TABOR Yes!

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The Taxpayers Bill of Rights (TABOR) and Proposition CC

In 1992, voters amended the Colorado Constitution with The Taxpayer's Bill of Rights (TABOR) in order to limit the growth of government by limiting its access to Coloradans' paychecks. Spurred on by a decade of economic doldrums and expanding government, Coloradans passed it in 1992, ushering in some of the most rapid economic growth in the nation.

TABOR had three main provisions:

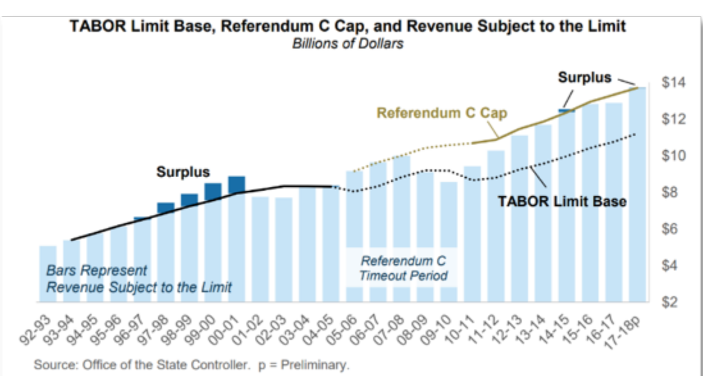
- When state government revenue increases faster than inflation plus population growth, that excess must be refunded to taxpayers, unless taxpayers vote to allow the government to keep it
- Any increase in general tax rates must be approved by the voters affected
- Voter approval is required for new multi-year financial obligations, including unsecured debt

In addition, TABOR replaced the state's progressive income tax with a flat tax.

The passage of TABOR correlated strongly with faster economic growth and slower government growth.

TABOR's Opponents Undermine It

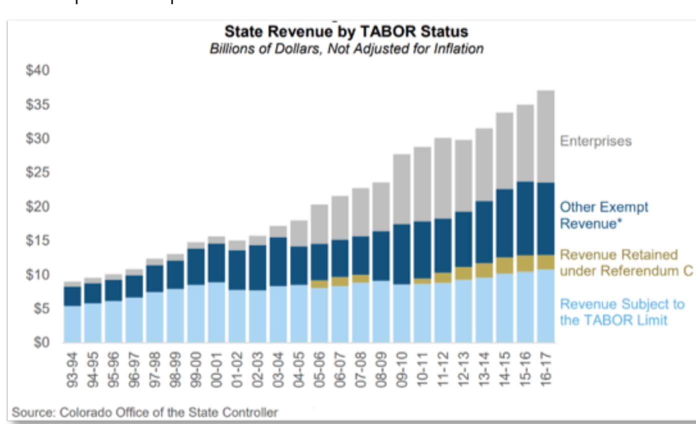
Almost since its inception, TABOR's opponents have sought to weaken its effects.



The most wide-ranging and damaging attack came in 2005 with the passage of Referendum C, which called for a temporary "time-out" from TABOR's spending limits. As originally written, TABOR used each year's tax revenues as the base for calculating the next year's spending limit, resulting in a "ratchet effect" that lowered next year's state expenditures when tax revenues fell during a recession. Referendum C was sold as a 5-year time-out from that, which would set the base TABOR limit at 2004's revenues and allow it to grow based on inflation + population, regardless of what revenues actually did.

In reality, Referendum C was a forever tax increase because it permanently raised the original TABOR spending limit. In the 13 years since Ref C passed, the state has kept at least $17 billion more than it would have under the original TABOR spending limit. Last year the excess revenues provided by Ref C were $1.2 billion according to the Office of the State Controller. That's roughly $3,035 for every Coloradan, $12,142 for a family of four.

TABOR's opponents have also persuaded local voters to permanently waive its spending limits, redefined taxes as fees (which do not require voter approval to raise), and contracted multi-year debt through something called certificates of participation. They have also shifted an increasing proportion of state government to TABOR-exempt enterprises:

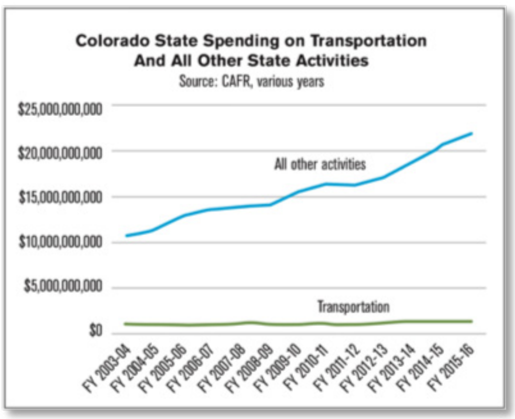


Proposition CC

Proposition CC will appear on the November 2019 state election ballot, asking citizens to permanently forego TABOR refunds and to nominally direct the money to transportation and education.

Transportation Spending

Transportation – in particular, roads – appears to be one of those problems that politicians prefer to promise to solve rather than actually solve. In spite of rising state spending for the last 15 years, spending on transportation has barely budged. From 2003 to 2018, spending on General Government tripled from $244 million to $740 million; spending on Higher Education went from $3.1 billion to over $8 billion; and spending on Social Assistance ballooned from $2.8 billion to $8.8 billion, peaking in 2017 at over $10 billion.



What's more, much of what's called "transportation" is really transit, used by a minority of residents, as opposed to roads which are used by nearly everyone.

Voter Skepticism of Statewide Tax Increases

Proposition CC proponents face an uphill battle in persuading voters to approve the measure. Over the last decade, Coloradans have proven extremely skeptical of statewide tax increases, no matter what the alleged purpose. No fewer than six proposed tax measures have failed. The only two that succeeded concerned a marijuana sales tax that most Coloradans will never pay. By contrast, the state's residents routinely approve local sales and property tax increases.

Not Sending Money to the Gold Dome

Prop 103 (2012): Income and sales tax for education
Amd 66 (2013): Income tax boost for education
Amd 68 (2014): Expanded gambling for education
Amd 72 (2016): Cigarette tax increase
Prop 110 (2018): Income tax for transportation
Amd 73 (2018): Progressive income tax

Referendum C – Where Did The Money Go?

Coloradans often resist statewide tax increases because they don't believe the money will go where promised. For instance, there was widespread belief that Amendment 66 money would be diverted to backfill state pensions before it ever made it to the classroom.

Voters' instincts in this case are on target. Referendum C was proposed in coordination with Referendum D, which would have floated bonds for road and transportation projects around the state. When Referendum D failed, the Ref C money that would have gone to repay the Ref D bonds was nominally redirected to health care, education, and higher education. However, an Independence Institute analysis conducted shortly thereafter showed that legislators often replaced non-Ref C money with Ref C money, rather than adding to existing spending on those priorities. As a result, spending in some cases was actually less the following year, after Referendum C was passed.

In 2011, Legislative Council economist Katie Watkins testified to the state legislature that:

> *"There is some difficulty in really identifying what revenue from Referendum C went where, and a lot of it has to do with the fungibility of money. Basically we don't know exactly where the Referendum C dollars go."*

There is little reason to believe that this time would be different.