "5.5%" LIMIT.

* These amounts, if certified by your County Assessor(s), may only be used in this calculation after an application has been made to the Division by November 1st (for New Primary Oil & Gas Production). Forms and guidelines are available by contacting the Division.

The formula to calculate a Mill Levy is:

Mill Levy = $\frac{\text{Revenue}}{\text{Current Year's Net Total Taxable Assessed Valuation}^*} \times 1,000$ (Round to three decimals)*

* Use the Net Total Taxable Valuation as provided on line 4 of the final Certification of Valuation from the County Assessor.

* Rounding the mill levy up may result in revenues exceeding allowed revenue.

Pikes Peak Library District
Mr. Michael E. Varnet or Budget Officer
1175 Chapel Hills Dr.
Colorado Springs, CO 80920

If you need assistance, please contact the
Division of Local Government:
www.dola.colorado.gov/dlg/ta/budgeting/

Phone: (303) 866-2156
Fax: (303) 866-4819

Pikes Peak Library District					
State 5.5% Limitation					
Fiscal Years 2006 - 2014					
			Property Tax	State 5.5%	(Over)
<u>Collection Year</u>		<u>Mill Levy</u>	<u>Revenue</u>	<u>Limitation</u>	<u>Under Limit</u>
2006		3.332	17,449,287	18,183,282	733,995
2007		3.501	18,929,951	19,175,879	245,928
2008		3.337	20,496,927	20,949,892	452,965
2009		3.526	21,889,555	22,398,204	508,649
2010		3.439	22,198,286	23,687,133	1,488,847
2011		3.526	22,785,593	23,719,164	933,571
2012		3.982	23,764,717	24,188,012	423,295
2013		4.000	24,169,810	25,220,991	1,051,181
2014		4.000	24,115,597	25,727,247	1,611,650

Fiscal Year Spending Calculation

- Calculated annually – part of annual audit
- Prior Year Fiscal Year Spending adjusted for CPI and Growth
- TABOR defines specific exclusions
- Excess refunded to taxpayers at 10% simple interest

Pikes Peak Library District	
Fiscal Year Spending	
Fiscal Year 2014	
	<u>2014</u>
Total Fund Expenditures	
General Fund	\$ 25,008,944
Designated Funds	50,258
Capital Projects Funds	
East Library Renovation Fund	39,867
Penrose Library Renovation Fund	67,406
Capital Reserve Fund	522,691
North facility Project fund	4,693,990
Total Expenditures	30,383,156
Fund Balance Changes	
General Fund	(519,042)
Designated Funds	(50,258)
Capital Projects Funds	
East Library Renovation Fund	1,232,394
Penrose Library Renovation Fund	1,174,610
Capital Reserve Fund	(248,784)
North facility Project fund	(4,118,610)
Total Fund Balance Change	(2,529,690)

Pikes Peak Library District	
Fiscal Year Spending	
Fiscal Year 2014	
Fund Transfers	
General Fund	(3,088,231)
Designated Funds	-
Capital Projects Funds	
East Library Renovation Fund	1,272,261
Penrose Library Renovation Fund	1,242,016
Capital Reserve Fund	273,907
North Facility Project fund	300,047
Total Fund Transfers	-
Fiscal Year Spending Exclusions	
Sale of fixed assets	50,403
Federal revenues	158,818
Donations/non-state grants	462,928
Total Fiscal Year Spending Exclusions	672,149
Fiscal Year Spending	27,181,317
TABOR Factors - Current Year	4.1648%
Prior Year FYS	27,072,891
Fiscal Year Spending Allowed - Current Year	28,200,432
Actual Fiscal Year Spending	27,181,317
Difference	\$ 1,019,114
TABOR Reserve	\$ 815,440

Emergency Reserve

- Equates to 3% of Fiscal Year Spending
- Used only for emergency
- Emergency excludes economic conditions, revenue shortfalls, or district salary or fringe benefit increases; does not define what an emergency is
- Emergency reserve must be used first before emergency taxes
- Not clear when it must be replenished; maybe same year

Pikes Peak Library District	
Fiscal Year Spending	
Fiscal Year 2014	
Fiscal Year Spending	27,181,317
TABOR Factors - Current Year	4.1648%
Prior Year FYS	27,072,891
Fiscal Year Spending Allowed - Current Year	28,200,432
Actual Fiscal Year Spending	27,181,317
Difference	\$ 1,019,114
TABOR Reserve	\$ 815,440

Conclusion

- Questions
- Thank you