

CRITICISMS OF MAINE TABOR PAPER INACCURATE

On October 3, the Maine Heritage Policy Center issued a press release calling “Double Jeopardy for Local Services Under TABOR,” a recent CBPP analysis of Maine’s TABOR proposal, “inaccurate and flawed.” Unfortunately, Heritage provided inaccurate and misleading information on several key questions concerning TABOR’s likely effects on Maine:

- **Heritage assertion:** Heritage says that, under the Maine proposal, “...taxes as a percentage of our incomes will be decreased. That is a decline in the tax burden.”

The facts: In Colorado, the only state that ever adopted a TABOR, local revenues did not decline. In 2004 (the latest year for which data are available), local revenues from local sources equaled 7.9 percent of personal income — the same share as in 1992, when TABOR was enacted.

Property taxes fell a little as a share of personal income (due to pre-existing property tax limits), but the decline was offset by increases in sales taxes, fees, and other taxes paid by local residents. That’s because residents in 88 percent of Colorado’s municipalities and 94 percent of its counties — preferring adequate services over tax reductions — voted to override the TABOR revenue limits and, thus, forgo tax cuts.

- **Heritage assertion:** Heritage argues that TABOR would not require any budget cuts because Maine’s state and local governments would be allowed some annual revenue growth.

The facts: A budget cut occurs when a government does not have enough money to provide the level and/or quality of services it has been providing, given changes in the cost of providing those services and in the number of people receiving them. The TABOR formula does not accurately measure the cost of providing specific services (such as health care, whose cost has been growing much faster than the general inflation rate) or of serving specific populations (such as the elderly, who are costlier to serve than many other subpopulations and who are projected to make up an increasing share of Maine’s population).

CBPP found that if Maine had adopted TABOR the same year Colorado did, total state spending in 2005 would have been \$448 million lower than it was. (CBPP used the same methodology and data as a recent analysis by Maine’s Office of Fiscal and Program Review.) It is not plausible to claim that \$448 million could be taken from Maine’s budget without causing major service declines — that is, budget cuts.

- **Heritage assertion:** Heritage claims the CBPP analysis is “contradictory” in predicting that TABOR could lead both to budget cuts and to property tax increases.

The facts: CBPP found that TABOR might *initially* depress property taxes. But as localities cope with cuts in state aid because of the state budget squeeze TABOR would cause, and as localities become less able to provide services as TABOR curtailed their own revenue, Mainers will likely become fed up with deteriorating services. That's just what happened in Colorado where, on literally hundreds of occasions, voters overrode TABOR limits and maintained or even increased their taxes.

The conclusion of the CBPP report stands. TABOR will not guarantee sustainable property tax relief, and could lead to property tax increases in Maine.