

- TABOR virtually guarantees that state services will have to be cut every year.

Policy Basics is a series of brief background reports on issues related to budgets, taxes, and government assistance programs.

The Center on Budget and Policy Priorities
820 First Street, NE, Suite 510
Washington, DC 20002
Ph: 202-408-1080
Fax: 202-408-1056
center@cbpp.org
<http://www.cbpp.org>

December 18, 2008

In 1992, Colorado enacted a Taxpayers Bill of Rights (TABOR), a constitutional amendment that limits the annual growth in state revenues and expenditures to the sum of the inflation rate and the percentage change in the state's population. (For example, if the general inflation rate is 2 percent and the state's population grows by 1 percent, state revenue for expenditures can increase by 3 percent, and the balance must be refunded to taxpayers.) Lawmakers can override these limits only with voters' approval.

In recent years, anti-government groups have pushed "TABOR" proposals with these same core elements in numerous other states. These proposals have gone under a variety of names, such as "Tax and Spending Control" (Nevada) or "Stop Over Spending" (Michigan).

TABOR's Controversial Formula

Proponents argue that TABOR's population-plus-inflation formula allows states to maintain public services while keeping spending under control. Opponents argue that the formula virtually guarantees that states must cut services every year. General population growth and the overall inflation rate do not accurately measure the changes in the cost of providing services such as health care and education.

One reason is that the segments of the population requiring the most state services, such as senior citizens, often expand more rapidly than the population as a whole. In Montana, for example, the total population is projected to increase by 16 percent by 2030, but the elderly population is projected to more than double. Basing Montana's revenues on changes in the overall population would effectively prevent the state from maintaining its current level of health care and other services for its growing elderly population.

Similarly, the inflation index TABOR proposals use (the U.S. Bureau of Labor's "Consumer Price Index-All Urban Consumers") is not an accurate measure of the costs state governments face. The index measures the change in the cost of goods and services purchased by a typical urban consumer. State governments, in contrast, spend much of their revenue on education and health care, whose costs typically grow faster than the general rate of inflation.

TABOR's Impact on Colorado

TABOR has contributed to a significant decline in public services in Colorado. Under TABOR:

- Colorado declined from 35th to 49th in the nation in K-12 spending;
- higher education funding dropped by 31 percent;

- Colorado fell to near the bottom of national rankings in providing children with full, on-time vaccinations; and
- the share of low-income children in the state who lacked health insurance doubled, making Colorado the worst in the nation by this measure.

In 2005, these problems led Coloradoans to approve a statewide measure to suspend TABOR's population-growth-plus-inflation formula for five years in order to allow the state to rebuild its public services.

TABOR Proposals in Other States

In recent years, several national anti-government groups have led campaigns in numerous other states to enact TABORs. Since 2004, serious efforts have occurred in 20 states: Arizona, Colorado, Florida, Georgia, Kansas, Maine, Michigan, Minnesota, Missouri, Montana, Nebraska, Nevada, New Mexico, North Dakota, Ohio, Oklahoma, Oregon, Pennsylvania, South Carolina, and Wisconsin.

Most of these proposals failed to make the ballot. In the three states where proposals did make the ballot — Maine, Nebraska, and Oregon — voters rejected them. Colorado thus remains the only state with a TABOR.

“ For businesses to be successful, you need roads and you need higher education, both of which have gotten worse under TABOR and will continue to get worse.”

— Tom Clark,
Executive Vice
President of the
Denver Metro
Chamber of
Commerce

“ The business community has said this is not good for business, and this is not good for Colorado.”

— Gail Klapper,
director of the
Colorado Forum, an
organization of 60
leading CEOs