

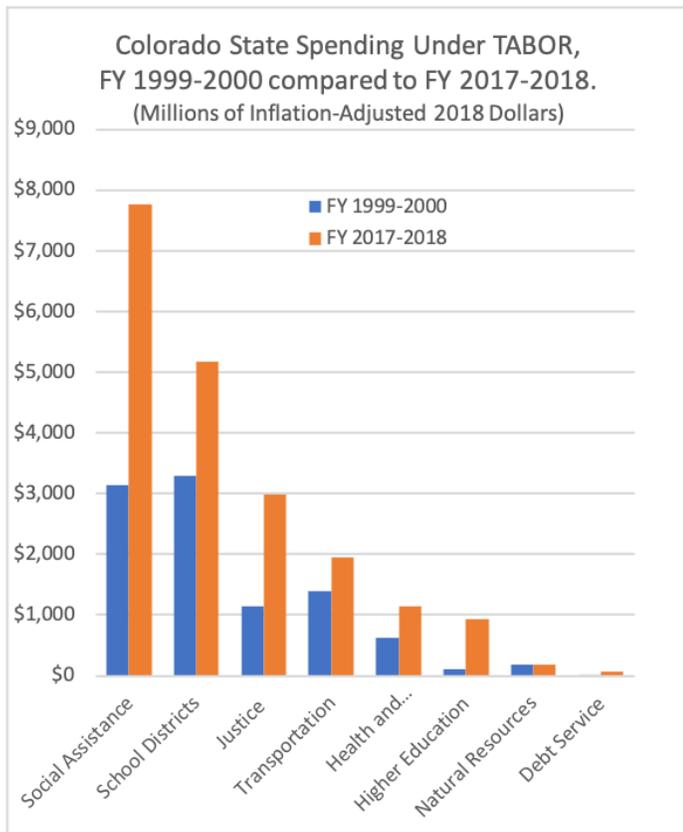
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## How TABOR Supports Sustainable State Spending

Since 1993, Colorado's Taxpayer Bill of Rights Amendment (TABOR) has been indispensable in promoting sustainable state government growth. It places reasonable limits on revenue collection and general government debt. Colorado voters must approve increases in taxes, debt, and state spending above the TABOR limits. Their approval must be asked for in regularly scheduled general elections.

Inflation-adjusted state spending subject to TABOR has more than doubled in less than 20 years. Rather than crippling government, TABOR has helped legislators resist spending pressures in order to craft sustainable growth solutions.

TABOR applies to a relatively small fraction of total state spending. In Fiscal Year 2017-18, total state

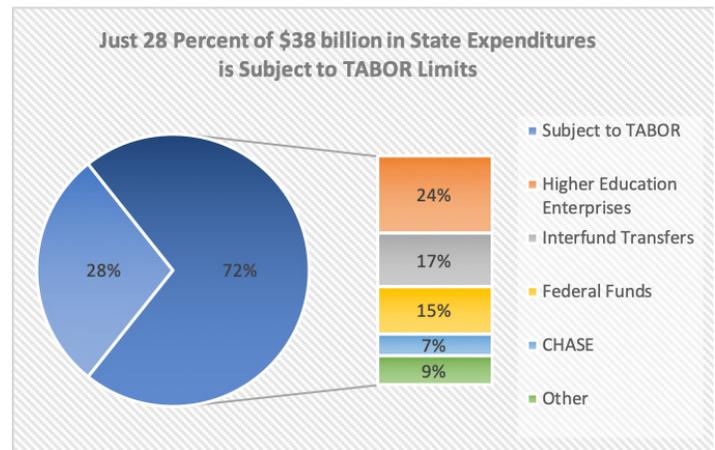


expenditures were \$38 billion. After subtracting federal funding, spending by TABOR exempt state business enterprises, and intergovernmental transfers, TABOR applied to just \$13.7 billion of total state spending.

## The Taxpayers' Guardian

Even though TABOR applies to a limited set of government activities, it still plays an important role in limiting spending.

Interest groups constantly pressure legislators to increase spending.



While it is easy to see that cutting state funding may eliminate jobs or shut down projects, it is much harder to see the damage done by a tax or debt increases. Legislators cannot see people who work more hours to make ends meet after a tax increase, who spend longer saving to buy a car or own a home, or who must close their business because they cannot afford more taxes and regulation.

TABOR protects people who pay taxes but cannot afford to lobby against the tax and spend interest groups. This year, it limits new spending growth to 4.5 percent. As TABOR exempt enterprises generally keep any money

raised above the TABOR limit, TABOR refunds come from the state general fund. The general fund is the other people's money that legislators get to spend, so they feel the pinch. Funding costly new programs requires looking at the entire budget, and possibly convincing colleagues to reduce funds for older, outdated, programs.

## TABOR Helps Curb the Irresistible Urge to Spend Other People's Money

Colorado legislatures have heartily disliked TABOR's limits on their ability to spend. They have worked hard to loosen its restrictions. In 2005, voters approved the legislature's Referendum C. It suspended TABOR spending limits for the five year period from FY 2006 to FY 2010. It set a new, higher, spending limit in FY 2010-11 of roughly \$10.7 billion per year.

The Office of the State Comptroller estimates that from FY 2010-11 through FY 2017-18 the Ref C increase has allowed the state to spend \$18.5 billion more than it would have under the original TABOR limit. If the state had to give that money back, every individual who filed a state tax return in 2018 would get a \$6,400 refund. Though spending exceeded the higher Ref C limit in FY 2014-15, a variety of "corrections to revenue for that year" were used to reduce the amount of the refund. Even so, the state still owes taxpayers \$21.3 million.

In 2009, car registration "fees" were increased to fund a statewide bridge enterprise fund and occupancy "fees" were imposed on hospital beds to fund Medicaid expansion. Labeling something a "fee" allowed legislators to evade the TABOR requirement to ask voters for a tax increase. The car "fees" were put into a new bridge repairs enterprise fund, a fund that can spend the fee money and borrow without taxpayer approval. In 2017, the legislature created another enterprise to spend the hospital bed fees, removing roughly \$3 billion in hospital payments from TABOR oversight.

State government uses TABOR exempt enterprise funds to go into debt without asking voter approval. Since the early 2000s, enterprise borrowing has propelled the growth in state government debt.

In FY 2017-18, the state did not spend its entire budget. Total expenses for government activities fell by \$1,064.9 million, 4.3 percent, due to decreases in Medicaid spending. Medicaid spending fell by \$1.7 billion because far fewer able-bodied people enrolled due to the strong economy. Spending rose in every other category. When the next recession rolls around, Medicaid spending will rise again. Because TABOR limits overall spending increases in good times, it puts the state, and its taxpayers, in a better fiscal position to handle the bad ones.

