



The Bell

*Action Network*

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# Making TABOR Work

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# The Taxpayer's Bill of Rights

- Voter Approval of All Tax Increases (broadly defined).
- Annual Revenue Growth Limits (inflation-based).
- Annual Spending Growth Limits
- Prohibition of Certain Tax Options (e.g., real estate transfer tax, graduated state income tax).

*THE MOST RESTRICTIVE TAX AND SPENDING LIMITATION IN AMERICA.*



# It's all about “THE LINE”

“THE LINE” = The Revenue Limit

(Based on formula of Population + Inflation added to the previous year's TABOR expenditures)

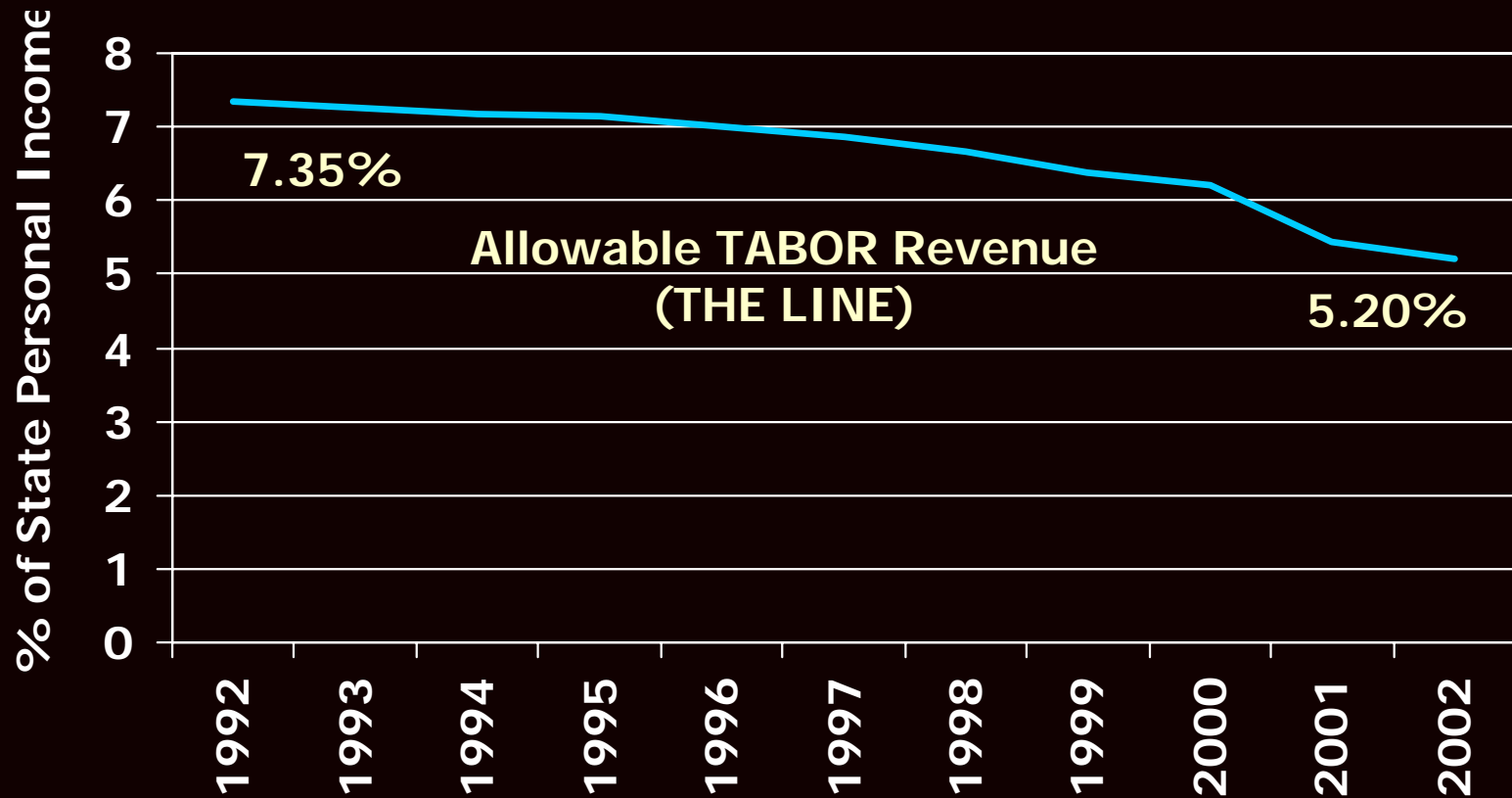
In good economic times, **THE LINE** does not allow services to keep pace with growth in the economy. (inflation not adequate)

In bad economic times, **THE LINE** requires that budget cuts made to weather temporary downturns must be permanent. (the mechanism of re-basing)



# The Line

## TABOR and Growth in Government





**“Under TABOR, the state is allowed to increase spending from one year to the next by no more than the sum of inflation plus population growth.**

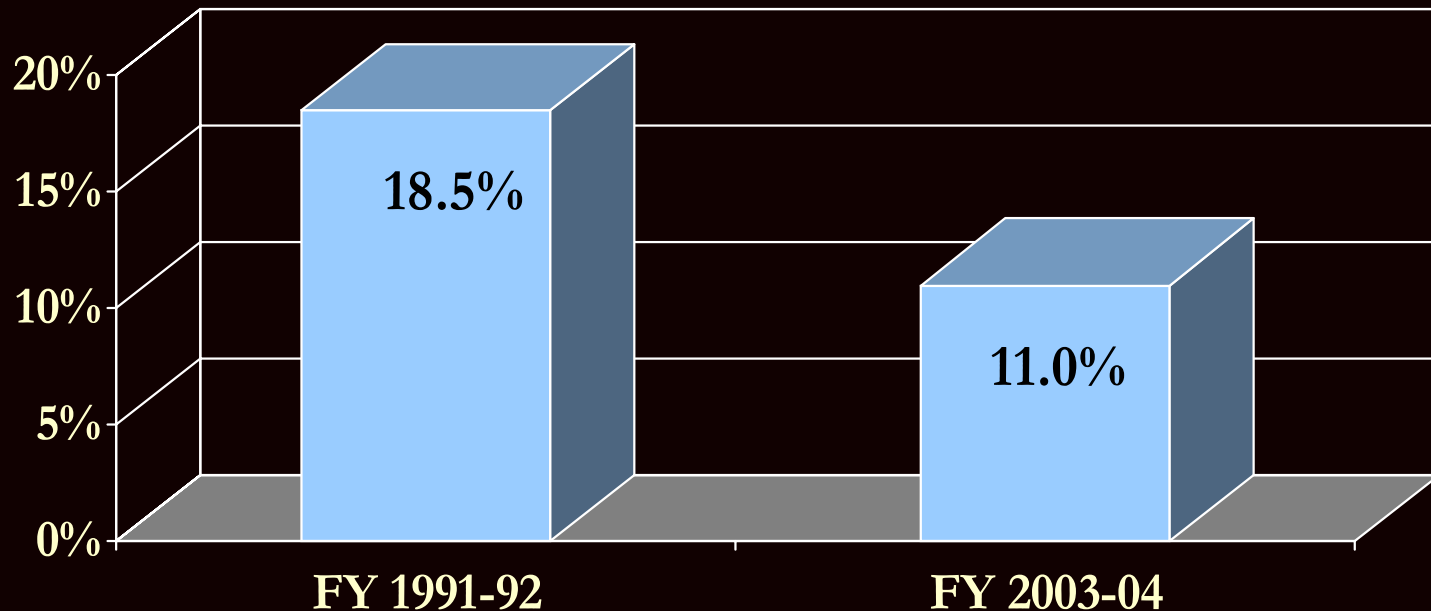
**“At first glance, this may appear to be reasonable. But the economy normally grows faster than the TABOR limit by about 2 percent to 3 percent annually because of increases in productivity. If wages of government jobs are to be competitive with the private sector, state revenues should keep pace with the economy. If revenues do not keep pace, the result will be continuing cuts in programs.”**

**-- Rep. Brad Young, R-Lamar  
Chair, Joint Budget Committee  
Rocky Mountain News, 2/7/04**



# In Good Times, Services Can't Keep Up

## Higher Education Appropriations as a Percentage of Total Annual General Fund Appropriations



# The Ratchet Effect Applied to Water Supply: Our Reservoirs are Always "Full." The Drought is Permanent.

Do NOT fill  
beyond this level  
(THE LINE)

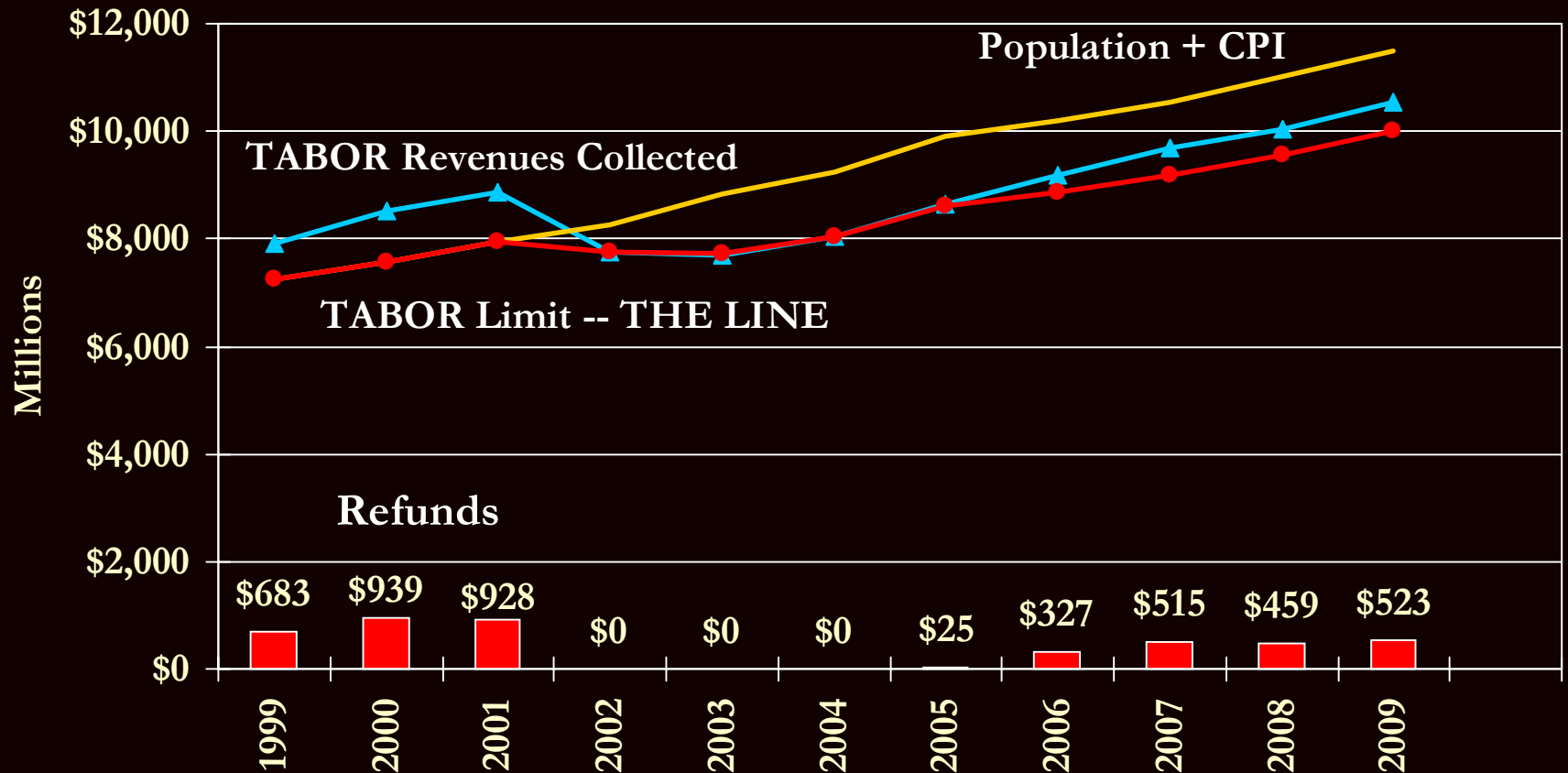


Photo source: Colorado Division of Water Resources, August 2002



# In Bad Times, Cuts Become Permanent

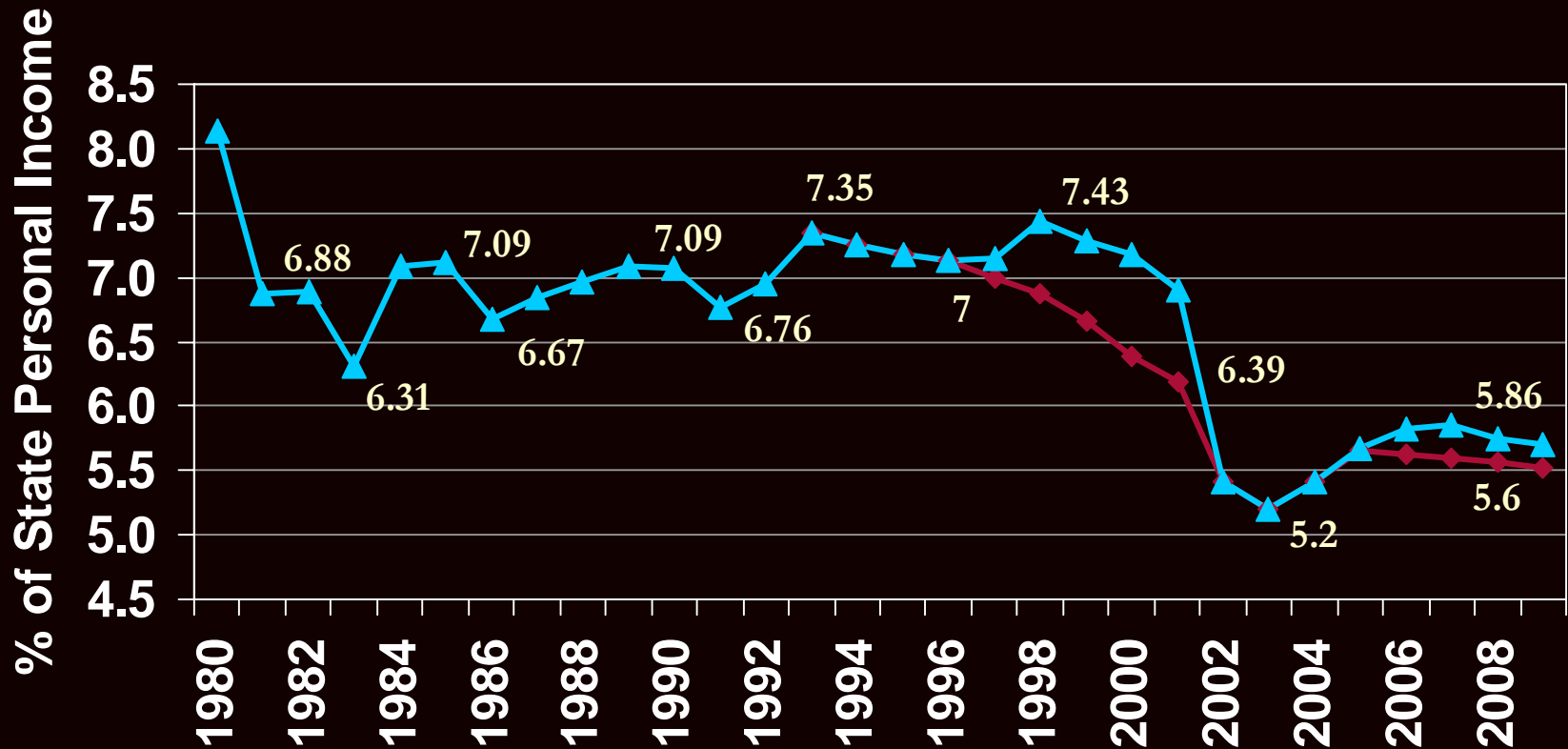
## The Ratchet Effect





# TABOR Throughout the Economic Cycle: A Weight-Loss Diet

## Annual Expenditure of "TABOR Revenues"





It's all about  
**“THE LINE”**

A ballot measure **MUST** do  
something about **THE LINE** in  
both good economic times  
(inflation) and bad economic times  
(re-basing).



# The Refund Trap

With an annual growth limit of population plus inflation that is rebased every year,

**THERE WILL ALWAYS BE REFUNDS DURING GOOD TIMES, REGARDLESS OF THE LEVEL OF TAXES AND SPENDING.**

If we cut taxes and spending by 95% tomorrow for FY 2004-05, barring another deep recession we would have refunds again as early as FY 2005-06.

**IF WE INSIST ON ALWAYS BEING ABLE TO HAVE REFUNDS, WE WILL NEVER SOLVE THE PROBLEM.**



# The Campaign For Colorado

**A Bi-Partisan Coalition of Business Leaders, Civic Organizations, Regional Organizations, Local Governments, Advocacy Organizations, Policy Centers and more.**

**Committed to Supporting a Ballot Measure in 2004 that will Allow Colorado to Maintain Critical Public Investments and Services**



# The Campaign For Colorado

- Continue to require voter approval for all tax increases.
- Continue to limit the growth of government.



# The Campaign For Colorado

Link public sector growth and contraction to  
private sector growth and contraction

by replacing the

**ANNUAL GROWTH FORMULA BASED ON  
POPULATION PLUS INFLATION**

with a

**CAP ON STATE SPENDING AS A  
CONSTANT PERCENTAGE OF STATE  
ECONOMIC ACTIVITY.**



## Proposed Language

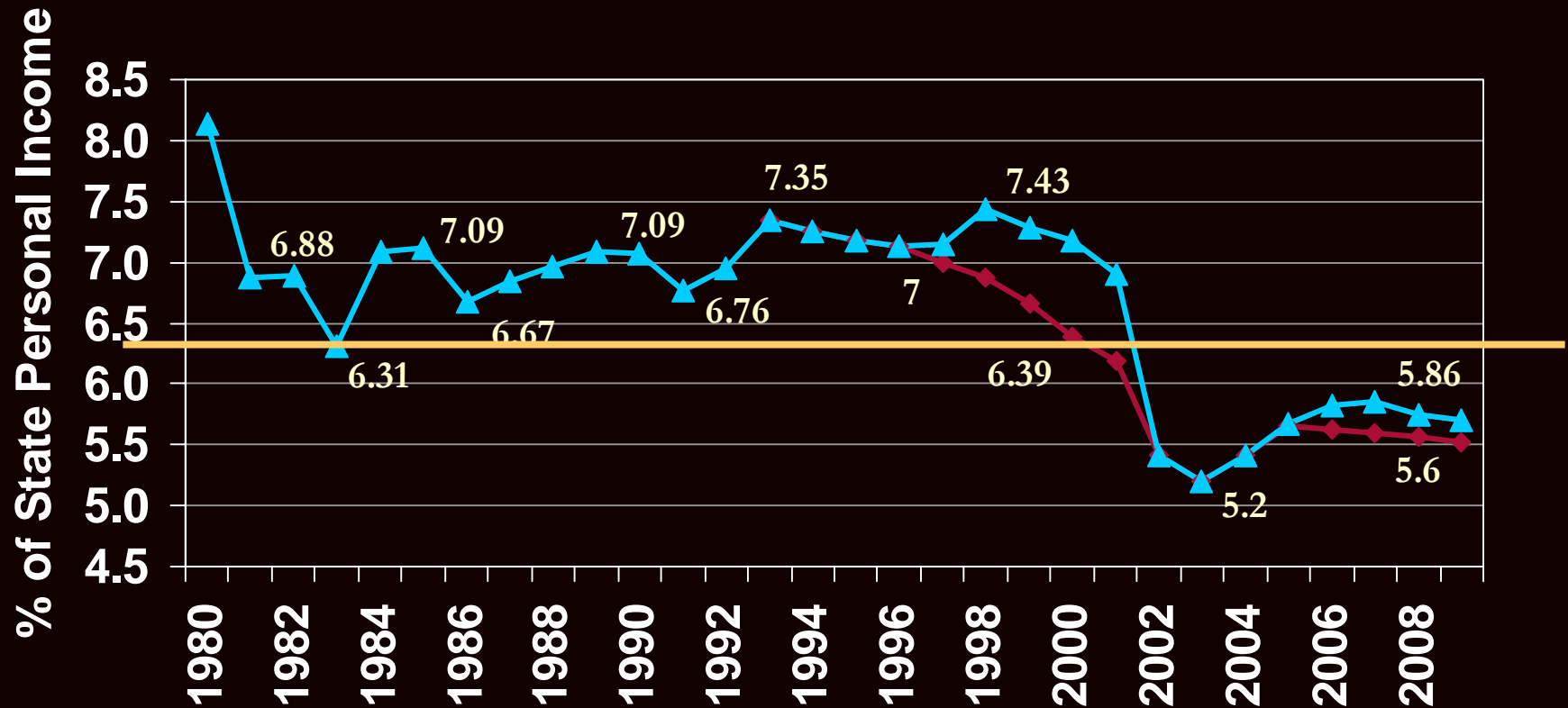
“State fiscal year spending must be less, as a percentage of the overall state economy, than it was in the fiscal year ending in 2000, unless voters approve a revenue change.”

“Each local district’s property tax revenue limit is the property tax limit that existed in the fiscal year ending in 2000, plus the sum of local growth since 2000 and per-capita growth in the overall state economy since the fiscal year ending in 2000, adjusted for revenue changes approved by voters . . .”



# The Campaign For Colorado Proposal: A Weight Maintenance Diet

## Annual Expenditure of "TABOR Revenues"





# The Campaign For Colorado Proposal

**TABOR will remain among the most restrictive tax and spending limitations in the country.**



# The Campaign For Colorado Proposal

**Allow the 1% annual increase mandated by Amendment 23 to be suspended during bad economic times.**

- **Formula for economic downturn**
- **One year at a time**
- **Catch up clause**

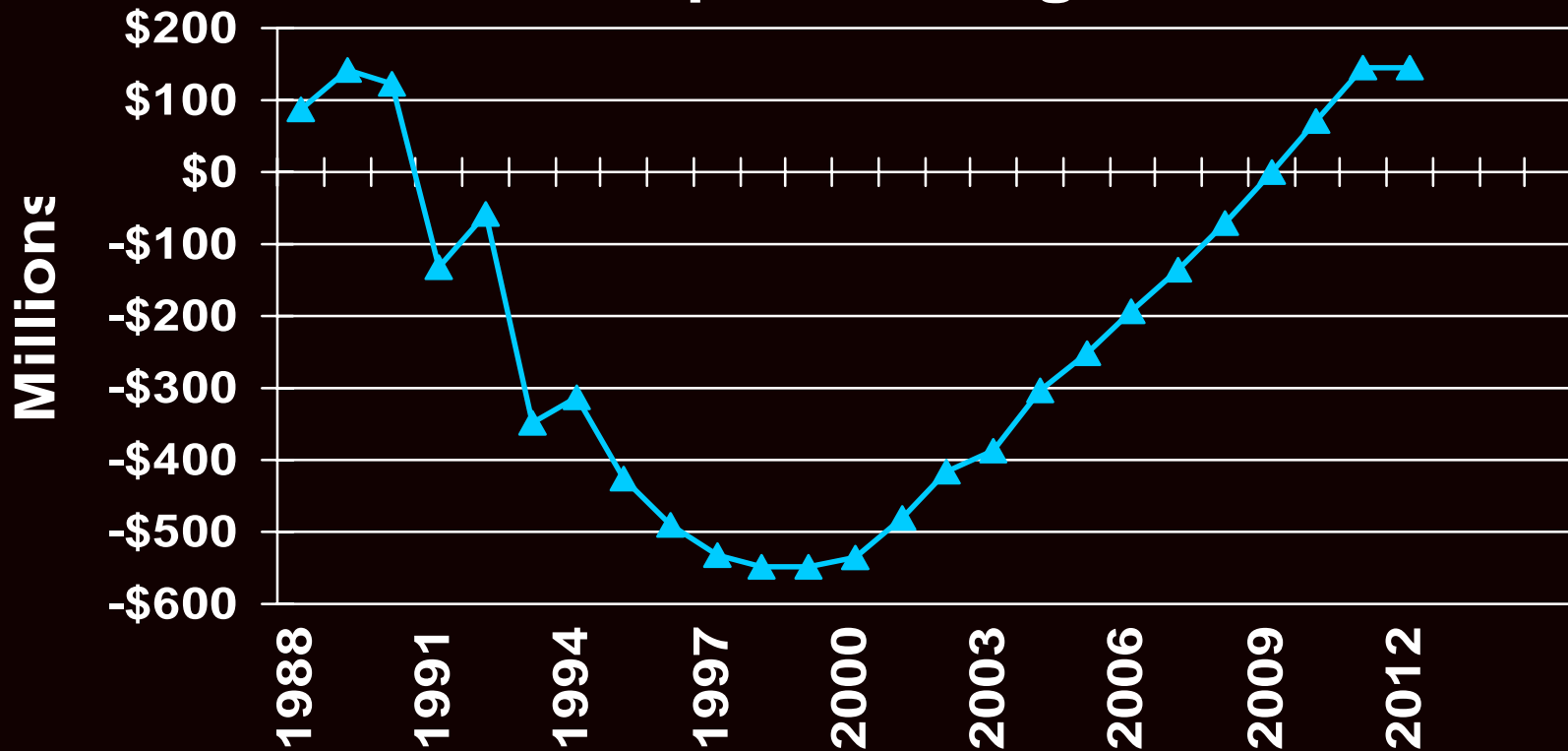
**Sunset Amendment 23 in 2011 (plus any catch up)**

**One-way linkage to TABOR fix**



# Amendment 23: Re-hydrating the System

## GAP between Inflation and Per Pupil Funding





## The Wild Card – A Special Session?

- Legislature considered a variety of options but did not reach agreement in regular session (needs 2/3 vote to refer a constitutional amendment).
- Governor and Conservative Republicans have drawn line at moving from inflation-based limit to limit based on real economic activity.
- Inclusion of local limits and whether to cut Amendment 23 (and how much) also at issue.
- Special Session prospects.



# Status of Campaign

- Titles approved for both initiatives
- Printing petitions – 68,000+ signatures by August 2
- Baseline poll completed
- Interviewing for campaign manager, consultants, finance director
- Building strong field organization
- Raising money



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***Action Network***

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*For more information, or to volunteer . . .*

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