



# Policy *Perspective*

## Myths and Legends of Colorado's TABOR: *Expenditure Limits and Their Effects*

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In 1992, Coloradoans passed the Taxpayer's Bill of Rights (TABOR) amendment, widely hailed as the nation's most effective and meaningful tax and expenditure limit (TEL). There are currently 30 states with TELs, including Texas. TABOR, however, has enjoyed special success as a result of being keyed to inflation and population growth as well as requiring a vote of the people to override it. Texas' TEL is far less strict. While other TELs have failed due to their weak statutory status, susceptibility to rule-bending, or generally weak provisions, Colorado's TABOR has remained a strong and binding constraint on excessive state spending.

Beginning in 2001, the Colorado Legislature faced increasingly tight revenues as a result of the post September 11th recession and the severe Colorado drought, which affected tourism and tax revenues. These budget problems were exacerbated by the passage of an initiative item—Amendment 23—that required hefty increases on appropriations to public schools.

Special interest groups and big-government activists have used the economic downturn to attack TABOR. Groups such as the Washington-based Center for Budget and Policy Priorities took little time to issue their TABOR attacks. The anti-TABOR forces often used misleading data, made exaggerated claims, and committed logical fallacies to claim that TABOR was the cause of all of Colorado's budget woes.

The factual evidence, including economic data, reveals that the recession, not TABOR,

brought about the budget difficulties, in addition to the constitutional education funding mandate passed by Colorado voters after TABOR was enacted. Nevertheless, myths continue to be repeated. Therefore, separating fact from fiction is absolutely essential if an honest debate about expenditure limits is to occur.

### MYTH 1: TABOR Caused the Colorado Budgetary Shortfall

Some anti-TABOR forces claim that Colorado's 16 percent revenue shortfall in 2002 was a direct consequence of TABOR.<sup>1</sup> They say that the \$3.2 billion refunded to the taxpayers between 1997 and 2002 could have been available to overcome the revenue shortage.

In fact, the entire nation faced a recession by the fall of 2001, and numerous states reported budget shortfalls in 2002. According to a 2002 report by the National Association of State Budget Officers, "Nearly every state is in fiscal crisis."<sup>2</sup> The recession also coincided with the most severe drought in recent Colorado history.

While some speculate that the \$3.2 billion in tax rebates from previous years could have helped alleviate the budget shortfall, this is wishful thinking at best. Had these funds been available to Colorado's legislature between 1997 and 2002, there is no doubt that the funds would have simply been spent on government programs. As a result, the revenue shortfalls in 2002 and 2003 would have been even greater due to the weight of an even larger government. Without the TABOR lim-

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its, Colorado's government would have been significantly bigger and its budget woes all the larger during the most recent recession.

### MYTH 2: TABOR Hurts Education

Big spenders often use children as a prop to justify more spending, and in Colorado, education spending in the name of children served as a primary argument for both growing budgets and undermining TABOR. TABOR's detractors, for instance, enjoyed the popular statistic that Colorado ranks 49th in education spending, and implicated TABOR for this low ranking.<sup>3</sup> In reality, this claim is based on the national rankings of per-pupil spending *as a percentage of personal income*. If one were to look at actual per-pupil spending by state, Colorado has consistently ranked in the middle range and continually ranks higher than almost half the states. According to the National Education Association, Colorado ranked 24th in per-student spending for 2002 and 25th in 2004.<sup>4</sup>

If one were to base education spending on per-pupil spending as a percentage of personal income, you would get an inaccurate and misleading picture of total education spending. For example, while New Mexico and Colorado have comparable levels of per-pupil spending, New Mexico ranked 3rd for per-pupil spending as a percentage of personal income while Colorado ranked 49th. New Mexico ranked 43rd in average personal income, and was below the national average of \$44,000. Conversely, Colorado ranks 14th for average personal income and is above the national average.

Looking at spending on the basis of personal income has its place, but ranking the states according to such a measure misleads the public into believing that Colorado cut education spending. NCES historical reports on education finance show that education revenues in Colorado increased 96 percent from 1992 to 2003. Colorado's per-pupil

spending ranking has remained consistently in the middle range and more importantly, Colorado students have maintained a competitive advantage over the national average in NAEP math and reading scores.<sup>5</sup>

### MYTH 3: TABOR Shrinks State Services

Critics of TABOR believe that somehow state governments will shrink into non-existence when they are held fiscally responsible to the taxpayers.<sup>6</sup> This is simply an idle threat meant to scare taxpayers into accepting government spending without question.

A quick review of the Colorado state general fund history shows that total spending rose every year under TABOR except during the post 2001 recession and drought. Between 2001 and 2002, when the revenue shortage was in effect, total general fund appropriations fell by only 1.12 percent. This was only a slight, temporary decrease when compared to the 34 percent increase in general fund appropriations between 1999 and 2006, a period of time when the consumer price index increased by only 21 percent.

### MYTH 4: TABOR Is Bad for the Economy

Opponents of TABOR continue making baseless claims that TABOR will hurt state economies, but the success of Colorado's economy speaks for itself and shines doubt on the opponent's claims. Throughout the TABOR years, Coloradoans have consistently enjoyed a per capita personal income level above that of the U.S. average.<sup>7</sup>

TABOR opponents continue to insist on comparing per capita personal income growth in Colorado with the U.S. and other Rocky Mountain states during the 2001 recession. Prior to the recession, per capita personal income in Colorado grew an average of 5.9 percent a year. During 2001-2003 however, in the midst of the recession and Colorado drought, per capita personal income growth slowed to less than 1 percent.

#### QuickFact:

NCES historical reports on education finance show that education revenues in Colorado increased 96 percent from 1992 to 2003.

Due to Colorado's already high per capita personal income levels, it would have been harder for them to maintain the consistent levels of high growth rates during the 2001 recession and drought. Despite this slowdown however, the per capita personal income growth of the United States could, at best, be said to have been catching up. To this day, Colorado is still almost \$3,000 above the national average and almost \$5,000 above the other Rocky Mountain states.

### MYTH 5: TABOR Caused a Vaccine Shortage for Children

TABOR opponents have attempted to use the image of sick, underprivileged children as a means to discredit expenditure limits. Anti-TABOR forces have argued that in 2002 and 2003, TABOR left Colorado children unprotected against disease due to a vaccine shortage they say was caused by TABOR. This is, however, a gross misinterpretation of a single immunization report.<sup>8</sup>

The claim is based only on a telephone survey conducted by the CDC measuring on-time vaccination rates and the CDC National Immunization Program and National Immunization Survey have since issued a cautionary warning over the use of this tele-survey information.<sup>9</sup> The survey measured on-time vaccinations rather than overall levels of vaccine coverage. Due to a nationwide vaccine shortage, a lapse in on-time vaccinations was recorded. However, this study remains unclear as to the true vaccination

rates as vaccines became more readily available. As it happens, those Colorado children most likely to be totally un-vaccinated came from white, middle-class families who elected not to vaccinate their children due to safety concerns.<sup>10</sup>

The Colorado Health Institute has reported that in 2002 and 2003, Colorado did indeed suffer from a nationwide vaccine shortage—a shortage in no way related to TABOR or the availability of state funds. Furthermore, the Institute shows that Colorado vaccination rates, except in the instance of fourth round DTaP vaccinations, approach the Healthy People 2010 objectives.<sup>11</sup> Coincidentally, fourth round DTaP is the most missed vaccination in the U.S. and drove the low rates of Colorado's overall vaccination rate.

### CONCLUSION

As TABOR critics galvanize behind half-truths and misleading information to stymie similar efforts in Texas and other states, Colorado taxpayers continue to reap real benefits of having more control on how their money is spent. Some will continue to use fear and doubt as a means for clouding a factual debate on TABOR and similar tax and expenditure limits. However, in most cases, one can simply look at the data being used to fuel these myths and realize that it is misleading or oversimplifies complex economic conditions. Facts, not rhetoric and scare tactics, should decide public policy. ★

### ENDNOTES

<sup>1</sup> Colorado Fiscal Policy Institute, "TABOR Had Nothing to do With Colorado's Budget Situation? Read On . . .," (November 2003) <http://www.cclponline.org/pubs/mccallinresponse.pdf>.

<sup>2</sup> National Association of Budget Offices, "The Fiscal Survey of States," [www.nasbo.org](http://www.nasbo.org) Fall 2002.

<sup>3</sup> Center on Budget and Policy Priorities, "The Same Old TABOR: Maine's 'Taxpayer Bill of Rights' Proposal Fails to Fix Flaws of Colorado's TABOR," March 16, 2006.

<sup>4</sup> National Educational Association, "Rankings and Estimates: 2006," <http://www.nea.org/edstats/RankFull06b.htm>.

<sup>5</sup> Nation Center on Education Statistics, "The Nation's Report Card," <http://nces.ed.gov/nationsreportcard>.

<sup>6</sup> Center on Budget and Policy Priorities, "The Flawed 'Population plus Inflation' Formula: Why TABOR's Growth Formula Doesn't Work" January 13, 2005.

<sup>7</sup> Regional Economic Information System, Bureau of Economic Analysis, U.S. Department of Commerce.

<sup>8</sup> Center for Budget and Policy Priorities, "A Formula for Decline: Lessons from Colorado for States Considering TABOR," October 19, 2005.

<sup>9</sup> Barker, L. et al., "Comparing States' Immunization Coverage of Preschool Children. National Immunization Program (CDC: Atlanta, GA, 2003) <http://www.nisabt.org/Papers/barker2003.pdf>.

<sup>10</sup> Colorado Health Institute, "Colorado Childhood Immunization Rates: Policy and Practice," May 2005.

<sup>11</sup> *Ibid.*, 7.

### **About the Author**

Chris Robertson graduated from the University of Texas in 2006 with a degree in Political Science. During his years of undergraduate study he interned at a public consulting firm, a grassroots taxpayer advocacy group, and finally at the Texas Public Policy Foundation. Chris joined the Foundation's Center for Fiscal Policy in January 2007.

Chris is a native Texan from the city of Colleyville. He was active in the Boy Scouts of America, starting as a Cub Scout and attaining the rank of Eagle Scout in 2001.

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