FINAL REPORT

COLORADO HOUSING TRUST FUND REVENUE SOURCE STUDY

Prepared for:

Colorado Housing Trust Fund Coalition

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Partners in Housing – Colorado Springs
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I. EXECUTIVE SUMMARY

In Colorado, there is a growing gap between what renters and homebuyers can afford and what is available in the marketplace. The private market alone is unable to fill this gap, and public and non-profit resources are insufficient to subsidize targeted production.

To respond to the affordable housing funding gap on a statewide basis, the Colorado Housing Trust Fund Coalition has proposed the creation of a Colorado Housing Trust Fund with a dedicated revenue source of at least $15 million per year. This analysis was prepared for the Coalition to quantify the need for additional revenue for affordable housing production, provide an overview of housing trust funds in other states, and evaluate potential revenue sources for a Colorado fund.

In 2001, the Colorado Division of Housing estimated through a supply-demand analysis that more than 107,000 low- and moderate-income households are in need of affordable housing, including emergency shelter beds, rentals, and homeownership opportunities. This study estimates that equity subsidies of $26.5 million per year are needed over the next 12 years to supplement existing funding sources and, at annual production capacity, to produce enough affordable housing to meet the 2001 estimated need. This is a baseline estimate that does not factor in potential changes in supply or demand because of population growth, changes in economic conditions, loss of existing affordable units, and other factors.

Based on criteria defined by the Coalition, two revenue sources are recommended for further consideration - a state real estate transfer tax and a state document recording fee increase. A real estate transfer tax, at rates of $.05 per $100 of value for residential transactions and $.02 per $100 of value for commercial and land transactions, could generate between $35 and $40 million per year. This source has a clear nexus to housing and the level of revenue that could be generated would be sufficient to meet annual production goals and allow for administrative costs, potential acceleration of production, response to growth in demand, accumulation of funding reserves, or exemptions for low-income homebuyers. While there are issues related to TABOR requirements, the advantages of this revenue source justify the challenges inherent in the legislative and voter approval process.

Alternatively, a state document recording fee, if set by the legislature at a rate of $10 on each document recorded in the state, could generate $12.5 million per year -- a meaningful level of revenue toward meeting production goals. A rate of $20 would generate $25 million – nearly reaching the $26.5 million equity subsidy target. Although voter approval of this fee would not be required, revenues would be subject to TABOR spending limits unless an enterprise could be established or Colorado voters approve an exemption.

II. INTRODUCTION

The Colorado Housing Trust Fund Coalition commissioned this study to quantify the need for a Colorado housing trust fund and to identify potential sources of revenue for the fund.

The State of Colorado is one of only sixteen states that do not have a statewide affordable housing trust fund. Rapid population growth, compounded by housing costs increasing at a faster rate than wages, and limited public funding for affordable housing have created a growing gap between affordable housing supply and demand in the state. Resources are severely constrained for the delivery of adequate and affordable housing on a statewide basis.

This report provides an overview of housing trust funds in other states, summarizes current data related to housing supply and demand in Colorado, and evaluates a range of revenue options.

COLORADO HOUSING TRUST FUND COALITION

The Colorado Housing Trust Fund Coalition is a broad-based group of public, private and non-profit organizations and individuals with the shared purpose of establishing a statewide housing trust fund with a dedicated source of public revenue for the creation and preservation of affordable housing throughout Colorado. The Coalition includes the following members:

Archdiocesan Housing Committee
CARE Housing – Fort Collins
Catholic Charities, Archdiocese of Denver
Colorado Affordable Housing Partnership
Colorado Cross Disability Coalition
Colorado Division of Housing
Colorado Energy Assistance Foundation
Colorado Housing and Finance Authority
Colorado League of Women Voters
Colorado Coalition for the Homeless
Colorado Housing Inc. - Pagosa Springs
Colorado Municipal League
Community Capital Corporation
Community Resource Center
Denver Department of Human Services
Denver Voice
Enterprise Foundation – Denver Office
Funding Partners for Housing Solutions
Greeley Transitional Housing
Gunnison County Housing Authority
Maurice Head, City of Fort Collins
Housing Advocacy Coalition – CO Springs
Housing Justice Inc.
Inter Faith Community Services
Lutheran Office of Governmental Ministry
Mercy Housing Southwest
Partners in Housing Inc. - Colorado Springs
People United for Families
Rocky Mountain Mutual Housing Assoc.
Rural Community Assistance Corporation
Sierra Club – Rocky Mountain Chapter
Save Our Section 8
Southeast Business Partnership
Speaking for Ourselves
Saint Francis Center
The Resource Assistance Center (TRAC)

ECONOMIC & PLANNING SYSTEMS

Economic & Planning Systems (EPS) is a land economics consulting firm experienced in the full spectrum of services related to public and private real estate development, the financing of government services and public infrastructure, land use and conservation planning, and government organization. The firm has completed a wide range of housing-related studies, including affordable housing needs analysis and housing strategies for a number of jurisdictions within Colorado. EPS specializes in preparing concise analyses that disclose risks and impacts, support decision-making, and provide solutions to real estate development and land use-related problems. Founded in 1983, EPS has a staff of forty professionals and offices in Sacramento and Berkeley, California and Denver, Colorado.

HOUSING TRUST FUNDS

Housing trust funds are dedicated sources of revenue to help low- and moderate-income people achieve affordable housing. As reported in the *Housing Trust Fund Progress Report 2002*, published by the Center for Community Change, 34 states have statewide housing trust funds, and a total of 275 trust funds are in place at local and state levels, delivering at least $750 million each year in support of housing needs.

The key features of a typical housing trust fund include:

- **Dedicated Revenue Sources** – one or more ongoing revenue sources earmarked for affordable housing.
- **Orientation to Results** – funds are used to support the production, rehabilitation, and preservation of affordable housing and support services.
- **Commitment** – funds are targeted for the specific purpose of providing affordable housing.
- **Legislative Mandate** – the fund is implemented by law.

Typically, state housing trust funds are created by state legislation that establishes the trust fund and identifies revenue sources. In most states, a government agency -- usually an existing housing agency -- administers the fund and awards grants and loans to local governments, non-profit developers, for-profit developers, service providers, and in some cases, individuals, for a variety of low- and moderate-income housing activities. Many housing trust funds are overseen by an appointed board that advises on or makes decisions regarding funding awards.

REVENUE SOURCES

As summarized in the *Housing Trust Fund Progress Report 2002*, state housing trust funds currently receive more than $437 million per year from a variety of revenue sources. General fund appropriations and real estate transfer taxes are the most commonly used sources. Other revenue sources include interest on state funds, interest on real estate escrow accounts, grants and donations, document recording fees, bond proceeds, interest on security deposits, unclaimed property funds, and others, as summarized in **Table 1**.

Table 1
State Housing Trust Fund Revenue Sources, 2001
Colorado Housing Trust Fund Study

Revenue Source	# States[1]
General fund	9
Real estate transfer tax	8
Interest on real estate-related escrow accounts	5
Document recording fees/stamp taxes	3
Unspent reserves/budget surplus	4
Bond fees	3
Loan repayments and misc. interest earnings	3
Bond proceeds	2
Bond revenues	2
Misc. housing and mental health fund transfers	1
State unclaimed property fund	1
State income tax	1
Interest on tenant security deposits	1
Eviction court fees	1
Securities act cash fund	1
Interest from Budget Stabilization Fund	1
Penalties on late real estate excise tax payments	1
Unclaimed lottery earnings	1
Grants	1
Origination fees	1
Fees from mobile home park owners	1

[1]Nine funds use more than one source.

Source: Center for Community Change, *Housing Trust Fund Progress Report 2002*.

These revenue sources or combinations of sources contribute funds ranging from more than $100 million per year at the high end to less than $1 million per year on the low end. Seven state trust funds receive more than $10 million per year; sixteen receive from $1 to 5 million; and six receive less than $1 million. Housing trust funds receiving more than $10 million per year use unclaimed property funds, real estate transfer taxes, capital budget funds (general obligation bonds), state income tax, and general fund appropriations.

CASE STUDIES

For many states, housing trust funds are a vehicle for generating and distributing dedicated revenues for affordable housing on a statewide basis. The experience of selected states is helpful to understanding options for a Colorado housing trust fund.

Florida – William E. Sadowski Affordable Housing Act of 1992

The William E. Sadowski Affordable Housing Act of 1992 created Florida's trust fund for the construction and preservation of affordable housing, with initial designation of documentary stamp tax revenues at $.10 per $100 of real estate valuation. The legislature transferred additional documentary stamp assessments in 1995.

Funding source - Documentary stamp tax on real estate transactions.

Revenue generated - Approximately $120 million annually.

Outcomes - 82 percent of revenues are distributed through the State Housing Initiative Partnership Program to local jurisdictions through a population-based formula. The Florida Housing Finance Corporation uses the remaining funds to administer statewide programs.

Nebraska Affordable Housing Trust Fund

Nebraska's state legislature authorized a state trust fund in 1996, for the purpose of enhancing economic development and contributing to the "general prosperity" of Nebraska citizens. The legislature dedicated a total of $24 million through 2003 from a combination of a portion of an existing documentary stamp tax ($20 million) and fees paid for the registration of securities ($4 million). The trust fund was reauthorized in 2001 with revenues from the documentary stamp tax. Nebraska also levies a documentary stamp tax at $.25 per document for its separate Homeless Assistance Trust Fund. The State Department of Economic Development administers both funds.

Funding source - Documentary stamp tax of $.50 per document in 2002-03; $1 per document beginning in 2004.

Revenue generated - Approximately $5 million per year at $1 per document.

Outcomes - Since it started in 1998, the Nebraska housing trust fund program has awarded $22.3 million, leveraging $105.9 million in other funds, producing 1,504 units of housing and generating 2,178 new jobs and $228.4 million in community investment.

South Carolina Housing Trust Fund

The South Carolina General Assembly passed legislation creating a trust fund in 1992. The fund is used for low- and very low-income housing programs.

Funding source - Documentary stamp tax on real estate transfer -- increase of $.20 per $500 of real estate sold.

Revenue generated - Approximately $2 million per year.

Washington Housing Trust Fund

The State of Washington passed legislation establishing a housing trust fund in 1986. Trust fund revenues come from a combination of sources approved over the years.

Funding sources - Interest earnings on real estate escrow funds, direct capital and general fund appropriations, funds from penalties for failure to pay real estate transfer taxes, general obligation bond proceeds, document recording fee increase of $10 per document, with 60 percent of revenues retained for local housing needs and 40 percent going to state programs for very low-income households.

Revenue generated - Approximately $12.5 million per year from document recording fee ($5 million goes to the state); $73 million capital appropriation in last biennium, subject to biennial appropriation; under $1 million from real estate tax penalties and interest on broker escrow accounts.

Outcomes - The trust fund supports the construction and rehabilitation of more than 3,000 units of housing each biennium. Funds are leveraged at a 1:4 ratio. Over the last nine years trust fund spending has generated approximately 48,000 jobs, more than $650 million in wages, and $79 million in tax revenue.

III. COLORADO'S AFFORDABLE HOUSING NEED

The Chairman of the Millennial Housing Commission, in the Commission's May 30, 2002 report to Congress, highlighted why housing is so important to American society:

> "…Housing matters. It represents the single largest expenditure for most American families and the single largest source of wealth for most homeowners. The development of housing has a major impact on the national economy and the economic growth and health of regions and communities. Housing is inextricably linked to access to jobs and healthy communities and the social behavior of the families who occupy it. The failure to achieve adequate housing leads to significant societal costs."

As reported by the State Housing Board to the Colorado Legislative Affordable Housing Task Force in September 2001, housing is of equivalent importance to the social and economic health of Colorado – yet there is a gap between the demand for and supply of affordable housing along a continuum of housing types, including emergency shelter housing, transitional and deep subsidy rentals, affordable worker rentals, market rentals, subsidized ownership, and market ownership homes.

ESTIMATED NEED

In *Housing Colorado: The Challenge for a Growing State, November 2001*, the Colorado Division of Housing quantified the gap between supply and demand for a range of affordable housing types, by household income groups. This analysis for emergency shelter beds, rental housing, and homeownership is presented below. A summary table of need for all three categories is provided at the end of this section.

The *Housing Colorado* analysis is a detailed view of affordable housing supply and demand in the state, and provides a sound basis for establishing a "snapshot" of estimated need in 2001 and the estimated cost of meeting that level of need. Actual supply and demand will vary with fluctuations in general economic conditions and the real estate market. For example, as reported by the State Office of Planning and Budgeting, year-to-date residential construction permits through May 2002 were down 11.7 percent compared to the same time last year – yet despite the slowing residential construction market, the average Colorado home price was 4.1 percent higher at the end of the second quarter than a year before. Rental vacancy rates have increased, softening the multi-family market. But family incomes are still vulnerable, with unemployment year-to-date through April 2002 averaging 5.6 percent, compared to the recent high of 5.7 percent in February 2002.

The cyclical nature of the real estate market and the nature of demand for affordable housing create the need for a long-term view of the economic conditions surrounding affordable housing. The estimates presented in this report demonstrate the magnitude of the affordability issue for the state. Estimates in text references have been rounded.

NEED BY CATEGORY

Emergency Shelters

Based on statewide applications for funding assistance, the Colorado Division of Housing estimates the need for approximately 2,000 beds to meet the state's emergency shelter needs as of 2001.

Rental Housing

By matching low- and moderate-income Colorado households to the supply of rental units affordable to them, the Colorado Division of Housing estimates that in 2001 a total of 66,500 households earning from 0 to 60 percent of renter median income were rent-burdened. Renter median income is an estimate of household income just for renter households – it is much lower than the area median income (AMI) for all households used by the U.S. Department of Housing and Urban Development (HUD) to qualify households for affordable housing programs.

As shown in **Table 2**, 50 percent of the statewide renter median income in 2001 is equal to approximately 30 percent of HUD AMI for the same period. Using renter median income to analyze rental unit affordability is more accurate for comparison of rental housing supply and demand. The rent-burden estimate assumes that a household should pay no more than 30 percent of gross household income on housing expenses, consistent with the guideline set by HUD. Because of the limited supply of affordable units, rent-burdened households are forced to pay more than 30 percent of household income on rent, which leaves limited income for food, clothing, medical care, and other family needs.

The need for affordable units is especially pressing for very low-income households (below 30 percent of renter median income). In this category, 47,600 households were rent-burdened in 2001. For very low-income households, spending even 30 percent of household income on rent is especially burdensome, since there is so little left over for other needs. This group also includes renters with special needs, including developmentally or physically disabled populations.

The Division of Housing's 2001 supply and demand analysis shows that for renters with household incomes greater than 60 percent of renter median income there appears to be an adequate supply of rental units. However, the analysis cautions that some higher income households elect to rent housing at lower rental rates than the maximum rates they can afford, occupying some of the supply that would otherwise be available at affordable rates to lower income households. Accordingly, the overall estimate of affordable rental need may be lower than the actual need. It is assumed that housing trust fund revenues would be used to address the entire range of renter need, consistent with current affordable housing project development and eligibility criteria.

Table 2
Colorado Rent Burden
Colorado Housing Trust Fund Study

% CO Renter Med. Income	% HUD Area Med. Income	Annual Income	Rent at 30% of Income	Average Actual Rent	Gap
30%	18%	$10,337	$258	$753	$495
50%	30%	$17,229	$431	$753	$322
60%	36%	$20,675	$517	$753	$236
80%	48%	$27,566	$689	$753	$64

Source: Colorado Division of Housing, 2001.

Homeownership

Homeownership is unobtainable for many Coloradans. In the 2001 Fannie Mae National Housing Survey, 59 percent of renter households earning between 60 and 80 percent of HUD area median income indicated a desire to move into homeownership. Based on this survey data, the Colorado Division of Housing estimated that in 2001, 38,700 households earning between 60 and 80 percent of statewide area median income were interested in homeownership. As shown in **Table 3**, only 6,643 homes listed in a price range affordable to them. This group of households earns between $34,620 per year and $46,160 per year – a range into which teacher and police officer salaries fall.

For households earning 60 percent of median income in 2001, there was a $46,903 gap between the price of a "benchmark" 3 bedroom, 2 bath home in Colorado and what they could afford. For households at 80 percent of median income, the gap was $9,798.

Table 3
2001 Colorado Homeownership Opportunities
Colorado Housing Trust Fund Study

	Renters at 60% AMI	**Renters at 80% AMI**
Annual Income	$34,620	$46,160
30% of Monthly Income	$866	$1,154
Affordable Home Price[1]	$111,312	$148,417
Benchmark CO Home Price[2]	$158,215	$158,215
Affordable Homes Available[3]	2,268	4,375
Total Supply	**6,643**	

[1]Assumes 3% down, 30-year financing at 7.04% (2001 Freddie Mac average).
[2]Typical 1,300 square foot, 3 bedroom, 2 bath home per analysis by Thos. Y. Pickett & Company for the Colorado Division of Housing.
[3]Compiled from multiple listings and other data, September 2001.
Source: Colorado Division of Housing, 2001.

Summary of Need

As described above, there is a clear need for affordable housing along a continuum of housing types. This need is summarized in **Table 4**.

Table 4
Summary of Affordable Housing Need
Colorado Housing Trust Fund Study

Housing Type	**Income Group**	**Need (units)**
Emergency Shelter Beds	Homeless families/individuals	2,000
Rental Units		
Deep Subsidy	Households at 0-30% of renter median income	47,600
Affordable Worker	Households at 31-60% of renter median income	18,900
Subtotal		66,500
Subsidized Homeownership	Households at 60-80% of HUD AMI	38,700

Source: Colorado Division of Housing, Housing Needs Funding Gap Analysis, 2001.

BARRIERS TO HOUSING PRODUCTION

There are several interrelated barriers to the production of an adequate supply of affordable housing in the State of Colorado:

The market cannot deliver an adequate supply of affordable housing.

The cost of development is increasing, with increases in infrastructure costs and impact fees adding to growing land and building costs and driving home prices out of affordable ranges. Affordable rents and mortgage debt service payments are insufficient to support the cost of housing production. For example, based on a statewide affordability analysis prepared in July 2002 by the Colorado Housing and Finance Authority, affordable net rent payments for households at 60 percent of area median income ($882) can sustain construction debt of only $75,311 per unit versus typical construction debt in the range of $85-90,000 per unit in the Denver metro area. For very low income households (under 30 percent of area median income, or $17,650 per year) the gap between rent sustainable debt per unit and debt requirements exceeds $65,000 per unit.

Wages are not keeping up with rising costs, and population increases are expected to continue, adding to the number of households in need.

Statewide, population grew by 1,007,000 or 30.6 percent, between the 1990 and 2000, and statewide average household earnings grew by 62 percent. In Colorado's Status of Housing 2001, the Colorado Housing and Finance Authority reports that while consistent statewide housing cost data is not available for the same period, data for eight Colorado counties showed housing prices in all selected counties increasing by more than 90 percent from 1990 to 1999. This research found the greatest housing price increases in Summit County (150 percent) and Denver County (149 percent), where wage increases were only 54 percent and 50 percent, respectively.

Local land use and zoning requirements contribute to affordability problems and related transportation and economic development issues.

Planning and zoning actions can inflate costs when lot sizes and restrictions on buildable land drive land prices up. Regulatory actions also contribute to imbalances between employment and housing. Development approvals for employment centers often occur without corresponding incentives to develop nearby housing for workers, forcing long commutes with related transportation and employment impacts.

State funding for affordable housing has not kept pace with need.

There were no FY 2003 appropriations for the state housing grant program, and the sunsetting of the State Low Income Housing Tax Credit program took an additional $10 million per year out of the affordable housing resource pool. Although comparing state funding levels is difficult because of differences in state funding cycles and program definitions, a 2001 survey by the National Council of State Housing Agencies

(NCSHA) shows state reports of annual appropriations for housing. As shown in **Table 5**, when correlated with population data this survey shows that with an appropriation of $2.6 million for housing in fiscal year 2001, the State of Colorado had an appropriation spending rate of $.59 per capita. In other states, 2001 appropriations ranged from a high of $44.43 per capita in Alaska to zero in twenty-one states. In 2001, Colorado ranked twenty-fifth in state appropriation levels. In fiscal year 2002, the Division of Housing received a one-time appropriation of $4.5 million, but there was no appropriation for housing grants in fiscal year 2003. The NCSHA survey reflects appropriations only; a number of the states listed have state low income tax credit programs or housing trust funds with other revenue sources. At present, Colorado has neither.

Table 5
2001 State Per Capita Housing Appropriations
Colorado Housing Trust Fund Study

State	State Housing Appropriations[1]	Population 2001 Estimate	Per Capita Housing Appropriations
Alaska	$28,209,600	634,892	$44.43
Massachusetts	$134,238,079	6,379,304	$21.04
Hawaii	$24,373,780	1,224,398	$19.91
New York	$341,502,200	19,011,378	$17.96
Minnesota	$76,270,000	4,972,294	$15.34
California	$475,300,000	34,501,130	$13.78
Florida	$214,360,000	16,396,515	$13.07
Ohio	$147,000,000	11,373,541	$12.92
Vermont	$7,000,000	613,090	$11.42
Maryland	$48,274,000	5,375,156	$8.98
Maine	$9,800,000	1,286,670	$7.62
Delaware	$4,000,000	796,165	$5.02
Illinois	$56,900,000	12,482,301	$4.56
Connecticult	$15,600,000	3,425,074	$4.55
Nebraska	$6,000,000	1,713,235	$3.50
Rhode Island	$3,600,000	1,058,920	$3.40
Utah	$7,656,500	2,269,789	$3.37
Oregon	$11,099,370	3,472,867	$3.20
Nevada	$3,344,000	2,106,074	$1.59
Virginia	$10,943,000	7,187,734	$1.52
Pennsylvania	$15,000,000	12,287,150	$1.22
Missouri	$3,972,814	5,629,707	$0.71
New Mexico	$1,225,000	1,829,146	$0.67
North Carolina	$5,300,000	8,186,268	$0.65
Colorado[2]	**$2,600,000**	**4,417,714**	**$0.59**
Tennessee	$2,500,000	5,740,021	$0.44
North Dakota	$250,000	634,448	$0.39
Georgia	$3,165,581	8,383,915	$0.38
Oklahoma	$350,000	3,460,097	$0.10
Kentucky	$200,000	4,065,556	$0.05
Alabama	$0	4,464,356	$0.00
Arizona	$0	5,307,331	$0.00
Arkansas	$0	2,692,090	$0.00
DC	$0	571,822	$0.00
Idaho	$0	1,321,006	$0.00
Indiana	$0	6,114,745	$0.00
Iowa	$0	2,923,179	$0.00
Kansas	$0	2,694,641	$0.00
Louisiana	$0	4,465,430	$0.00
Michigan	$0	9,990,817	$0.00
Mississippi	$0	2,858,029	$0.00
Montana	$0	904,433	$0.00
New Hampshire	$0	1,259,181	$0.00
New Jersey	$0	8,484,431	$0.00
South Carolina	$0	4,063,011	$0.00
South Dakota	$0	756,600	$0.00
Texas	$0	21,325,018	$0.00
Washington	$0	5,987,973	$0.00
West Virginia	$0	1,801,916	$0.00
Wisconsin	$0	5,401,906	$0.00
Wyoming	$0	494,423	$0.00

[1]Appropriations only; does not include funds from federal or other state sources.

Blanks indicate no response indicated on survey summary.

[2] In FY 2003, Colorado appropriations were $0.

Source: National Council of State Housing Agencies; U.S. Census

FILLING THE GAP

The amount of equity subsidy needed to fill the 2001 gap between affordable housing supply and demand exceeds $800 million, as shown in **Table 6**. Based on current capacity to develop affordable housing, the Division of Housing has targeted a goal of producing 52,700 units over a five-year period, estimating that equity subsidies of $362.2 million are needed to meet this goal, or $72.4 million annually. At this level of annual funding and production capacity, the Division of Housing estimate of 2001 need could be met over a 12-year period. This projection does not take into account the potential loss of affordable units or increases in demand due to population growth or changes in economic conditions.

Table 6
Estimated Cost to Meet Affordable Housing Demand
Colorado Housing Trust Fund Study

Housing Type	Need (units)[1]	Subsidy/ Unit	Total Cost	Five Year Production Capacity	Five Year Subsidy Cost	Avg. Ann. Subsidy Cost
Emergency Shelter Beds	1,996	$9,000	17,964,000	499	4,491,000	898,200
Deep Subsidy Rental Units	47,598	$10,000	475,980,000	11,900	118,995,000	23,799,000
Afford. Worker Rental Units	18,881	$5,770	108,867,846	13,217	76,207,492	15,241,498
Subsidized Homeownership	38,686	$6,000	232,116,000	27,080	162,481,200	32,496,240
TOTAL	**107,170**		**$834,927,846**	**52,695**	**$362,174,692**	**$72,434,938**

[1] Unrounded CO DOH estimate, 2001
Source: EPS analysis; CO DOH base data, 2001.

CURRENT FUNDING SOURCES

Many funding sources, both public and private, are used to develop affordable housing in Colorado. They include equity capital, loans, grants, bonds, contributions of land and buildings, in-kind donations, and others. This study assumes that current housing production requires equity subsidies to make them feasible.

This analysis extrapolates from the Division of Housing's count of 2001 affordable housing production and estimates of equity subsidy amounts (**Table 6**) to estimate that approximately $46 million per year would be available from existing funding sources for equity subsidies. This represents a subset of total funding. It is assumed that this $46 million will continue to leverage other sources at a 1:10 ratio in the future. The $46 million estimate does not include State Low Income Housing Tax Credits or Division of Housing housing grants. Neither program was funded by the state in fiscal year 2003.

NEED FOR ADDITIONAL FUNDING

Assuming continued public funding at 2001 levels (less discontinued State Low Income Tax Credit program and housing grant appropriations), there would be a need for an additional $26.5 million per year in subsidy funds to meet 2001 estimated demand over the next 12 years, as shown in **Table 7**. This estimate does not factor in the potential loss of current affordable units, or growth in demand.

Table 7
Need for Additional Funding
Colorado Housing Trust Fund Study

Description	Amount
Average annual subsidy cost	72,500,000
Projected funding based on current subsidy levels	46,000,000
Additional Funding Required	**$26,500,000**

Source: EPS; Colorado Division of Housing.

Finding additional capital for housing production programs, and easing the regulatory barriers to affordable housing development go hand-in-hand toward filling the gap between supply and demand. Identifying a dedicated source of revenue for a Colorado housing trust fund is an initial step toward addressing the equity capital shortfall.

IV. POTENTIAL REVENUE SOURCES

The Colorado economy is suffering from the national recession and the economic aftermath of September 11th. Actual and forecasted state revenues reflect this general economic downturn. The June 2002 revenue forecast prepared by the Office of State Planning and Budgeting projects a General Fund decrease of 13.8 percent in FY 2001-2002, with only an 8.1 percent recovery in FY 2002-2003. There are a number of fiscal impacts and actions reported by the Office of State Planning and Budgeting that have a bearing on the feasibility of potential revenue sources for a Colorado housing trust fund:

- The Taxpayer's Bill of Rights (TABOR) (Article X, Section 20 (8) (a) of the Colorado Constitution), limits the growth of most state revenues to the sum of inflation and population growth from the previous calendar year. Revenues collected in excess of the TABOR limit must be refunded in the following fiscal year unless the state's voters approve their retention. In FY 2001-2002, the state is $900 million short of the TABOR limit and there is no TABOR surplus expected until FY 2006-2007. Even if the voters approved the use of the TABOR surplus for affordable housing, there is no surplus available in the near term.

- There are new pressures on the General Fund, making it an unlikely source of revenue for new housing funding. Amendment 23 provides funding for K-12 education by exempting a portion of income tax collections from the TABOR spending limitation, and Referendum A reduces certain senior citizen property tax payments and uses state revenues to reimburse local governments for lost revenues. Because there are no TABOR surpluses available to cover the $352 million cost of these voter-approved programs, the state must fund them from General Fund revenues, further reducing General Fund dollars available for other programs. In addition, the 2002 federal economic stimulus package is expected to reduce state income tax receipts by over $50 million in FY 2001-2002.

- In FY 2001-2002, the State offset the shortfall in General Fund revenues with $1.2 billion of one-time revenues, including most of the state's statutory reserve, and transfers of almost $830 million of other cash funds into the General Fund. Accordingly, it is not feasible in the near term to look at reserve accounts or fund surpluses for housing trust revenues.

EVALUATION CRITERIA

The Colorado Housing Trust Fund Coalition defined the following criteria against which to evaluate potential revenue sources for a Colorado Housing Trust Fund:

- **Revenue Potential** - generates at least $15 million annually on an ongoing basis. The total estimated annual funding need is $26.5 million.

- **Nexus to Housing** - has a logical relationship to its intended use.

- **Administration** - offers flexibility and ease in administration and distribution of funds.
- **TABOR Issues** - is feasible given the provisions of TABOR.
- **Tax Incidence** - is not regressive.
- **Leveraging** - has the capacity for leveraging other funds; meets matching requirements for federal housing funds.

EVALUATION

This evaluation considered the range of housing trust fund revenues used in other states, focusing on revenue sources used in states that generate in excess of $10 million, but also reviewing other sources that either have a strong nexus to housing and might be used in combination, or that have generated interest as potential sources. Given the current state revenue shortfall described above, sources like the TABOR surplus, state general fund, unclaimed property funds, fund surpluses, and capital budget funds have been eliminated from consideration. The evaluation is summarized in **Appendix Table 1**.

REAL ESTATE TRANSFER TAX

Real estate transfer taxes are imposed on real estate transactions as a percent of transaction value. States using this tax or a similar value-based documentary stamp tax as a primary revenue source for their housing trust funds include Florida, Hawaii, Illinois, Maine, Nevada, New Jersey, South Carolina, and Vermont. Real estate transfer taxes in other states are imposed on seller, buyer, or both.

Current use – Currently, Colorado does not have a statewide real estate transfer tax, although 12 cities adopted this tax locally, prior to TABOR, at rates ranging from .5 percent to 4 percent of transaction value. As reported to the Colorado Municipal League, these jurisdictions use real estate transfer tax revenues for a variety of purposes including affordable employee housing and debt service and maintenance of a local cultural facility (Aspen), open space (Crested Butte, Frisco, Vail), capital improvements (Avon, Crested Butte, Telluride), transportation capital (Snowmass Village), parks and trails (Vail), and general use (Gypsum, Minturn, Ophir).

Revenue Potential - A real estate transfer tax has the potential to generate sufficient revenue to meet the projected $26.5 million target for annual trust fund revenue. As shown in **Table 8**, based on real estate sales data compiled by Thos. Y. Pickett and Company and the Colorado Legislative Council staff, at rates of $.05 per $100 of residential transaction value, and $.02 per $100 of commercial and land transaction value, the tax would have generated $38.8 million in 2000, the most recent year for which the statewide real estate data compilation is available. **Table 8** also shows projected revenue at an even rate on all real estate categories, and at lower real estate values, to illustrate the sensitivity of the tax to fluctuations in these variables. While 2000 was a very strong year, even with a 10 percent decrease in transaction value this source generates revenue sufficient to meet the projected $26.5 million annual subsidy gap.

Table 8
Estimated Revenue from Real Estate Transfer Tax
Colorado Housing Trust Fund Study

Real Estate Type	Value	Rate/ $100	Revenue	Rate/ $100	Revenue
Based on 2000 Sales					
Residential	59,000,700,000	$0.05	29,500,350	$0.05	29,500,350
Commercial/Industrial	6,631,200,000	$0.05	3,315,600	$0.02	1,326,240
Vacant Land	39,950,300,000	$0.05	19,975,150	$0.02	7,990,060
Total	**$105,582,200,000**		**$52,791,100**		**$38,816,650**
Based on 90% of 2000 Sales					
Residential	53,100,630,000	$0.05	26,550,315	$0.05	26,550,315
Commercial/Industrial	5,968,080,000	$0.05	2,984,040	$0.02	1,193,616
Vacant Land	35,955,270,000	$0.05	17,977,635	$0.02	7,191,054
Total	**$95,023,980,000**		**$47,511,990**		**$34,934,985**

Source: EPS; 2000 sales values compiled by CO Legislative Council Staff from Thos. Y. Pickett & Company data.

Nexus to Housing - Because revenues come from the sale of residential or commercial real estate, a real estate transfer tax has a nexus to housing. Employers buying commercial property would contribute to the cost of providing adequate workforce housing, and homebuyers would contribute a small percentage of their cost toward building economically diverse communities.

Tax Incidence - A real estate transfer tax can be imposed on real estate buyers or sellers, or both, depending on authorization. For the typical payer, the tax would be imposed infrequently – only when real estate is transferred. If imposed at a uniform rate on all transactions, it could add to the disproportionate property tax burden on commercial properties due to the Gallagher amendment. If imposed on buyers, it could burden the first-time lower income buyers it is intended to assist. As discussed below, both issues could be addressed with differential rates, imposition on the seller, or partial exemptions for lower-valued home purchases or a portion of the value of all transactions.

Administration and Distribution - A real estate transfer tax would be relatively easy to administer and distribute. The revenue could be collected at transaction closing at the county level, along with other taxes and fees on the transaction, and remitted to the state treasurer for distribution through existing state housing programs. A portion of the collection could offset administrative costs.

Leveraging - In Colorado, the Division of Housing estimates that every state housing dollar leverages ten dollars of investment from other sources, including significant Federal resources with matching fund requirements. Revenue from a state real estate transfer tax would meet current matching fund requirements for these other sources.

Issues

- TABOR requires voter approval of new taxes and changes to tax rates. TABOR specifically prohibits new or increased real estate transfer taxes. This constitutional provision would need to be amended for a real estate transfer tax to be implemented. Legal analysis is required to determine the defensibility of submitting both the constitutional amendment and new tax question to the voters at the same time, given Colorado's single-subject ballot requirement (CRS 1-40-106.5).
- The effect of real estate transfer taxes on real estate sales is difficult to quantify, given the large number of variables that influence real estate activity. Research reveals no formal follow-up by states using this revenue source for housing trust funds. However, anecdotal data suggests the impacts have not been significant. In Florida, for example, transactions increased in the years following adoption of the fee. Florida has a documentary stamp tax of $.10 per $100 of transaction value. A majority of revenues go to homeownership production with corresponding increases in real estate sales and related real estate business activity. In Colorado, real estate transfer tax revenues would also cycle back into real estate production and home sales. At the suggested rate of $.05 per $100 of value, sale of a $200,000 home would require payment of $100. If the tax is paid by the seller, it should have little effect on first time homebuyers. If the buyer pays, one option would be to exempt the first $50,000 of transaction value to minimize the impact on lower income buyers. This would reduce revenues by an estimated $6 million per year.
- Because a real estate transfer tax offers revenue potential to home rule cities, it is likely that home rule cities and counties will want to retain the option to impose a local real estate transfer tax.

SALES AND USE TAX INCREASE

Sales and use taxes are levied on the purchase of personal property and services (Title 39, Article 26). Massachusetts generates approximately $14 million per year for housing through this revenue source.

Current Use - In Colorado, there is a 2.9 percent state sales and use tax on the retail purchase price of goods and certain services. Local sales and uses taxes range from 1 to 5.25 percent and are levied in addition to the state tax.

Revenue Potential - Based on 2001 net retail sales and use tax collections of $1.97 billion at a 2.9 percent rate, a sales and use tax increase of .05 percent would generate approximately $34 million per year.

Nexus to Housing - This source has only a general nexus to housing given that all state residents would be contributing to housing development that has an economic and social benefit.

Tax Incidence – Sales taxes are considered regressive. As reported by the Center on Budget and Policy Priorities, general sales taxes and excise taxes on consumer goods such as gasoline have a disproportionate burden on lower-income families who must pay a greater proportion of their income to purchase the same consumer goods as higher income taxpayers, leaving little or no income for saving or investment.

Administration - Administration and distribution would be accomplished through existing mechanisms.

Leveraging - Sales tax revenue would meet current matching fund requirements.

Issues

- TABOR requires voter approval of new taxes and changes to tax rates. The legislature recently reduced the state sales and use tax by .1 percent effective January 1, 2001. The legislature may find it problematic to support a reversal of this reduction so soon after implementation.
- This tax increase would impact lower income residents who are primary beneficiaries of the proposed housing trust fund.

DOCUMENT RECORDING FEE

Document recording fees are typically imposed at the county level for the service of filing documents. Recording fees are imposed as per-document or per-page fees and are sometimes based on the value of a transaction. Missouri finances its housing trust fund with a recording fee of $3 on all real estate documents filed in the state, averaging collections of $4 million per year. In Delaware, a $5 recording fee on every document filed by counties generates approximately $1.2 million per year, 5 percent of which is retained by counties to cover their cost of fee collection, and 95 percent of which goes into statewide affordable housing programs. Washington's $10 document recording fee generates $12.5 million per year for housing programs at the state and local level.

Current Use - Document recording fees are set by state statute (C.R.S. 30-103), and apply to a variety of document types. They include a documentary fee on all documents granting or conveying title to real property at $.01 per $100 of consideration if consideration is greater than $500. This equates to $20 for a $200,000 home sale. There is also a $5 per-page fee for general document recordation. The number and page count of documents associated with home sales varies by transaction. A simple home sale usually involves recordation of a warranty deed and a deed of trust. An estimate of two documents totaling 20 pages would result per-page fees of $100 and total fees of $120 on a $200,000 sale. In a rapidly growing county with sales of new homes in subdivisions, there is an estimated average of four to five documents per transaction averaging five pages per document, resulting in per-page fees of up to $125, and total document fees of $145 for a $200,000 sale. These revenues are retained by counties. In 2002, the Colorado legislature enacted a state document recording surcharge of $1 per transaction for electronic recording, adding $2 to $5 to recordation of a home sale. County clerks collect this surcharge for remittance to the state. Revenues are used for grants to counties for implementing mandated electronic filing of documents. There are an estimated 1.25 million documents recorded each year in Colorado, exclusive of motor vehicle-related documents. While a precise statewide count is unavailable, it is estimated that most documents are real estate related.

Revenue Potential - A flat fee of $10 per document would generate $12.5 million per year. A $20 fee would generate $25 million – nearly meeting the $26.5 million target.

Nexus to Housing - If motor vehicle-related documents are excluded, a majority of recorded documents are real estate related.

Tax Incidence - This fee would have the greatest impact on the cost of property-related transactions. A new state document recording fee of $10 per document would add approximately $20 to $50 to the cost of a typical residential real estate transaction. At $20 per document it would add $40 to $100. As a very small fraction of the total value of most real estate transactions, it is unlikely that this additional cost would have a negative impact on the payer. Although relatively small, as a flat fee, this revenue source has a disproportionate impact on lower-income payers.

Administration - If collected at the county level, a remittance program would have to be established. A county collection fee, similar to that provided in Delaware, could offset local administrative costs.

Leveraging - Revenues from a state document recording fee would meet current matching fund requirements.

Issues

- The legislature may impose a fee without a vote of the people. Analysis by Legislative Council staff notes that the Colorado Supreme Court defines a fee as a charge imposed upon persons or property for the purpose of defraying the cost of a particular governmental service (Bloom v. City of Fort Collins, 784 P.2d 304 (Colo, 1989)). Revenues from new fees or fee increases count toward the General Fund spending limits under TABOR. This could be addressed in a couple of ways. Submitting a document recording fee for affordable housing to the voters for approval of the fee and exemption of the revenues from TABOR spending would avoid potential challenges to the fee definition and the issue of General Fund limits. Alternatively, it might be possible to establish a TABOR-exempt enterprise that could process document recording and administer the trust fund.
- Given the recent increase of $1 per document in the last regular session, it may be difficult to secure passage of an additional increase soon after this recent action.

METROPOLITAN STADIUM DISTRICT TAX

This potential revenue source is considered given interest expressed by affordable housing advocates. Currently, there is a sales tax of 0.1 percent in place within the Denver metropolitan area to finance stadium construction. Three bills were proposed in the 2001 and 2002 sessions to create a Metropolitan Affordable Housing District with boundaries corresponding to those of the current stadium district, to be funded through a continuation of the stadium sales tax increment beginning around 2012, when it is expected to no longer be in effect for its original purpose.

Revenue Potential - The fiscal note prepared for the 2001 house bill estimated collections of approximately $40 million in the 2001/2002 timeframe, and more than $82 million when inflated to 2012.

Nexus to Housing - No direct nexus.

Tax Incidence - Sales taxes have a disproportionate negative impact on lower income households.

Administration - No issues currently in place.

Leveraging: - Sales tax revenues are flexible for leveraging and meet current matching fund requirements.

Issues

- The new affordable housing district would have to submit the tax for approval by district voters.
- Revenue would need to be used for programs within the district's boundaries and would not be applicable to needs elsewhere in the state.
- The revenues would not be available in the near term as the current stadium district tax is not expected to expire until 2012.
- Similar legislative proposals have failed.

INTEREST ON REAL ESTATE ESCROW ACCOUNTS

Several states have passed legislation establishing interest on real estate escrow accounts as a revenue source for their housing trust funds, either on its own or in combination with other sources. In 2001, Connecticut generated approximately $812,000 from interest on broker escrow and loan repayment combined. The State of Washington estimates collections of less than a million dollars a year from escrow interest plus penalties on unpaid real estate taxes combined.

Current Use - In Colorado, C.R.S. Section 12.61.113 (1)(g.5) permits real estate brokers to place entrusted money into interest-bearing accounts. In the absence of a contract to the contrary, interest accumulating on a trust account does not belong to the broker who is acting as escrow agent. It belongs to the seller if the real estate contract is consummated or if there is a forfeiture, or to the purchaser if the contract fails. The Colorado Real Estate Commission has taken the position that nothing precludes a real estate broker from voluntarily transferring interest earned on a trust account to a fund established for the purpose of providing affordable housing if such a fund is established. The Commission states that the broker should post notice that the broker is participating in such a program and that interest earned will be transferred to the fund. Currently, the Colorado Association of Realtors Housing Opportunity Foundation (CARHOF) has such a program through which Realtors and title companies can donate interest on escrow accounts for statewide affordable housing programs and projects. CARHOF estimates that about one-third of CAR members participate, donating about $285,000 per year into an endowment fund, which currently makes grants totaling about $500,000 per year.

Revenue Potential - Because escrow deposits are deposited in numerous bank accounts across the state, it is difficult to accurately estimate how much interest is earned. Based on the experience of other states and the voluntary contributions of Realtors, it is assumed that this source would generate less than a million dollars a year.

Nexus to Housing - Real estate related.

Tax Incidence - Affects buyers and sellers of real estate. However, given the small amount of foregone interest associated with any one transaction (particularly given very low 2002 interest rates for savings accounts), and considering that many Colorado real estate brokers currently participate in CARHOF's voluntary program, it does not appear that this revenue source would have negative impacts on real estate buyers or sellers.

Administration - This would require new procedures for collection and remittance of interest income to the state.

Leveraging - Interest revenue remitted as state revenue would be a flexible funding source for maximizing leverage.

Issues

- A legislative mandate of this revenue source would remove a significant portion of funding for the voluntary CARHOF program that supports statewide affordable housing programs.
- The amount of revenue that this source would generate is relatively small compared to the projected need, and given the need for new collection procedures. It would need to be combined with other sources to produce enough funding to approach the $15 million minimum threshold defined by the Colorado Housing Trust Fund Coalition.

INTEREST ON TENANT SECURITY DEPOSITS

Landlords and property managers hold tenant security deposits against potential tenant damage to rental units. Interest on these deposits is a housing revenue source in Oregon, where there is a voluntary program through which holders of tenant security deposits can contribute the interest earned on these deposits into a low income rental assistance fund administered by the state.

Current Use - In Colorado, interest on tenant security deposits is not currently used as a public revenue source.

Revenue Potential - Because security deposits are deposited in numerous bank accounts across the state, it is difficult to accurately estimate how much interest is earned. The voluntary program in place in Oregon generates approximately $300,000 per year. The Colorado Apartment Association indicates that average security deposits will not generate anywhere close to the estimated funds needed. For instance, an overall average of $200 per unit security deposit, if applied to 100 percent of the 542,101 rental units in the state and deposited at an interest rate of 1.75%, would generate interest earnings of $1.9 million per year. This is an optimistic estimate, given that it would be difficult to collect this fee on the portion of the rental pool including single family homes and small rental complexes.

Nexus to Housing - Housing related.

Tax Incidence - Given the small amount of foregone interest associated with any one transaction (particularly given very low 2002 interest rates for savings accounts), it does not appear that this revenue source would have negative impacts.

Administration - This would require new procedures for collection and remittance of interest income to the state.

Leveraging - Interest revenue remitted, as state revenue would be a flexible funding source for maximizing leverage.

Issues

- The amount of revenue that this source would generate is relatively small compared to the projected need and costs associated with new collection procedures. It would need to be combined with other sources to produce enough funding to approach the $15 million minimum threshold defined by the Colorado Housing Trust Fund Coalition.

V. RECOMMENDATIONS

The need for affordable housing in Colorado is well documented. There is a growing gap between what renters and homebuyers can afford and what is available in the marketplace. The private market alone is unable to fill this gap, and public and non-profit resources are insufficient to subsidize targeted production. This analysis estimates that $26.5 million per year is needed over the next 12 years to produce enough affordable housing to meet the 2001 affordable housing need defined by the State Division of Housing. As Colorado's population continues to grow, it can be expected that the need will also grow, requiring ongoing funding to keep pace with demand.

Based on the level of funding required to address the identified need and in consideration of the criteria established by the Colorado Housing Trust Fund Coalition, a real estate transfer tax is recommended as a dedicated revenue source for a housing trust fund. This source, at rates of $.05 per $100 of value for residential transactions and $.02 per $100 of value for commercial and land transactions, could generate between $35 and $40 million per year. This source has a clear nexus to housing and the level of revenue that could be generated would be sufficient to meet annual production goals and allow for administrative costs, potential acceleration of production, response to growth in demand, accumulation of funding reserves, or exemptions for low-income homebuyers. While there are issues related to TABOR requirements, the advantages of this revenue source justify the challenges inherent in the legislative and voter approval process.

Alternatively, a state document recording fee, if set by the legislature at a rate of $10 on each document recorded in the state, could generate $12.5 million per year -- a meaningful level of revenue toward meeting production goals. A rate of $10 per document is estimated to increase current document recording fees on a $200,000 residential sale by $20 to $50. A rate of $20 would generate $25 million – nearly meeting the estimate need of $26.5 million -- but represents a larger proportion of total residential closing costs and might be less feasible to implement. Although voter approval of this fee would not be required, revenues would be subject to TABOR spending limits unless an enterprise could be established or Colorado voters approve an exemption.

When the two sources are compared from a tax incidence standpoint, at a rate of $.05 per $100 of residential sale value, the real estate transfer tax would add $100 to the closing costs on a $200,000 home sale, while a state document recording fee of $10 per document would add $20 to $50 to average residential closing costs.

Regardless of the revenue source the Coalition opts to pursue, it is recommended that any proposal submitted to the voters contain a finite time period for imposition of the tax or fee. Experience in Colorado and other states indicates a higher likelihood of approval if voters are assured that there is a clear purpose for the tax or fee, and that they will have the opportunity to reconsider their decision in the future, if there is a change in need or funding priorities.

Appendix Table 1
Comparison of Potential Revenue Sources for a Colorado Housing Trust Fund
Colorado Housing Trust Fund Study

Revenue Source	Revenue Potential	Nexus to Housing	Administration	TABOR Issues	Tax Incidence	Comments
Real Estate Transfer Tax	$35-40 million/yr. at $.05/$100 of residential value; $.02/$100 for commercial, land. Subject to fluctuations in real estate market.	Yes	Requires new collection/remittance procedures. Could collect at closing.	Specifically prohibited under TABOR. Would require vote to amend TABOR and enact tax. Legal issue re: single-subject ballot rule.	Impact is $100 on a $200,000 home sale. Could reduce impact on lower income buyers by exempting portion of value. Exempting first $50,000 of value reduces revenue by ~ $6 million).	*Advantages:* high revenue potential, link to housing. *Disadvantages:* TABOR issues, feasibility issues with new tax.
Document Recording Fee	$12.5 million/yr., if imposed on all transactions at $10 per transaction; $25 million at $20 rate.	Would apply to some non-real estate related documents. Most documents are real estate related.	Procedures in place. Could reimburse counties for collection.	Fees not subject to TABOR. Revenues subject to TABOR spending limits, unless vote or enterprise established.	Flat fee has small, but disproportionate impact on lower income payers. Estimated cost of $20-50 on residential sales at $10 rate.	*Advantages:* relatively low impact on payers; significant revenue potential; vote not mandated. *Disadvantages:* feasibility issue due to recent legislative action on electronic filing surcharge; subject to TABOR spending limits unless voter-approved exemption.
Sales Tax Increase	$34 million/yr. at .05%	Not direct.	Procedures in place.	Requires statewide vote to increase.	Disproportionate impact on lower income households.	*Advantages:* revenue potential *Disadvantages:* regressive; requires voter approval.
Stadium Sales Tax Extension	$40 million/yr. (current)	Not direct.	Procedures in place.	Requires district vote.	Disproportionate impact on lower income households.	*Advantages:* taxpayers are accustomed to amount; strong revenue potential. *Disadvantages:* not statewide; requires vote.
Interest on Escrow Acc'ts **Interest on Security Deposits**	Less than $1 million/yr.from either	Yes	Requires new procedures.	Revenues subject to spending limits, unless vote to exempt.	Neutral.	*Advantages:* nexus, low impact. *Disadvantages:* low revenue, TABOR spending limits apply, funds Realtors' housing foundation.
TABOR Surplus	No surplus expected until FY 2006-2007.	Not direct.	Procedures in place.	Requires vote.	Distributed across all payers of revenues subject to TABOR.	N/A: Not available until FY 2006-2007, per 6/02 Office of State Planning and Budgeting projection
General Fund	Requires appropriation. Not feasible, given state budget constraints.	Not direct.	Appropriation process. Not dedicated.	Subject to spending limits.	Distributed across all payers of revenues subject to TABOR.	*Advantages:* existing source. *Disadvantages:* appropriation; funds not dedicated.

Source: EPS

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