

## FACT SHEET

October 7, 2009

For more information, see:

<http://www.cbpp.org/research/index.cfm?fa=topic&id=118>

### TABOR WILL NOT IMPROVE MAINE'S BUSINESS CLIMATE

Colorado, the only state with a TABOR, has an economy that is stronger than Maine's. However, that has nothing to do with TABOR. The strength of Colorado's economy is largely a legacy of a post World War II public investment boom by the military and federal government.

The federal investment left Colorado with a strong infrastructure of high-tech firms and researchers, a young, highly educated workforce, and public universities with well-respected science and technology programs. By 1991, before TABOR was adopted, more adults in Colorado had completed at least four years of college than in any other state in the nation.

Other advantages, such as energy resources, natural beauty, a location in the center of the country, and massive public investment in a new Denver airport have also helped create a strong economy. (See <http://www.cbpp.org/cms/index.cfm?fa=view&id=2497>)

But TABOR did not cause Colorado's success. A study by two prominent economists in the area of state and local public finance found that Colorado's growth during the first decade under TABOR was roughly the same as what it would have been without TABOR. The study used statistical analysis to control for factors other than TABOR that could affect economic growth. (See <http://www.epi.org/content.cfm/bp172>)

### TABOR Did Not Cause Colorado's Economic Growth, But Did Threaten It

TABOR impeded Colorado's recovery from the 2001 recession. Because of the so-called "ratchet," Colorado was not able to restore its investments in K-12 education, public colleges and universities, infrastructure, or other vital components of maintaining a strong business climate once the economy began to recover.

Colorado was the only state in its region in which employment did not grow as the national economy grew.

- Between March 2001 and January 2006 (when Colorado's TABOR was suspended), average job growth in the 8 Rocky Mountain states was 9.3%.
- In Colorado, however, it was less than 1% (0.2%).

Business leaders led the drive to suspend TABOR and permanently eliminate the “ratchet” — precisely because TABOR had become a drag on the state’s economy. (See box for business opinions.)

### **Maine’s TABOR II Proposal Includes the Same “Ratchet” That Business Leaders Said Would Have Wrecked Colorado’s Economy — Had It Not Been Repealed**

TABOR II would lock in Maine’s recession-level spending — forever. Maine’s economy would never become nearly as good as Colorado’s, because under TABOR II it could not make investments in the very elements that promoted competitiveness and created a good business climate in Colorado.

Under TABOR II, Maine could not make investments such as the following:

- Increase the percentage of adults with a college degree by creating world-class K-12 education and making higher education more widely affordable;
- Build centers to attract high tech or other “new economy” businesses that pay good wages and salaries;
- Develop infrastructure that could improve access to the state and promote tourism and investment;
- Maintain, let alone improve, its already deteriorating roads, bridges, and highways.

At best, Maine would be stuck with the infrastructure and public services it now has. As Colorado business leaders stressed when they suspended TABOR, that is no prescription for economic growth.

## Business Leaders in Colorado Believe TABOR Degraded Business Climate

The effort to suspend TABOR for five years and permanently eliminate the “ratchet” — known as Referendum C— was strongly backed by Colorado’s business community. After witnessing declines in the public services the business community cares most about (higher education, transportation, and infrastructure), over 80 businesses and business groups, including 10 Chambers of Commerce, endorsed the TABOR suspension. Some business groups suggest that the successful campaign to suspend TABOR already has had some positive impacts on the business climate.

- “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<sup>1</sup>
- “[Business leaders] have figured out that no business would survive if it were run like the TABOR faithful say Colorado should be run — with withering tax support for college and universities, underfunded public schools and a future of crumbling roads and bridges.” — Neil Westergaard, Editor of the *Denver Business Journal*<sup>2</sup>
- “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<sup>3</sup>
- “But while the unrealistically simplistic TABOR strategy is being executed, by constitutional edict, the decay of Colorado's balance sheet, its net worth, representing the publicly owned capital stock that provides the foundation for economic activity, is unprecedented. It will, if unchecked, eventually lead to economic decay.” — Rocky Scott, former president of The Greater Colorado Springs Economic Development Corporation<sup>4</sup>
- “The bottom line is that institutions of higher learning in Colorado will continue to suffer funding shortfalls under the present system. If you ask the business community, a strong system of higher education is at the top of the list for economic development and the creation of jobs.” — Dick Robinson, CEO of Robinson Dairy and member of the Colorado Economic Futures Panel<sup>5</sup>
- “[Colorado’s higher education] system is at risk. The way we’re going — because of TABOR and Amendment 23 — we’re going to be basically out of public funds. . . . [S]peaking from a business standpoint, we’re concerned because our success depends on the quality of the higher education system.” — Raymond Kolibaba, Vice President of Space Systems, Raytheon Company<sup>6</sup>
- “Referendum C’s passage was a statement by the electorate that assured business that Colorado's transportation network and higher education system would be able to meet their needs. We saw a spike of activity of out-of-state businesses interested in relocating here when Referendum C passed.” — Joe Blake, president of the Denver Metro Chamber of Commerce<sup>7</sup>

<sup>1</sup> Quoted in Daniel Franklin and A.G. Newmyer III, “Is Grover Over?,” *Washington Monthly*, March 2005.

<sup>2</sup> Neil Westergaard, “Business folks fed up with TABOR worship,” *Denver Business Journal*, July 22, 2005.

<sup>3</sup> Will Shanley, “State businesses unite to urge TABOR deal,” *The Denver Post*, March 9, 2005.

<sup>4</sup> Rocky Scott, “Lawmakers must end partisan politics and solve state’s problems,” The Club for Growth, January 2005, <http://www.coloradoclubforgrowth.org/ACOMMONMISSION.htm>.

<sup>5</sup> Dick Robinson, “Solutions to Funding Colorado’s Colleges,” *The Denver Post*, April 17, 2005, p. E5.

<sup>6</sup> Quoted in Suzanne Weiss, “Colorado Leaders on Education. Picking Their Brains,” *HeadFirst*, May 12, 2005, [www.headfirstcolorado.org/adm/view\\_article.php?story\\_id=132](http://www.headfirstcolorado.org/adm/view_article.php?story_id=132).

<sup>7</sup> “Ref. C aids economic recovery,” *The Denver Post*, June 30, 2006.