

Proposition BB Retain Revenue in Excess of Blue Book Estimate

1 **Proposition BB, if approved, would:**

- 2 ◆ allow the state to spend \$66.0 million* rather than refund it to taxpayers.

3 **Summary and Analysis**

4 This summary and analysis includes the following:

- 5 ◆ the constitutional requirements under which this ballot measure applies;
6 ◆ the specific events that led up to this measure; and
7 ◆ the outcomes of passage or failure of this measure.

8 ***Constitutional requirements for new taxes.*** The Colorado Constitution requires
9 voters to approve new taxes and to receive the following two estimates in the ballot
10 information booklet (Blue Book) prior to voting:

- 11 ◆ state revenue subject to the state's constitutional spending limit;¹ and
12 ◆ revenue from the new taxes.

13 If voters approve a new tax and either estimate is exceeded, the state must refund
14 the excess up to the amount of revenue collected from the new tax. The state
15 legislature can ask voters for permission to keep and spend the refund amount. The
16 refund requirement applies only in the first state budget year for which taxes are
17 collected.

18 ***Specific events that led to Proposition BB being on the ballot.*** In 2012, voters
19 approved Amendment 64, which legalized the sale and use of retail (non-medical)
20 marijuana sold to adults 21 years of age and older. In 2013, voters approved
21 Proposition AA, which authorized excise and sales taxes on retail marijuana. Voters
22 received estimates of state revenue subject to the state's constitutional spending limit
23 and revenue from the new taxes for budget year 2014-15, the first full year in which
24 the new taxes were to apply. State revenue for budget year 2014-15 was higher than
25 estimated in the Proposition AA Blue Book, while retail marijuana tax revenue was
26 slightly lower than the estimate, as shown in Figure 1.

¹For more information on the state's constitutional spending limit, please refer to Legislative Council Staff Issue Brief 14-03A at <http://tinyurl.com/SpendingLimitIssueBrief>.

*Numbers referenced with an asterisk throughout the document are preliminary for FY 2014-15. These numbers will be updated in the Blue Book when final FY 2014-15 data are available. This footnote will not be in the final document.

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Figure 1.
Proposition AA Blue Book Estimates Compared to Actual Figures

	2013 Blue Book Estimates	FY 2014-15 Actual Figures	Difference from Estimate
Total Revenue Subject to Spending Limit	\$12.08 billion	\$12.35 billion*	\$270.0 million* above estimate
Revenue from Marijuana Taxes	\$67.0 million	\$66.0 million*	\$1.0 million* below estimate

9 Because actual revenue exceeded one of the estimates in Figure 1, the state owes
10 taxpayers a refund, unless voters allow the state to spend the refund amount. The
11 refund is equal to the amount of revenue collected from the voter-approved taxes on
12 retail marijuana in budget year 2014-15, or \$66.0 million.*

13 **Outcomes of passage or failure of Proposition BB.** In 2015, the state
14 legislature passed House Bill 15-1367 referring this measure, Proposition BB, to
15 voters. Proposition BB asks voters whether the state may retain and spend revenue
16 collected in excess of an estimate provided for Proposition AA. Depending on the
17 outcome of the vote on Proposition BB, the bill specifies that this money either be
18 used by the state or refunded to taxpayers, as shown in Figure 2.

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Figure 2.
Outcomes under Proposition BB

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If Proposition BB Passes ("Yes" Vote)	If Proposition BB Fails ("No" Vote)
<ul style="list-style-type: none"> \$40.0 million will be spent on school construction; \$12.0 million will be spent to fund the state programs listed below; and the remainder has not yet been allocated because the actual amount of revenue was unknown when House Bill 15-1367 passed. 	<ul style="list-style-type: none"> \$25.0 million will be refunded to Colorado residents who file a 2015 state income tax return; \$24.0 million* will be refunded directly to retail marijuana cultivators; and \$17.0 million* will be refunded to retail marijuana purchasers through a temporary reduction in the retail marijuana sales tax rate.

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1 **State programs to be funded if Proposition BB passes.** In addition to
 2 \$40.0 million for school construction, House Bill 15-1367 identifies the following
 3 programs to receive a total of \$12.0 million if Proposition BB passes:

- 4 ♦ marijuana education and prevention campaigns (\$2.5 million);
- 5 ♦ bullying prevention school grants (\$2.0 million);
- 6 ♦ drop-out prevention school grants (\$2.0 million);
- 7 ♦ youth mentoring services (\$2.0 million);
- 8 ♦ poison control centers (\$1.0 million);
- 9 ♦ local government marijuana impact grants (\$1.0 million);
- 10 ♦ substance abuse screening, intervention, and referral (\$500,000);
- 11 ♦ substance abuse treatment (\$500,000);
- 12 ♦ Future Farmers of America and 4-H programs at the State Fair
- 13 (\$300,000); and
- 14 ♦ roadside impaired-driving enforcement training for peace officers
- 15 (\$200,000).

16 **Tax refund if Proposition BB fails.** If Proposition BB fails, \$25.0 million will be
 17 refunded to Colorado residents who file a 2015 state income tax return. The refund
 18 will average \$8 per full-year taxpayer, but actual amounts will vary depending on the
 19 taxpayer's income and filing status as shown in Figure 3.

20 **Figure 3.**
 21 **Tax Year 2015 Tax Refund if Proposition BB Fails**

Single Returns		Joint Returns	
Adjusted Gross Income*	Refund	Adjusted Gross Income*	Refund
Up to \$36,800	\$6	Up to \$30,000	\$12
\$36,800 to \$79,000	\$7	\$30,000 to \$73,600	\$14
\$79,000 to \$115,000	\$8	\$73,600 to \$116,800	\$16
\$115,000 to \$182,400	\$10	\$116,800 to \$195,700	\$20
\$182,400 and over	\$16	\$195,700 and over	\$32

29 **Adjusted gross income is a taxpayer's total gross income minus specific deductions.*

30 **Effect on local governments.** Local governments that permit retail marijuana
 31 sales will receive \$6.3 million* less from the state beginning January 1, 2016, if
 32 Proposition BB fails.

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For information on those issue committees that support or oppose the measures on the ballot at the **November 3, 2015**, election, go to the Colorado Secretary of State's elections center web site hyperlink for ballot and initiative information:

<http://www.sos.state.co.us/pubs/elections/Initiatives/InitiativesHome.html>

1 **Argument For**

2 1) Coloradans voted to legalize and tax marijuana with the expectation that doing
3 so would harness revenue from a hidden economy for the greater good of the state.
4 While an average refund of \$8 per person is a relatively small amount, \$66.0 million*
5 will boost school construction and address the effect of marijuana legalization on
6 communities and children. These are valuable programs that voters intended to use
7 marijuana taxes to support. If this money is refunded, a year of marijuana taxation is
8 undone.

9 **Argument Against**

10 1) Proposition BB is effectively a temporary tax increase. The measure eliminates
11 a tax refund required by the Colorado Constitution. The state economy generated
12 more revenue than forecast when Proposition AA passed, which could have been
13 used to fund the programs identified in the measure. Taxpayers are being asked to
14 give up this refund to pay for program expenditures that were not prioritized in the
15 state budget.

16 **Estimate of Fiscal Impact**

17 House Bill 15-1367 specifies changes to state law that take effect upon the
18 passage or failure of Proposition BB. The paragraphs below describe the state fiscal
19 impacts under either outcome.

20 ***Fiscal impact if Proposition BB passes.*** If Proposition BB passes, the state will
21 not be required to refund \$66.0 million* to taxpayers. Spending on state and local
22 programs in state budget year 2015-16 will increase by \$52.0 million, including
23 \$40.0 million for public school capital construction projects and \$12.0 million for the
24 education, health care, and public safety programs listed previously. The remaining
25 \$14.0 million* is not yet allocated within the state budget.

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Final Draft

1 ***Fiscal impact if Proposition BB fails.*** If Proposition BB fails, the state will be
2 required to refund \$66.0 million* in state budget year 2015-16. The refund will occur
3 as follows:

- 4 ♦ \$25.0 million, averaging \$8 per taxpayer, will be refunded to all year-round
5 resident taxpayers on 2015 state income tax forms;
- 6 ♦ \$24.0 million* will be refunded to retail marijuana cultivators; and
- 7 ♦ \$17.0 million* will be refunded via a temporary reduction in the retail marijuana
8 sales tax rate from 10.0 percent to 0.1 percent effective January 1, 2016. The
9 rate reduction will continue until taxes are reduced by \$17.0 million.*

10 Additionally, the local government share of retail marijuana sales tax revenue will
11 be cut from 15.0 percent to 7.5 percent until the local government share is reduced by
12 \$6.3 million,* the amount that local governments received in state budget
13 year 2014-15.

14 *(Please Note: An official fiscal note will be prepared and placed on the web when the*
15 *final blue book is sent to voters.)*

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