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# TABOR: A Proven Failure

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# 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

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

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# 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 **50<sup>th</sup>** in the nation, down from 24<sup>th</sup>. (Only by investing additional funds in immunization programs was Colorado able to improve its ranking to 43<sup>rd</sup> in 2004.)
- In 1992, Colorado ranked 23<sup>rd</sup> in adequacy of pre-natal care. In 2002, it ranked **48<sup>th</sup>**.
- In 1992, Colorado ranked 33<sup>rd</sup> in percentage of low-income children lacking health insurance. In 2004, it ranked **50<sup>th</sup>**.

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

<b>Average Annual Employment Change Before and After TABOR</b>		
	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	<b>-0.5%</b>
Idaho	7.8%
Montana	8.2%
Nevada	18.3%
New Mexico	7.3%
Utah	6.7%
Wyoming	8.0%

Source: Bureau of Labor Statistics.

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# Colorado's Time-Out

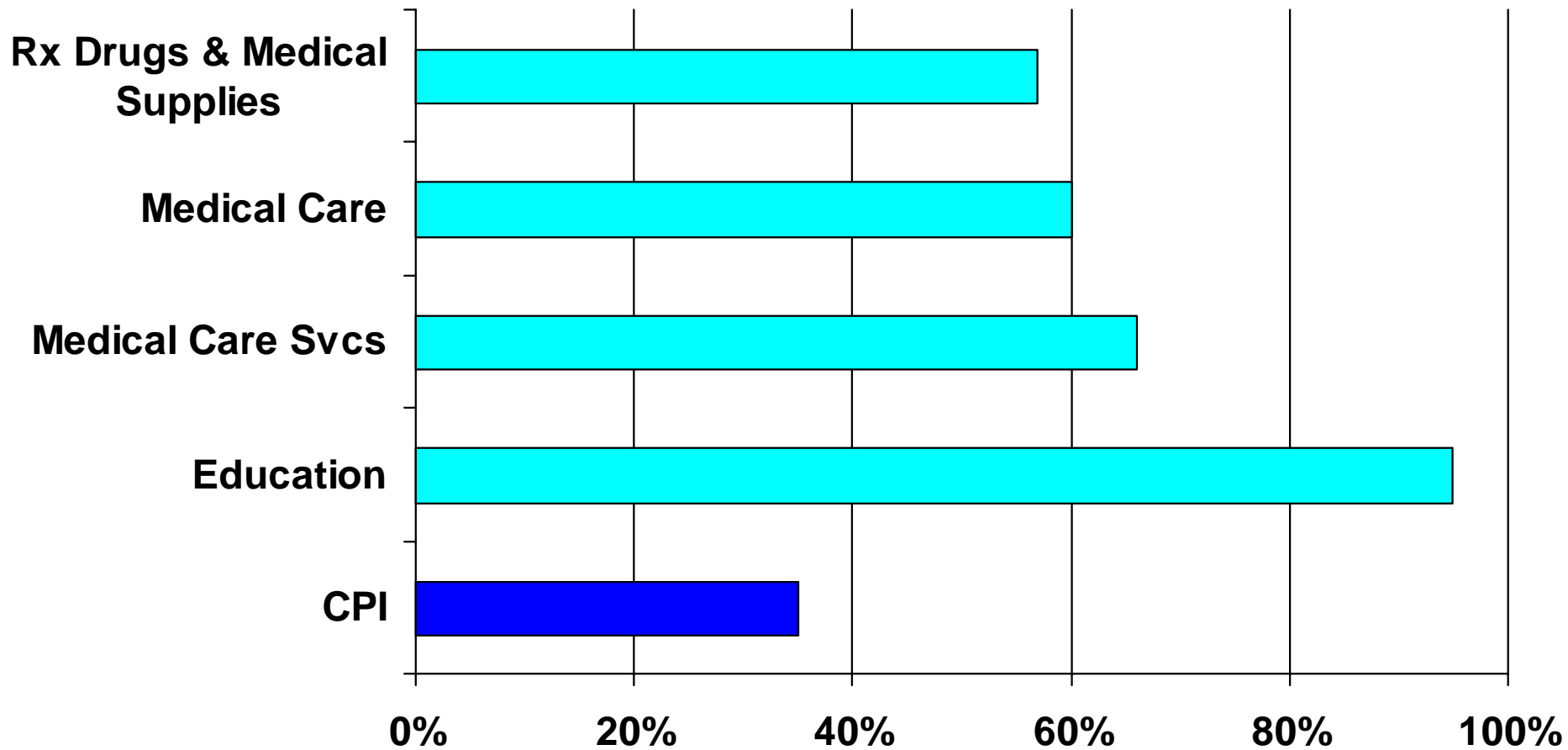
- Broad-based and bipartisan campaign to suspend TABOR
    - Republican Gov. Bill Owens joined with Democratic legislature
    - Unanimous support from Chambers of Commerce and active leadership of the business community
    - Involvement of unions, churches, health care providers, teachers, local officials, 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."*

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# 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

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# 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

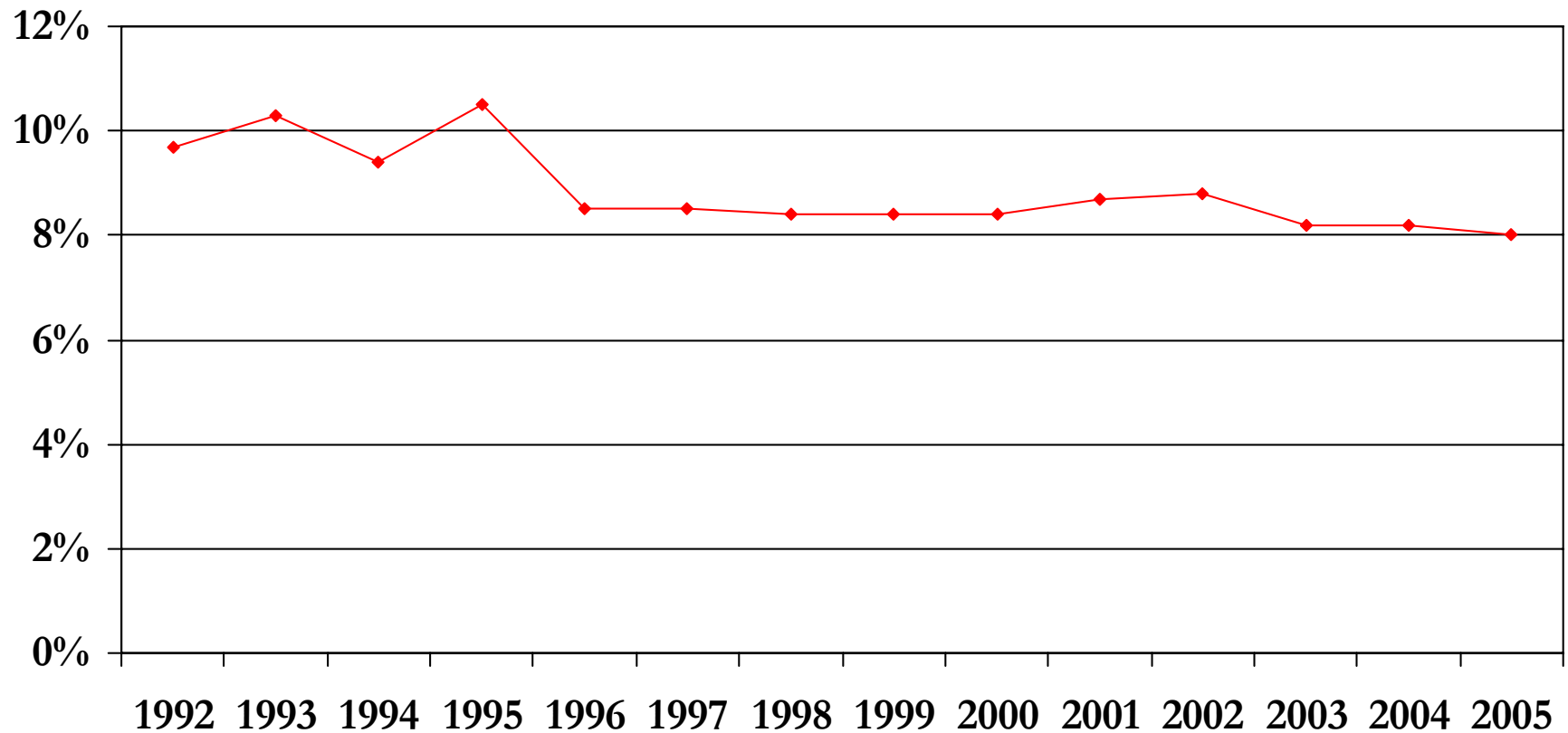
	Colorado's TABOR	Montana's SOS
Constitutional Amendment	✓	✓
Population + Inflation Formula	✓	✓
Voter Approval to Override	✓	✓

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

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

## State Spending as a Share of Personal Income



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# 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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