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IS COLORADO'S TABOR CREATING JOBS?

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Advocates of Colorado's "Taxpayer Bill of Rights" (TABOR) — a stringent set of tax and spending limitations that is being promoted as a model for other states and for the federal government — sometimes selectively cite economic data to suggest that Colorado's TABOR has boosted the state's economy. A broader look at economic data suggests TABOR has created no jobs, and may have made things worse.

An honest accounting of Colorado's economic performance under TABOR must take into account the period since the recession began in March, 2001.

- In the last 44 months, Colorado has lost 68,000 jobs, a decline of 3.0 percent — among the half-dozen largest losses of jobs in the country.
- Per-capita personal income has fallen 3.7 percent after inflation, a sharper drop than in any other state.
- While Colorado has been losing jobs, every other Rocky Mountain state has been adding jobs. Among all eight Mountain states (Arizona, Colorado, Idaho, Montana, Nevada, New Mexico, Utah and Wyoming), the median job growth has been 4.5 percent. None of those other states has a strict TABOR limit.

Overall since TABOR's 1992 enactment, Colorado's growth has been merely average compared with its Rocky Mountain neighbors. In those 12 years — just as in the 12 years *prior* to TABOR's enactment — Colorado employment rose at a fairly typical rate for a Mountain state.

- From 1980 to 1992, total nonfarm employment in Colorado grew at an annual rate of 2.1 percent — equal to the median growth rate among all eight Rocky Mountain states.
- From 1992 to 2004, employment in Colorado grew at an annual rate of 2.5 percent. The median growth among all eight Rocky Mountain states during this period was 2.7 percent. Job growth in Colorado since TABOR's enactment was lower than the growth in four states in the region and higher than growth in three others.

(Note that the 1980-92 period included three national recessions, while the 1992-2004 period included only one, which explains why growth was better in Colorado and in other Rocky Mountain states in the latter period.)

In short, there is no clear correlation between TABOR and economic performance in Colorado. TABOR did not cause most of Colorado's current economic problems, any more than TABOR caused the state's economic growth in the 1990s. Rather, Colorado's nonpartisan Legislative Council Staff has found that both the economic boom of the 1990s and the bust of the last several years reflect the nature of Colorado's economy, and have little to do with fiscal policy.

Table 1
Job Growth or Loss in Mountain States
Since Recession Began (March 2001 – November 2004)

State	**Change in payroll employment (000)**	**Percentage change**
Arizona	102.1	4.5%
Colorado	**-68.3**	**-3.0%**
Idaho	20.5	3.6%
Montana	14.1	3.6%
Nevada	101.1	9.6%
New Mexico	40.0	5.3%
Utah	27.2	2.5%
Wyoming	13.6	5.6%
Mountain States median	n/a	4.1%

What TABOR perhaps *can* be blamed for is exacerbating the boom-and-bust cycle in state finances — and perhaps in overall employment as well. Because TABOR required very large tax refunds in the boom years, the state was unable to put money into a rainy day fund or make other investments that could have eased the crisis when it arrived. It may well be that the TABOR-driven tax cuts during the boom years helped overheat the state's economy, while large TABOR-driven budget cuts during the recession worsened the job loss by withdrawing demand from the economy at a time when it already was weak.

Table 2
Job Growth in Mountain States Before & After TABOR

	1980-1992	**1992-2004**
Arizona	3.4%	3.7%
Colorado	**2.1%**	**2.5%**
Idaho	2.0%	2.9%
Montana	1.0%	2.1%
Nevada	4.0%	4.9%
New Mexico	2.2%	2.3%
Utah	2.8%	3.0%
Wyoming	-0.2%	1.8%
Mountain States median	2.1%	2.7%

Average annual growth rates.
Source: Bureau of Labor Statistics.