
TABOR: A Proven Failure

April 2006

What is a TABOR?

- A state constitutional amendment
- Limits growth in state budget by a formula of inflation (CPI) + population
- Requires voter approval to override the limit

 Shrinks state budget over time

Colorado is the *Only* State in the Nation that has TABOR

- Colorado adopted its Taxpayer Bill of Rights (TABOR) in 1992.
 - TABOR strangles budgets slowly, squeezing tighter every year. Bad effects took some years to appear, now are hurting Colorado.
 - In November 2005, Colorado voted to put TABOR in “time out” for five years.
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Consequences in Colorado

- In 1991-92, Colorado ranked 35th in state and local spending for K-12 as a share of personal income. In 2000-01, it fell to **49th**.
- In 1991-92, Colorado ranked 30th when comparing the average salary of teachers to annual earnings in the private sector. In 2001-02, Colorado fell to **50th**.
- In 1991-92, Colorado ranked 35th in state spending for higher education as a share of personal income. In 2003-04, it fell to **48th**.

Consequences in Colorado

- The appropriation for University of Colorado in FY 2004 was roughly the same it received in **FY 1995** — but it has an estimated 4,927 additional students.
- In 2003, only 69% of kids in Colorado received scheduled immunizations, ranking the state **50th** in the nation, down from 24th. (Only by investing additional funds in immunization programs was Colorado able to improve its ranking to 43rd in 2004.)
- In 1992, Colorado ranked 23rd in adequacy of pre-natal care. In 2002, it ranked **48th**.
- In 1992, Colorado ranked 33rd in percentage of low-income children lacking health insurance. In 2004, it ranked **50th**.

TABOR Did Not Improve Colorado's Economy, as Proponents Claim

Average Annual Employment Change Before and After TABOR		
	1980-1992	1992-2004
Colorado	2.1%	2.6%
Mountain States (median)	2.1%	2.8%

Source: Bureau of Labor Statistics.

Colorado is the **ONLY** Mountain State with Negative Job Growth Since the Recession

Job Growth
(March 2001- November 2005)

Arizona	10.2%
Colorado	-0.5%
Idaho	7.8%
Montana	8.2%
Nevada	18.3%
New Mexico	7.3%
Utah	6.7%
Wyoming	8.0%

Source: Bureau of Labor Statistics.

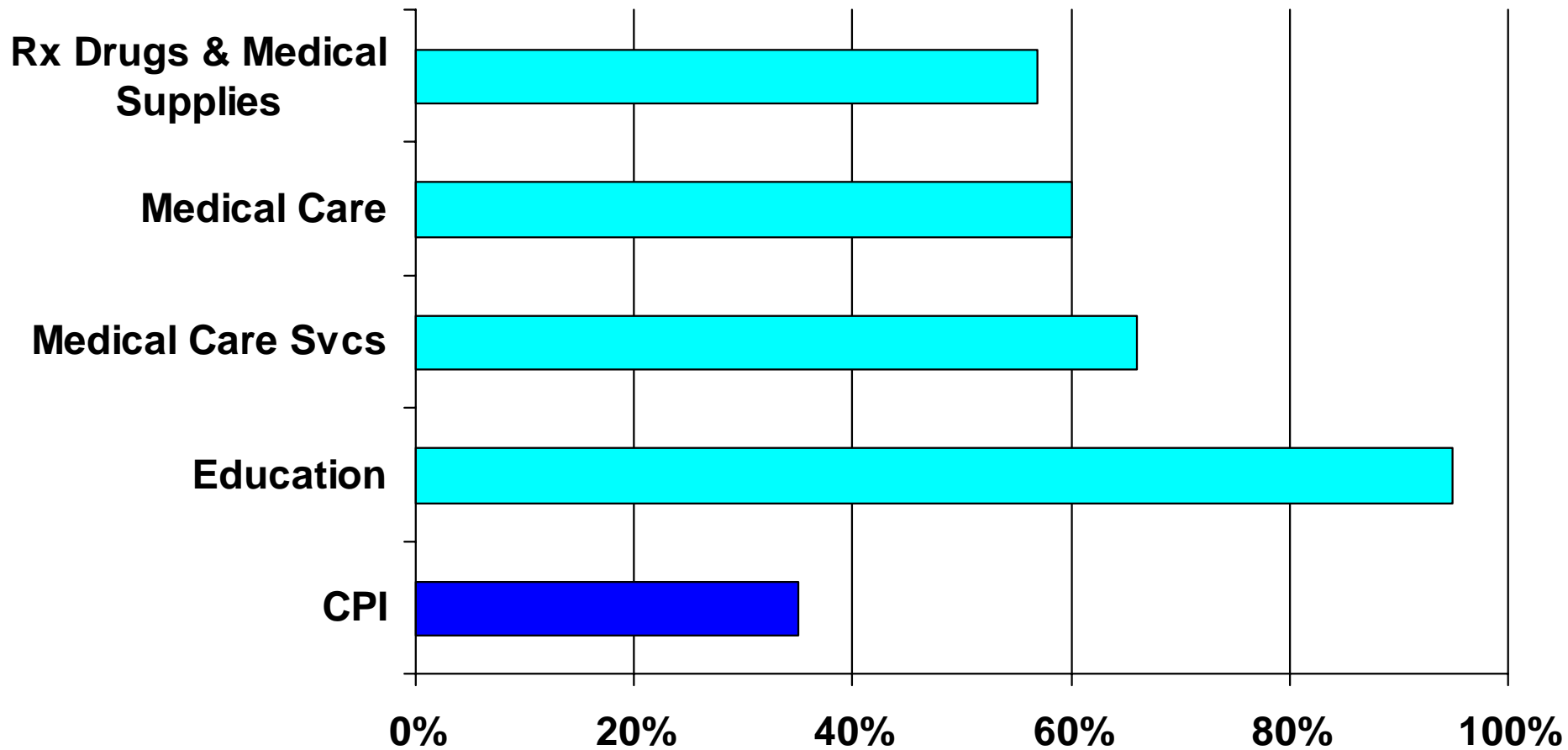
Colorado's Time-Out

- Broad-based and bipartisan campaign to suspend TABOR
 - Republican Gov. Bill Owens joined with Democratic legislature
 - Unanimous support from Chambers of Commerce and active leadership of the business community
 - Involvement of unions, churches, health care providers, teachers, local officials, seniors, non-profits, etc.
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Why TABOR doesn't Work

- TABOR's **inflation-plus-population formula** doesn't capture the growth in costs of the goods and services purchased by the state
 - CPI measures what consumers - not governments - buy
 - Subpopulations that governments serve (i.e. prisoners, special education students, the elderly) generally are growing more rapidly than overall population
 - So each year, the state can spend a little less than it needs to; over time, the gap grows
 - Meanwhile, TABOR does nothing to encourage efficient spending of taxpayer dollars.
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CPI Does Not Reflect How Much *Faster* Costs Rise for the Things that a State Buys



Percent change in CPI measures from 1993 to 2005

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"I've called the family together to announce that, because of inflation, I'm going to have to let two of you go."

Overall Population Growth Does Not Reflect Growth in Populations Served by State Government

Average Annual Population Growth in Montana: 1995-2005

Total population	.7%
Over 65	2.3%
Prison population	5.3%



Putting the Flawed Formula in the State's Constitution is Dangerous for 3 reasons:

1. TABOR becomes permanent — even if it doesn't work, getting it back *out* of the constitution would be extremely difficult
2. Money becomes the name of the game — statewide campaigns to pass a constitutional override are very costly.
3. Elected state legislators become powerless — TABOR does not allow them to make the tough decisions they were elected to make

TABOR in Montana

- Called Stop OverSpending (SOS) Initiative
 - SOS initiatives also being pushed in Michigan, Oklahoma and Missouri
 - SOS groups get support from the Illinois-based Americans for Limited Government
 - Other national groups - Americans for Prosperity, Americans for Tax Reform, etc- pushing TABOR in other states (Wisconsin, Oregon, Arizona, Kansas, Ohio, Maine)
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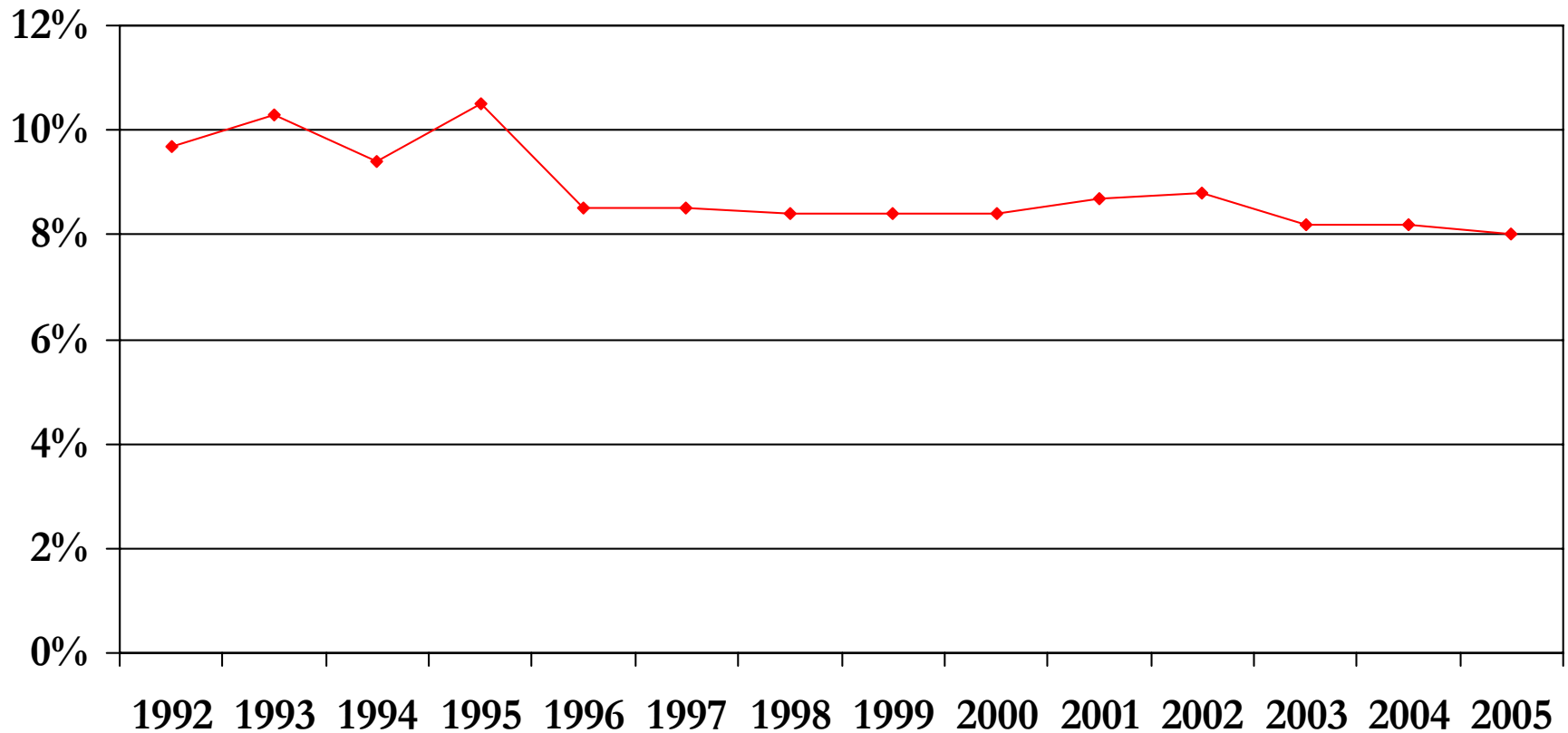
Montana's SOS Initiative is TABOR

	Colorado's TABOR	Montana's SOS
Constitutional Amendment	✓	✓
Population + Inflation Formula	✓	✓
Voter Approval to Override	✓	✓

SOS fails to fix the fatal flaws with Colorado's TABOR

What “OverSpending” do They Want to Stop in Montana?

State Spending as a Share of Personal Income



Montana's TABOR - SOS

Consequences and problems

- Increases in user charges and fees since they are not under the limit (like in CO)
 - Less money from state puts pressure on local government to raise taxes - like property taxes
 - Loss of federal money
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Montana's TABOR - SOS

Consequences and problems

- More lawsuits - anyone who lives or does business in Montana (not just residents!) can sue – including corporations.
 - No specific provisions regarding rainy day fund or refunds - where will the money go?
 - Inefficiencies (i.e. deferred maintenance on buildings and roads; outdated technologies)
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The Bottom Line

- TABOR is a proven failure in Colorado
— why adopt it in Montana?

 - TABOR will undermine education, public safety, health care, and other vital services in Montana
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