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COLORADO'S FISCAL PROBLEMS HAVE BEEN SEVERE AND ARE LIKELY TO CONTINUE

Colorado's Stringent "TABOR" Limit Has Worsened the Problems

By Nicholas Johnson, Carol Hedges, and Jim Zelenski¹

In a time of great fiscal stress for states, Colorado has been depicted in some quarters as an oasis of sound budgeting and fiscal stability. In a recent nationally broadcast radio interview, White House advisor Karl Rove said: "Take the state of Colorado, for example. Its finances are in good shape."² Columnist George Will recently described Colorado's fiscal problems as "much milder than most."³ The *Wall Street Journal's* editorial pages have repeatedly praised Colorado and cited it as a good model for other states and for the federal government.

In fact, Colorado's economy and its finances over the last two years have been at least as rocky — often more so — than those in other states. Colorado lost more jobs and income than virtually any other state in this recession, and the state suffered one of the nation's steepest declines in tax revenue. By 2003, Colorado reported the nation's second-largest budget shortfall relative to its budget. The fiscal problems have cost some 15,000 children their state-financed health care coverage and some 100,000 senior citizens their property tax exemptions, and led to reductions in expenditures on everything from health to higher education to highways, among other areas. The legislature is now planning another \$194 million in spending cuts for the coming fiscal year.

Colorado's fiscal problems have their origins before the recession. Before Colorado suffered the nation's biggest economic decline, it was enjoying very strong economic growth. But even during the boom years of the mid- to late 1990s, Colorado was disinvesting in its public sector. For example, the state failed to set aside money in a reserve fund, it was among a very few states that cut higher education funding, and it reduced public health spending. In 50-state studies in 1999 and 2001, before the fiscal crisis, *Governing* magazine and Syracuse University ranked Colorado's finances as among the nation's worst-managed.

Why, then, have certain pundits sought to portray Colorado as a budgetary paradise? The reason is Colorado's "taxpayer bill of rights" (TABOR). TABOR is perhaps the most extreme example of what public-finance experts call "tax and expenditure limits," which are formula-based restrictions on a state or locality's ability to spend the revenue it collects from taxes.

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² National Public Radio, *Morning Edition* transcript, January 23, 2004.

³ "Colorado Governor Shows Us How to Run a State," syndicated column, October 19, 2003.

Although formula-based limits on taxes and spending have existed in many states for several decades, Colorado's limit is arguably the most stringent, and therefore the most appealing to ardent advocates of TELs — most of whom would like to shrink government services over time.

For many anti-government writers and activists, "TABOR" has become a synonym for the kind of severe limits that they hope will shrink expenditures. "Colorado enacted a Tabor in 1992 and has been satisfied with the result," the *Wall Street Journal's* "Political Diary" said on February 5, in a column that also praised efforts in Oregon and at the federal level to enact similar measures. Americans for Tax Reform, an arch-conservative anti-government group associated with Grover Norquist, in 2003 described TABOR as the "Holy Grail" of fiscal policy. Currently, former U.S. Rep. Dick Armey is leading a campaign to extend Colorado-style TABORs across the country. Elected officials in at least half-a-dozen states are promoting TABOR-like reforms.

Often overlooked in the debates in other states is the fact that TABOR bears a substantial share of the blame for Colorado's recent fiscal struggles and the decline of public services in the state. It is TABOR that prevented the state from saving and investing much of the revenues received during the state's boom years. Moreover, the formulas embedded in TABOR required the state to continue to cut services to finance tax cuts even during the early part of the fiscal crisis — and will again require the state to cut services to finance tax cuts before the state has recovered. In just a decade, the measure has substantially reduced the availability and quality of public services in Colorado. Considering its status as one of the nation's wealthiest states, Colorado generally invests less in K-12 education, universities, health care, and other services than other states. The legislature's nonpartisan staff projects that in the coming years, spending levels will be insufficient to cover rising school enrollments, prison populations, health care costs, and other changes, resulting in continued erosion in public services.

Although analysts and elected officials have not agreed on how to remedy the situation, the severity of the fiscal problems in Colorado and the need to adjust TABOR are acknowledged widely by nonpartisan analysts and by elected officials of both parties within Colorado. But this consensus has not yet made it possible to fix TABOR, in part because TABOR is so complex, and in part because of the hardened and well-financed opposition of the anti-tax activists that supported its enactment in the first place.

Colorado Was Hit Harder by the Fiscal Crisis Than Many Other States.

There is no basis to the claim that Colorado was touched only lightly by the fiscal crisis. The truth is exactly the opposite: the state was among the hardest hit. Both Colorado's Republican state treasurer and the Legislative Council Staff (the legislature's well-regarded nonpartisan analysts) have described the state's current fiscal crisis as the worst since the Great Depression. A severe drop in revenue, exacerbated by several aspects of TABOR as described in the next section, led to painful budget cuts, fee increases, and an overall shrinking of state services.

The Decline in Colorado's Public Services

The TABOR limit's strictures on public spending have contributed to a decline in the quality and availability of public services. Colorado was a relatively wealthy state even before TABOR was enacted, and has one of the nation's dozen highest per-capita incomes. In contrast to other high-income states, however, Colorado's public services tend to be average to poor — and appear to be in decline.

- Colorado does a worse job of providing health insurance for needy families than most other states. Among Colorado's low-income children, some 29 percent lack health insurance, half again as high as the national rate of 19.7 percent. This is largely because Colorado does a much weaker job of providing Medicaid to poor families than other states. Colorado's share of low-income individuals that are enrolled in Medicaid is lower than in all but five other states. Most recently, Colorado eliminated health-care coverage for 15,600 children in low-income families by freezing enrollment.
- Elementary and secondary class sizes in Colorado are larger, and teachers are less well paid, than in other states. The average student-teacher ratio in elementary and secondary schools in Colorado is the 11th-highest in the country. Teacher pay in Colorado is low, 7 percent below the national average — a particular problem in Colorado since schools must compete against private-sector wages that are higher than the national average. The ratio of teacher salary to average private-sector earnings is lower in Colorado than any other state. (A constitutional amendment enacted after TABOR passed guarantees funding increases for K-12 education, meaning that further erosion of state education funding is unlikely, but also is leading to even greater reductions in other areas.)
- Colorado now ranks 47th in its level of taxpayer support of colleges and universities, even though the state has larger-than-average college-age population. The rank declined from 32nd in 1992. From 1994 to 2004, state support to colleges and universities in Colorado grew at the fourth-slowest rate in the nation — averaging 1 percent annually, well below the rate of inflation. Tuition has already increased substantially in the last two years; an additional 40 percent tuition increase is projected for next year.
- Education and health care are the largest items in the state's budget, but many smaller line-items fare at least as poorly. In Colorado, fewer children receive immunizations, interstate highways are less well maintained, and the arts receive less state support, to cite a few examples. Recent cuts have exacerbated such deficiencies, and more cuts in these or other areas are expected over the next several years as Colorado seeks to enact some \$600 million in additional budget cuts to make room for TABOR-required tax rebates.

Sources: U.S. Census Bureau; Kaiser Commission on Medicaid and the Uninsured; U.S. Department of Education; American Federation of Teachers; Center for the Study of Education Policy at Illinois State University; *CQ's State Fact Finder*.

From fiscal years 2001 to 2003, general fund revenues in Colorado fell some 17 percent, compared with a national average decline of about 4 percent. By January 2003, the Denver-based National Conference of State Legislatures reported that Colorado's budget shortfall had risen to \$802 million or 13.2 percent of the state's general fund, the second-highest proportion in the nation.

The result of the fiscal crisis has been a range of spending cuts, fee increases, and suspension of tax rebates and tax credits.

- The state has enacted substantial spending cuts, including reduction in health coverage for children, child care, mental health, aid to localities, funding for courts and for mental health, and other areas. In nominal dollars, total general fund appropriations have not increased since 2001, despite substantial growth that has occurred over that four-year period in population, caseloads, and health-care and other costs. In term of the services that can be provided, the public sector is shrinking.
- Although taxes were not increased, the legislature enacted some 46 different fee increases in order to maintain services in the face of declining state funding. And a variety of tax provisions, including a tax credit for working-poor families and a popular property tax exemption that had benefited some 100,000 senior citizens, were suspended automatically.
- Even these spending cuts and revenue increases are proving insufficient to maintain balanced budgets. As a result, Colorado has resorted to a variety of gimmicks to balance its budget, such as shifting paydates from one year to another, borrowing heavily from trust funds, and (under the governor's latest budget proposal) securitizing tobacco-settlement payments — in effect, using a future stream of payments to pay for current appropriations.⁴

Of course, other states have faced similar difficulties during this fiscal crisis, though not generally to the same extent. What makes Colorado unusual — as the next section discusses — is the role TABOR played in creating the fiscal crisis, and the likely role TABOR will play in impeding the state's recovery.

TABOR Has Exacerbated Colorado's Fiscal Crisis and It Will Delay Colorado's Fiscal Recovery.

TABOR — the Taxpayers Bill of Rights — was enacted as a state constitutional amendment in 1992. Among the key features of TABOR are that it restrains the growth of total state revenue (including both tax and most non-tax revenue) each year to the sum of population growth plus inflation; it requires voter approval of all tax increases; it bars the legislature from adjusting or repealing existing statutory limits on taxes and spending; and it applies similar provisions to local governments.

⁴ Securitizing the tobacco settlement means selling bonds for an immediate revenue gain, and then paying off those bonds over a period of many years with some or all of the revenue that the state expects to receive from payments under the national tobacco settlement.

TABOR's Role in Colorado's Boom-Bust Economy

Colorado's economy has fared worse in the last two years than the economy of virtually any other state. Since the recession began in March, 2001, Colorado has suffered the fourth-worst loss of jobs in the country; total payroll employment has declined 4.1 percent. Per-capita personal income in Colorado has fallen 1.8 percent, after adjustment for inflation, over the last two years, a sharper decline than in *any* other state. The severity of the recession in Colorado has been a substantial contributor to the depth of Colorado's fiscal crisis.

It would probably be incorrect to blame this economic downturn on TABOR — just as it would be incorrect to attribute the state's economic growth of the 1990s to TABOR. Rather, both the boom of the 1990s and the bust of the last several years are attributable to the nature of Colorado's economy, which is heavily dependant on the advanced technology sector, construction, airline travel and tourism, according to the Colorado's nonpartisan Legislative Council Staff. A detailed analysis by LCS found that TABOR caused neither the boom nor the bust.

What TABOR can be blamed for is exacerbating the impact of the boom-and-bust cycle on state finances. Because TABOR required very large tax refunds in the boom years, the state was unable to put money into a rainy day fund or to make other investments that could have eased the crisis when it arrived. Because TABOR makes it very difficult to raise taxes or close tax loopholes, the state has been unable to raise substantial new revenue (as more than 30 other states did) during the fiscal crisis.

TABOR's impacts on Colorado are remarkably complicated, in part because TABOR itself contains multiple provisions, and in part because it interacts with several other provisions of the state constitution (including a restriction on residential property taxes and a requirement that K-12 education be funded at specified levels). A detailed assessment of TABOR and its impact on Colorado is beyond the scope of this paper (see box for other sources of information about TABOR).

It is clear, however, that several key elements of TABOR are worsening the current crisis in Colorado. In particular, the provision that allows state revenue to grow no faster than the rate of state population growth (as measured by the U.S. Census Bureau) plus the rate of inflation (specifically, the Denver-Boulder Consumer Price Index as measured by the U.S. Bureau of Labor Statistics) has had significant albeit sometimes indirect impacts on state budgeting, and those impacts have had notable effects during the current fiscal crunch.

When the recession began in 2001 and state revenues started to fall, TABOR began to have major impacts on the state finances. The state's fiscal plight led bond rating agencies to downgrade the state's credit outlook; bond house analysts specifically blamed TABOR for making the fiscal crisis worse.⁵ The bond-rating agencies were not the first outside observers to recognize the havoc TABOR is playing with Colorado's finances. In a pair of detailed, 50-state studies in 1999 and 2001, *Governing* magazine ranked Colorado's finances as among the worst-managed in the country, again due to TABOR.

⁵ Colorado does not issue general obligation bonds, but credit agencies do evaluate "certificates of participation" and similar financial instruments used by the state to help pay for certain projects.

The specific problems with TABOR include the following:

- *TABOR “ratchets down” the size of the public sector during economic downturns, without allowing any offsetting increases in boom years.* Each year’s TABOR revenue limit is set at the previous year’s actual revenue level, adjusted upward by a percentage equal to the sum of the inflation rate and the population growth rate. If actual revenues grew every year at least as quickly as inflation plus population, the TABOR limit would rise at a constant inflation-plus-population rate.

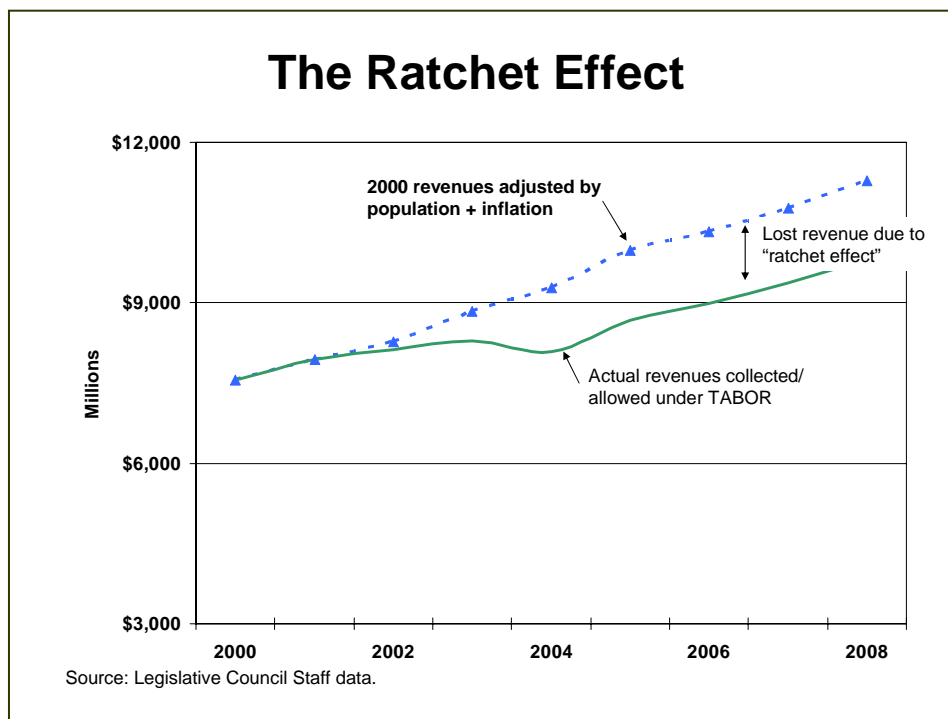
In some years, however, revenues grow more slowly than inflation plus population, or even may decline, and thus do not reach the TABOR limit for that year. When this happens, it reduces the TABOR limit for the following year below the level it would otherwise be.

For example, the TABOR revenue limit for 2002 was about \$8.1 billion. If revenues for the year had reached or exceeded that limit, the TABOR limit for 2003 would have been about \$8.7 billion, since the sum of population growth and inflation was 6.9 percent. ($\$8.1 \text{ billion} + [.069 \times \$8.1 \text{ billion}] = \$8.7 \text{ billion}$) But because of the downturn and very large tax cuts enacted in the 1990s, revenues for 2002 were only about \$7.8 billion. This meant that the TABOR limit for 2003 was \$8.3 billion ($\$7.8 \text{ billion} + [.069 \times \$7.8 \text{ billion}] = \$8.3 \text{ billion}$), or about \$400 million less than it would have been if the state had reached its 2002 TABOR limit.

Since each year’s TABOR limit is based on the previous year’s revenue level, this \$400 million shortfall for 2003 will be repeated in *all future years’ limits*. Moreover, the amount of lost revenue due to TABOR’s “ratchet effect” will increase each time revenues fall short of the TABOR limit. In 2003, for example, revenues fell well short of the TABOR limit for the second straight year, bringing to well over \$1 billion the gap between what the state will be able to spend in future years and what it would have been able to spend if revenues had kept up with inflation plus population. (See Figure 1.)

- *TABOR includes no provision for a rainy-day fund such as those used by 45 other states to cushion the state against fiscal emergencies.* State revenue growth in excess of the TABOR limit cannot be retained in a reserve fund. So from 1998 to 2002, when most other states were saving a substantial portion of their surplus revenues and creating a cushion that averaged 10.4 percent of state spending when the recession began, TABOR required the state to send out about \$3.25 billion in rebate checks (in addition to other tax cuts enacted by the state) — equivalent to more than half a year’s General Fund spending. As a result, the state was poorly prepared for the economic downturn.
- *TABOR does not allow its mandatory tax rebates to be adjusted in times of economic difficulty.* In 2002, after revenues in Colorado had already begun to

Figure 1



decline as a result of changes in the stock market and other factors, the state mailed out some \$900 million in TABOR tax rebates — worsening the revenue decline. In other words, not only did Colorado lack sufficient reserves to fill in the gap left by falling revenue, but the amount of funds available for programs and services fell further and faster than it otherwise would have.

- *TABOR lacks any adjustment that reflects the counter-cyclical nature of many public programs.* For the reasons described above, total expenditures in Colorado have been flat (in nominal terms) since 2002, and are expected to remain flat through 2006. During this time, caseload pressures on the General Fund have risen as a result of the economic downturn; when people lose jobs and income, the need for government programs rises. For instance, unemployment insurance benefit claims are rising at an annual rate of 11 percent. The number of Medicaid recipients is rising 5 percent to 10 percent annually. Prison populations are rising 4.8 percent annually. All of these changes are due, at least in part, to the weak economy. In addition, school enrollments continue to rise, and the cost of health care in both the private and public sector continues to rise. TABOR lacks any adjustment for these increasing pressures on government expenditures.⁶

⁶ A case study of TABOR's failure to account for cyclical trends in state finance is in the area of unemployment insurance. The taxes that employers pay to finance unemployment insurance are adjusted periodically based on how much money is in the fund; following a period of high unemployment, when high numbers of UI claims have reduced the fund, the taxes must rise to replenish the fund. UI taxes count against the TABOR limit. The state projects that over the next few years, the relatively high level of UI taxes will require the state to pay out greater

- *TABOR ties the state's revenue system to federal tax cuts.* When the federal government cuts taxes by narrowing the personal and corporate income tax bases — as occurred in 2001, 2002 and 2003 — state governments must decide whether to incorporate those tax changes into their own tax bases, often at substantial loss of revenue. Most other states' legislatures have rejected the largest of those federal changes and thereby protected their tax bases. A forthcoming Center on Budget and Policy Priorities analysis shows that Colorado has lost more revenue due to these federal changes, relative to its general fund, than any other state. TABOR has taken away the option for Colorado to reject legislatively the federal tax changes, worsening the state's revenue loss.
- *As bad as the past three years have been, Colorado's budget crisis is only beginning.* TABOR will prevent an economic recovery from relieving Colorado's current budgetary problems. Even if Colorado's economy improves substantially in 2004, 2005, and 2006, TABOR revenue limits will mean that only a very small portion of the new revenues generated from economic growth can be spent on public services, according to LCS projections.

LCS projects that allowable general-fund appropriations in the 2005-06 state fiscal year will no higher than they were in 2001-02 in nominal dollars, without any adjustments for inflation, rising school enrollments and prison populations, health care costs, or other factors. In other words, the unavoidable cost associated with those factors are being financed entirely with spending cuts — either in these programs or elsewhere in the budget. Even in the 2006-07 and 2007-08 fiscal years, when allowable expenditures begin rising slightly in nominal terms, the increases will be small compared to the rate of inflation and population growth.

Adjusted for inflation and population, general fund appropriations in fiscal year 2007-08 — assuming seven consecutive years of economic recovery, based on LCS projections — will still be substantially smaller than they were before the recession.

- *The next fiscal crisis in Colorado will be worse.* The budgetary maneuvers that the state is using or considering to moderate current spending cuts — such as transferring money from dedicated trust funds, securitizing the state's tobacco settlement, and so on — have worsened the state's overall financial position. Given the stringency of the TABOR revenue limits, it is unlikely that the state will be able to restore the funds borrowed from all the reserve funds, meaning that in the next fiscal downturn, those resources will not be available.

TABOR refunds than otherwise would be the case. But because the UI trust fund cannot be spent on anything other than UI benefits, those refunds will come out of General Fund revenues, making it even more difficult for the state to restore services that were cut during the downturn.

Even Before the Fiscal Crisis, TABOR Caused Colorado to Disinvest in Public Services

For its first several years of implementation, the TABOR amendment may not have appeared to the casual observer to be dramatically affecting public services. The impact of the amendment, although eventually significant as described below, was temporarily muted by several factors. First, the population-growth-plus-inflation formula yielded a relatively high allowable growth level, as population grew quickly and as soaring housing costs in the Denver-Boulder area led to an unusually high Denver-Boulder Consumer Price Index (about 1 percent annually higher than the national CPI). Second, health care costs — a major component of state spending — rose at an unusually low rate in the late 1990s, and the state was able to devote new tobacco settlement dollars to health care. Third, the state was able to use some accounting mechanisms to blunt the impact of the overall revenue limit on the general fund by taking advantage of rapid revenue growth; in most years in the 1990s, actual General Fund spending grew at a rate somewhat above the population-growth-plus-inflation formula.

Perhaps most significantly, the state shifted funding *within* the General Fund in order to accommodate those portions of the budget with relatively fast-growing costs while still paying out the refunds required under TABOR. Spending on corrections and on health insurance in the 1990s, for example, rose faster than spending on higher education and on public health. In fact, higher education and public health spending *declined* in the 1990s after adjusting for inflation and population growth. Other items in the state budget, from the court system to agriculture, were also squeezed. K-12 spending grew at a slow rate until voters in 2000 approved a separate constitutional amendment boosting K-12 spending, partially at the expense of other areas of expenditures.

These funding shifts and other mechanisms enabled the state to distribute \$3.25 billion in one-time rebates and also enact permanent income and sales tax cuts totaling \$350 million annually while allowing general fund spending to keep pace with at least some cost drivers in areas like health care and corrections.⁷ But those circumstances were temporary. By the time the fiscal crisis began, health care costs again were rising in both private and public sectors. The Denver-Boulder CPI's growth slowed. The accounting mechanisms had been dependent on continuing rapid revenue growth, so when that ended the mechanisms were no longer helpful. And because spending in many areas of the budget were so squeezed in the 1990s, there were few easy cuts left. It is not unusual, for example, for a state to have cut higher education spending during this recession; what is so unusual about Colorado is that the recent cuts came on top of reductions in higher education appropriations during the boom years of the 1990s. It is TABOR's interaction with the fiscal crisis and with the boom years that preceded it that have caused the state's public services to decline so sharply.

⁷ Inflation-adjusted general fund spending per capita in Colorado rose at an annual rate of 0.9 percent from 1992 to 2002, the second-lowest level among a group of 11 "peer states." See Bell Policy Institute, *Ten Years of TABOR*, 2003.

The Growing Colorado Consensus on TABOR's Flaws

Analysts within Colorado as well as some experts outside the state understand that the state is facing major ongoing fiscal problems, largely because of TABOR. But in part because TABOR was enacted by a direct vote of the state's population, many elected officials in the state until recently have been reluctant to criticize it in public. (Actually, it is not clear that TABOR arose from the will of the people. Two similar measures were defeated in the late 1980s before TABOR was passed in the early 1990s. Given its length and complexity, one might reasonably doubt voters' willingness or ability to understand its nuances.) In recent years, however, the severity of the state's budget crunch and the obvious failings of TABOR increasingly have led officials of both parties to express concern about the state's budget situation and TABOR's contributions to it.

As the chairman of the legislature's Joint Budget Committee, Representative Brad Young (R), said earlier this month: "There is a hole in the bottom of the boat – that is the TABOR spending limit. It works for a little while, but you go out into the future and you sink the boat. In two years we will have refunds and a shortfall at the same time." His colleague, Rep. Tom Plant (D), agreed: "We are broke, we are more than broke. According to the Constitution we have no money. We don't have money next year. We don't have money the year after that."⁸ Such statements are not considered controversial in Colorado; rather, they reflect mainstream understanding among members of both parties.

Among the voting public, support for TABOR has weakened during the current economic downturn, to the point where a majority of voters may be willing to change it substantially. A November 2003 poll found that a majority of Colorado voters (51 percent) would either scrap TABOR altogether or would loosen TABOR's revenue and spending limits; only 35 percent of voters said they would keep TABOR just the way it is. A separate June 2003 poll found very strong voter support for some specific changes, such as creating a rainy day fund with TABOR surplus revenues, as well as strong support for a temporary tax increase to avert cuts in services.

Yet, in the face of this growing consensus, TABOR remains on the books. This is partly due to the inherent complexity of the amendment, partly due to the lack on consensus on exactly which aspects of TABOR are most to blame for the state's problems, and partly due to its high political profile in a sharply polarized state.

TABOR is 1,900 words long and contains multiple provisions. The Legislative Council Staff, in a recent report, suggested 19 separate options for changing TABOR. The state treasurer, legislative leaders, and outside research organizations have suggested their own amendments to TABOR, any of which would require voter approval. (Each such change likely would have to be enacted separately, due to a single-subject rule in the state constitution enacted after the original TABOR amendment with all its multiple provisions was put in place).

At the same time, it appears that the budgetary difficulties resulting from TABOR — paradoxically — may have fueled among Colorado voters a substantial degree of cynicism about the state's elected officials, and this cynicism is likely to translate into suspicion of any proposed

⁸ Kyle Henley, "State Budget Squeeze Tough on Lawmakers," *Colorado Springs Gazette*, March 2, 2004.

changes. Because TABOR's influence on state budget decisions is complex and in some ways indirect, the case for changing it is not easily grasped even by policy experts, much less by the voting public. Because it is about budget process, not substance, most voters would be highly vulnerable to misleading television ad campaigns. And it is clear that any effort to challenge TABOR head-on would lead to a high-profile, well-financed, divisive campaign. Despite (or perhaps because of) its flaws, TABOR retains a strong base of support among anti-tax activists. Given its national profile, those activists undoubtedly would pour the financial support from out-of-state interests into any campaign to change the amendment.

Conclusion: Implications for Other States

A number of states this year are considering tax and expenditure limitations that resemble Colorado's TABOR amendment. There appears to be a concerted effort to encourage other states to change their constitutions to incorporate some or all of the features of TABOR. Policymakers and the public in these other states should be aware that descriptions of the benefits of Colorado's TABOR being circulated by proponents of the limitations are likely to be exaggerated; far from protecting Colorado from the fiscal crisis, TABOR has worsened it, with the result that education, health care, and other public services in the state have suffered. Nor are claims about the popularity of TABOR accurate; as Colorado's public officials and voters have become aware of TABOR's flaws, the desire to change it has grown. Nevertheless, because TABOR is so complicated and the process for fixing it arduous, it is unclear whether or not it will be changed in the near future. The difficulty fixing TABOR for acknowledged flaws that is being encountered in Colorado provides a cautionary tale; once a limitation is enshrined in a state constitution, changing it becomes extremely difficult. In short, other states that embrace TABOR-like limitations risk serious long-term damage to their fiscal integrity and to their ability to respond to public needs.

Appendix
Additional Resources for Learning about Colorado's TABOR

Bell Policy Center, *Ten Years of TABOR*, March 2003, and *Understanding TABOR: The First Steps*, February 2002, both available at <http://www.thebell.org>.

Colorado Fiscal Policy Institute, *TABOR: A Brief Outline*, January 2004, and *Flaws in Colorado's Taxpayer's Bill of Rights*, April 2003, both available at <http://www.cclponline.org/cfpi/pubs.htm>.

Colorado Legislative Council Staff, *House Joint Resolution 03-1033 Study: TABOR, Amendment 23, the Gallagher Amendment, and Other Fiscal Issues*, September 2003, available at http://www.state.co.us/gov_dir/leg_dir/lcsstaff/2003/research/03TaborFinalReport.pdf.

Oregon Center for Public Policy, *What is TABOR? Major Provisions of the So-Called Taxpayer's Bill of Rights in Colorado*, March 2004, available at <http://www.ocpp.org/2004/issue040303.pdf>.