



## TABOR Issue Brief

The Taxpayer’s Bill of Rights (TABOR) restricts the amount of revenue that can be spent on state and local services—from health care to transportation to education. In the 1990s, TABOR forced reductions in many state services, and since 2000 the revenue situation has become especially dire. TABOR’s ratchet effect won’t let services recover, even when the economy rebounds, so the cuts caused by revenue shortages remain in place. Services will never be able to catch up or keep pace with real economic growth—and will, in fact, continue to shrink—unless we change TABOR’s spending limits and eliminate the ratchet effect.

According to Legislative Council’s Dec. 2004 forecast, under current revenue projections, the General Assembly will have to reduce FY 2005-06 expenditures by \$244.9 million to accommodate allowable General Fund growth as prescribed by TABOR, while simultaneously giving back \$459.2 million in refunds. Colorado’s improving revenue environment means that programs supported by either General Fund or cash funds will compete against each other under TABOR spending restrictions.

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## Colorado’s Economy

- Colorado’s economic growth lagged that of the nation and almost every surrounding state in 2003. Gross state product grew at 4.3%, slightly behind the 4.8% average rate for the Rocky Mountain region. Adjusted for 1.1% inflation, Colorado’s real economic growth in 2003 was 3.2%.
- While this growth rate was an improvement from the dismal 1.9% growth of 2002, it was the 13<sup>th</sup> lowest growth rate among all states.
- Colorado ranked 37<sup>th</sup> in personal income growth between the second and third quarters of 2004, with a rate of just 0.7%, below the 1% average increase for the Rocky Mountain region. Adjusted for inflation, per capita personal income is currently below its 2000 peak, after having declined for two consecutive years.
- In January 2005, the Colorado Business Leaders Confidence Index declined for the second consecutive quarter, down to 61.3 from the 66.9 recorded one year ago, while expectations for the state economy declined from 68.2 to 64.2 during the same time.
- Over 56% of business leaders feel that the overall state funding situation is critical or very critical. They also feel that funding is at a critical or very critical point for higher education (70%) and transportation (56.1%).
- The state’s economy lags the national economy in overall recovery from the 2001 recession, regaining only 35,400 of the 117,500 jobs lost since December 2000. Colorado was one of the last two states to officially emerge from the recession.

## TABOR ISSUE BRIEF: COLORADO'S ECONOMY

- In 2004, bankruptcies hit a record high, increasing roughly 7% over the previous year. This was a much higher increase than the rest of the nation, which saw bankruptcy rates decline. Last year over 27,500 households and businesses sought bankruptcy protection, which represents a 6% increase from 2003, a year marked by a 21% increase over the previous year. Foreclosures were also up 18% in 2004, which marked the second worst year on record after 1988.
- In the 18<sup>th</sup> annual comparison of states' economic development prospects by the Corporation for Economic Development, Colorado's economic performance and future development prospects were weaker in 2004 than previous years. Colorado received a C grade in its performance index for 2004. This was the second year in a row that the state dropped a full letter grade.
- Colorado's poor scores in development capacity, reflect the state's national rankings as 44<sup>th</sup> in K-12 expenditures, 46<sup>th</sup> in high school completion rate, 36<sup>th</sup> in average teacher salary, and 41<sup>st</sup> in highway performance.
- Colorado also ranked 47<sup>th</sup> lowest in average annual pay, 36<sup>th</sup> in wage disparity between rural and urban areas, 27<sup>th</sup> in employer health coverage, 48<sup>th</sup> in change in unemployment rate, 39<sup>th</sup> in change in poverty rate, and 49<sup>th</sup> in change in venture capital investments.
- Colorado's unemployment rate of 5% in November 2004 was the 19<sup>th</sup> highest among the 50 states –almost double its rate in January 2001. The state ranked 49<sup>th</sup> in the percentage of unemployed persons not receiving unemployment insurance in the third quarter of 2004, which means that over 96,000 unemployed workers were not eligible for unemployment assistance.
- State funding for the Office of Economic Development has declined 57%, from \$27 million in 2003 to \$12 million in 2005. Funding for the Existing Industry Training and the Small Business Assistance programs was eliminated. For the 2006 fiscal year, the Governor has requested only a 0.49% increase in state funding for economic development.

**Elected leaders in both major political parties as well as community leaders from throughout Colorado have acknowledged that something needs to be done about Colorado's tax revenue and spending limitation constraints, known as TABOR. Colorado's balance sheet, i.e. the value of its physical and services infrastructure per capita, is in precipitous decline. The long-term impact on Colorado's economy could be very damaging.**

**Report on the Economy 2004  
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The Greater Colorado Springs Economic Development Corporation**

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(SOURCES: Colorado General Assembly Joint Budget Committee; Colorado Legislative Council Economics Staff; U.S. Department of Commerce Bureau of Economic Analysis; U.S. Department of Labor Bureau of Labor Statistics; US Bank 2005 Economic Forecast; Corporation For Economic Development; Business Leaders Confidence Index (University of Colorado at Boulder Leeds School of Business); Economy.com; Denver Post.)