

# Montana's Proposed CI-97 & Colorado's TABOR

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# ***"Taxpayers Bill of Rights"*** ***(TABOR)***

- Colorado is the only state with TABOR
- Passed as Constitutional Amendment in 1992
- Limits increase in total state revenues from one year to the next to no more than population growth plus inflation
- Requires voter approval to override spending limit (NOTE: Montana's CI-97 only allows a one year override)

# 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**

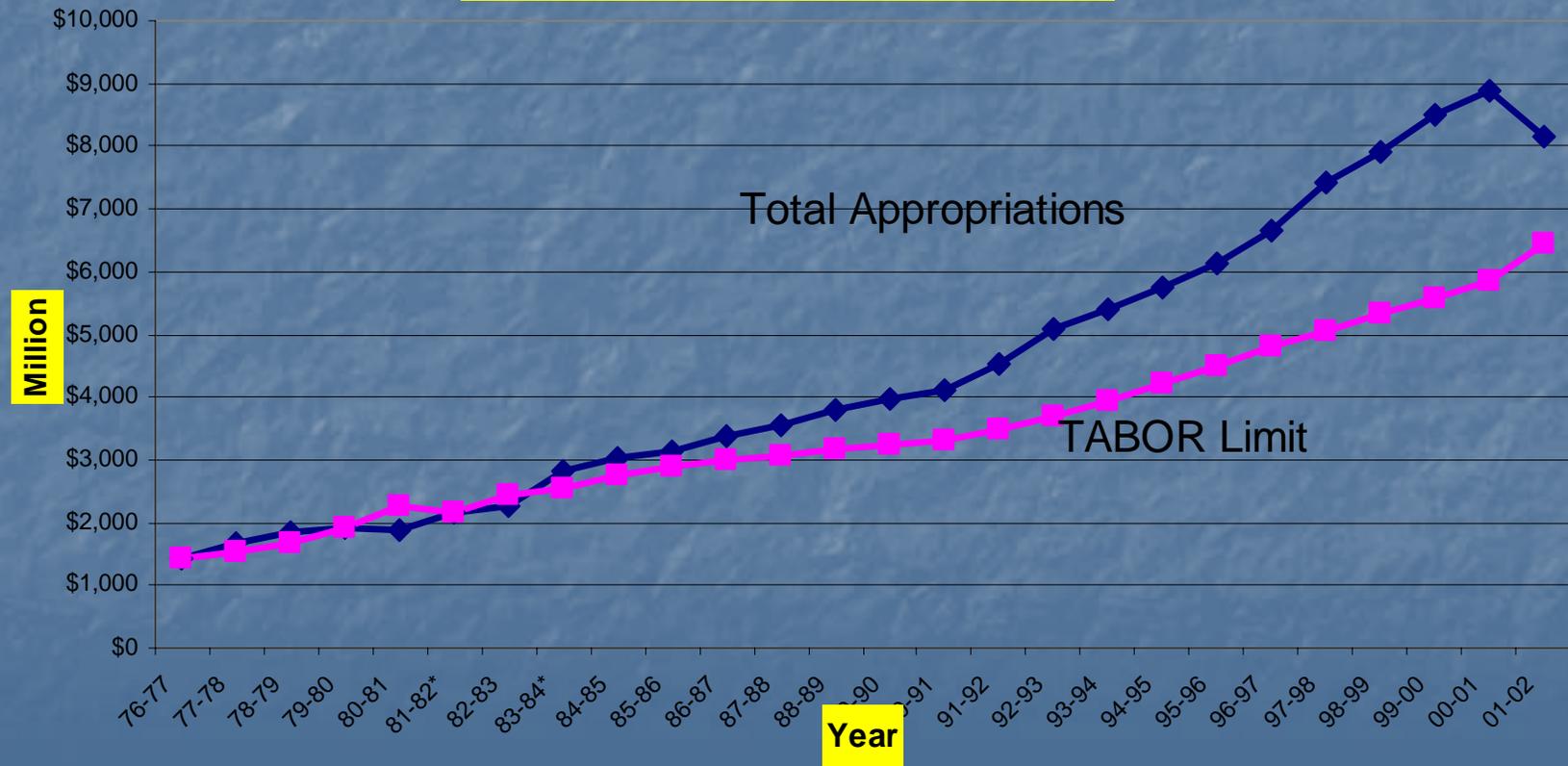
# TABOR's Biggest Flaw

## The CPI + Overall Population Formula Does Not Work

- CPI is not an accurate measure of a state's economy
- CPI does not reflect the costs of basic state services
- CPI does not reflect productivity
- "Overall Population" does not reflect costly subpopulations served by the state (i.e. senior citizens)

# Comparison of Actual Appropriations to TABOR Limit 1976-2000

Actual Appropriations & TABOR Limit



# How Much Difference Does It Make?

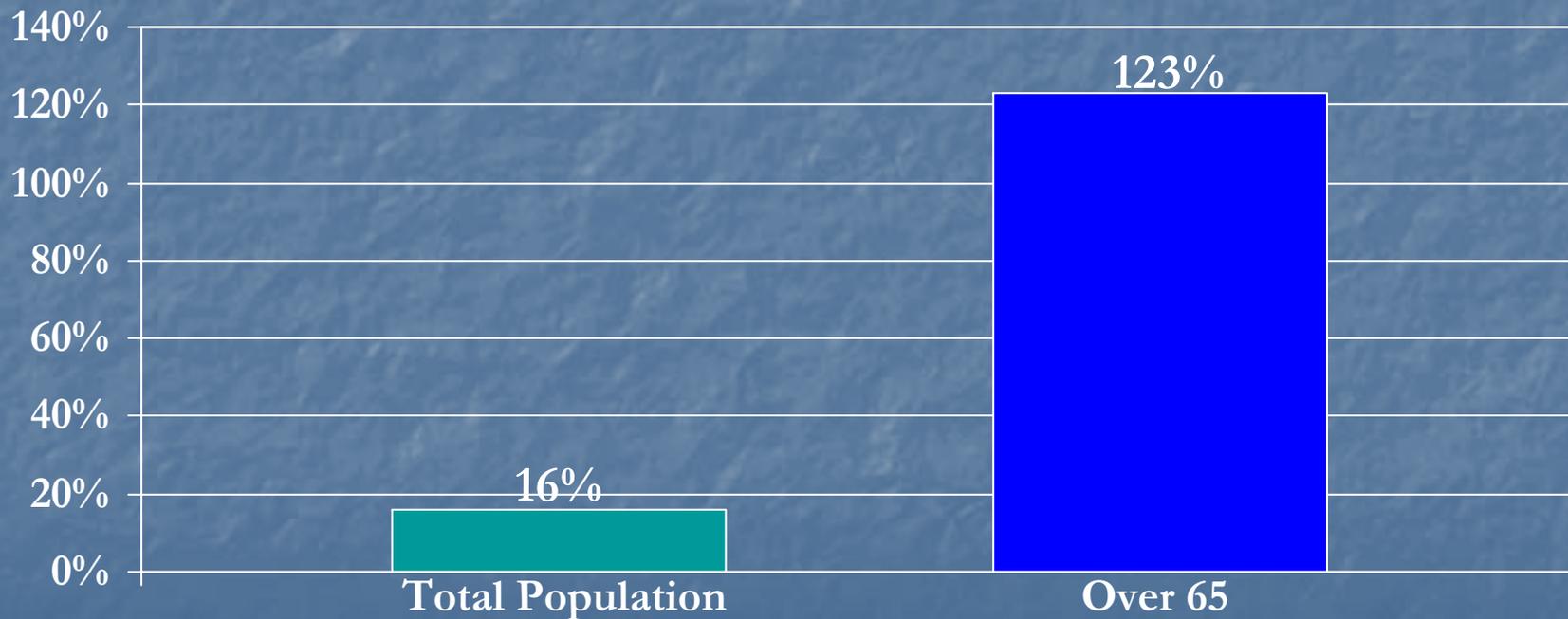
- The TABOR limit is normally 1%-3% less than the rate of growth of the economy on an annual basis.
- Adjustment can be made year by year, but after a few years, the impact will start to create budget problems.
- The reduction on the previous chart would have been about 1/3 after 17 years.
- K-12 plus Medicaid is equal to 2/3 of the general fund budget.

# The Consumer Price Index Does **Not** Reflect What a State Buys

	Consumer	Montana General Fund State Budget
Health Care	6%	<b>24%</b>
Education	3%	<b>54%</b>
Corrections	0%	<b>9%</b>
Transportation	<b>17%</b>	0%
Housing	<b>42%</b>	0%
Food	<b>15%</b>	0%

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

Projected Percent Change in Montana's Population:  
2000-2030



Source: US Census Bureau

# Shrinking Government Relative to the Economy

- TABOR shrinks government relative to the economy every year as a matter of constitutional law, regardless of Federal or court ordered spending mandates and budget demands.

**TABOR has Two  
Other Major Flaws**

# 1) Locked into the State Constitution

- Inflexible & complicated (budgeting nightmare)
- TABOR becomes permanent — even if it doesn't work, getting it back *out* of the constitution would be extremely difficult
- Constitution becomes littered with fiscal policy requirements
- Lawsuits abound (NOTE: Montana's CI-97 proposal allows non-residents to sue)

## 2) Loss of Representative Government

- A vote of the people is required to spend above the limit —in MT an override could only be for one fiscal year
- Money becomes the name of the game — statewide campaigns for constitutional overrides are very costly
- Elected state legislators become powerless — TABOR does not allow them to make the tough decisions they were elected to make — less accountability
- Interest groups scramble to pass subsequent constitutional amendments to protect designated revenues

# 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 Has Had Virtually No Job Growth Since the Recession

Job Growth

(March 2001- January 2006)

Arizona	12.8%
<b>Colorado</b>	<b>0.2%</b>
Idaho	10.3%
Montana	7.5%
Nevada	19.1%
New Mexico	8.7%
Utah	8.0%
Wyoming	9.8%

Source: Bureau of Labor Statistics.

# Impact of the Recession

- Capital construction and transportation lose almost all funding, and won't come back under TABOR limit.
- The TABOR effect of shrinking government relative to the economy was accelerated.
- Most "smoke and mirrors" accounting gimmicks have been used.
- Selling state assets for one-time fixes about all that is left before significant cuts are required.

# November 1<sup>st</sup>, 2005

- Broad-based and bipartisan campaign to suspend TABOR for Five Years
  - Republican Gov. Bill Owens joined with Democratic legislature
  - A coalition of 1100 organizations, including unanimous support from Chambers of Commerce and active leadership of the business community
  - If not for Ref. C cuts of \$345 million would have been required, mostly falling on higher education. No money would be available for capital improvements or transportation in coming years.

# Summary

- TABOR relentlessly ***shrinks government relative to the economy***, regardless of federal, judicial, and statutory mandates for government services
- TABOR inevitable leads to an ongoing ***direct democracy over the budget*** with interest groups scrambling to protect their own revenue