

TABOR Benefits Colorado's Citizens:

A response to misleading video

IB-2006-H • September 2006

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Introduction

In 2005 the Center on Budget and Policy Priorities (CBPP) released a video to help defeat proposed measures like Colorado's Taxpayer's Bill of Rights (TABOR) in other states. Voters in several states are considering such measures in 2006, including Maine, Montana, Nebraska, Nevada, and Oregon.

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By understanding the truth, however, viewers will note that they have nothing to fear from passing

their own TABOR. Unfortunately, they may not recognize the CBPP video for the highly misleading propaganda piece that it is.

Correcting Inaccuracies

Some of what the CBPP offers is purely inaccurate:

Government spending

- The video tells viewers that TABOR makes "drastic cuts inevitable." The State's general (tax) fund rose every year except during the recession, when nearly every state in the Union retrenched. Even so, **total spending**

for the state government has never gone down in any year, including during the recession. "Thank God we had TABOR" was the public observation of the incoming Speaker of the House, Lola Spradley, "or we would have been in the same shape as California" as she addressed how TABOR had saved Colorado from having to make deeper cuts in state spending.¹

- Even though the recession pushed tax revenues down in 2002, the state legislature cut spending only in the Department of Natural Resources. From 2001 to 2003, spending on health care and hospitals increased 116 percent, spending on education increased 16 percent, and spending on government administration increased 16 percent. Given that even health care expenses for the needy in Colorado are unlikely to have more than doubled in just three years, these increases clearly reflect program expansions (see table, Appendix A).

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Economic growth

- Tom Clark, Executive Vice President of the Metro Denver Economic Development Corporation and the Denver Metro Chamber of Commerce, says early in the video that TABOR “will hobble us economically.” Yet economic data proves that to be untrue. Statistics from the U.S. Bureau of Economic Analysis show that personal income for Coloradans leapt up from 19th in the nation in 1990 to 7th in the nation in 2000, during the first eight years of TABOR!² According to the *U.S. Economic Freedom Index 2004 Report*, “Colorado’s personal income per capita is...7.55 percent above the national average. Between 1996 and 2002, personal income per capita in Colorado increased by 30 percent.”³

K-12 Education

- The assertion that Colorado ranks 47th in school funding is transparently misleading. The figure, which comes from the U.S. Census Bureau’s report titled *Public School Finances 2004*, measures spending as a percentage of personal income. Colorado appears to be low in these rankings because of

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the high earning power of its tax-paying residents. Using the same set of figures, a poorer state like New Mexico ranks 7th, though it actually spends fewer dollars per pupil than Colorado.⁴

Measuring all K-12 education expenditures (including construction costs and debt repayment) for 2003-2004, data from the National Center for Education Statistics (NCES) place Colorado at 28th in the nation (\$9,073).⁵ Strictly measuring operational costs for the same year, Colorado ranks any-

where from 23rd (\$8,263 - National Education Association) to 33rd (\$7,478 - NCES) in “current” per-pupil spending.⁶

- According to the video, parents now pay for school operations that state tax dollars previously covered, and children must attend school with the heat off. Yet the proportion of state spending on K-12 education is at an all-time high. In 1992, the year before TABOR took effect, the state of Colorado paid 45 percent of the per-pupil funding for public schools. Today, 14 years later, the state’s share has grown to 62 percent. From 2000-01 to 2005-06, Colorado’s overall per-pupil contribution in state dollars to K-12 education (including all education funds, not just per-pupil funding under the School Finance Act) has increased by 28 percent—or by 16 percent, after adjusting for inflation.⁷

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- The voiceover on the video says, “Parents have to pay for basic things,” while the camera pans over textbooks. Crested Butte parent and state Parent Teacher Association (PTA) board member Kristi Hargrove says, “Our PTA is buying all the textbooks for the school.” The state requires districts to budget a minimum of \$172 per pupil per year for textbooks, library books, periodicals, and other instructional supplies and materials. The law mandates that figure to increase every year and that the money be spent on nothing else.⁸ The real question is: How does Ms. Hargrove’s school avoid the law and not buy textbooks?
- Denver parent Jane Feldman said that “parents are paying for essential services that previously came out of school budgets,” including workbooks, teachers’ aide salaries, and art and music classes. She said that her family “shells out” \$1,000 a year for these education-related costs, which she said is far more than any TABOR refund they have received. If her claims are true, her family’s expenses are far

from typical. In 2004-05, school districts collected a combined total of \$66,116,789 from students and parents for tuition, transportation fees, textbook fees, and student activity fees. The figure amounts to \$86.24 per enrolled student.⁹

Transportation and infrastructure

- The video claims that Colorado is unable to fund roads and that the infrastructure is crumbling. This assertion is blatantly wrong because the fundamental principle of TABOR is that voters decide if they want to increase taxes for any reason whatsoever. Left out of the video are two separate, huge projects that voters approved under TABOR's provisions:
 - In 1999, Governor Bill Owens campaigned for and won passage of a \$4 billion increase in debt to pay for 27 big highway projects, including a massive reconstruction of Interstate 25 through Denver.
 - In 2004, Denver and its suburbs passed an \$8.3 billion regional tax increase to pay for mass transit.¹⁰

Health care and immunizations

- Detractors also claim that TABOR limits Colorado's health spending and that things are so bad that the state ranks last in childhood immunizations. These bogus claims are based on willful misinterpretation of the National Immunization Survey, a telephone survey of the immunization status of children under age 3. Estimates of coverage rates in states with relatively small populations are estimated from small samples and are subject to error. The Centers for Disease Control note this in the information they publish with the surveys. In 2002, the point estimate of coverage for Colorado for a couple of the vac-

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cine series was lower than any other state. However, when the errors caused by small samples were considered, it was likely that

Colorado had immunization rates that were similar to other states like it. As one would expect if mere statistical variation caused the low ranking, 2005 immunization data put Colorado nowhere near the bottom. Little evidence exists to show that Colorado's population health is affected by TABOR. On most health surveys Colorado's population does quite well, enjoying relatively low rates of Medicaid enrollment, disability, and obesity.¹¹

There are a number of issues surrounding TABOR that are worth debating, but none suggest that TABOR should be abandoned in Colorado or avoided in any other state.

Giving Taxpayers a Choice

The fundamental principle of the Taxpayer's Bill of Rights is that taxpayers have a *choice*. If they want to raise taxes, rapidly increase spending, or increase debt, they can do so. *Nothing about TABOR prevents a government from taxing, spending, or borrowing more money—as long as taxpayers give their consent.*

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In 2005 Colorado voters approved a proposal for a large, permanent increase in spending (Referendum C), and rejected a proposal for billions of dollars in additional state debt (Referendum D). Pro and con arguments have come forward for both proposals, but the key point concerning TABOR is that taxpayers made the final decision. Many of the people shown in the CBPP video who complained that TABOR is too restrictive, such as former legislators Brad Young and Norma Anderson, were key players in winning passage of this huge spending increase. So, in fact, TABOR did not make it impossible for the government to increase spending (and, thus, to reduce tax refunds) at a very rapid pace; rather, TABOR simply required that the government ask first.

Despite what the talking heads in the video claim, TABOR does not impose a fiscal straitjacket. TABOR simply prevents the government from rais-

ing taxes, rapidly increasing spending, or borrowing money without the consent of the taxpayers. The real objection of the TABOR opponents is that the government has to ask first before taking and spending more of your money.

Other Observations

Local component ignored

Colorado long ago decided to decentralize the collection of taxes, more so than almost any other state. According to the Legislative Council, Colorado ranks 7th highest in local tax collections and 2nd lowest in state tax collections.¹² That is how we like to do business. Cities and local governments do not have to beg the legislature for their budgets. School districts do not have to obtain state permission to increase their mill levies. Trying to compare how Colorado's state government is funded by comparison to other states, while ignoring the local component, is misleading. And, of course, *our local governments can raise taxes, spending, and debt whenever the local taxpayers give them permission to do so.*

Understanding the cost of service

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to understand the real cost of any government service. One rancher complains in the video that recent budget changes require that he pay the cost of a well inspection, rather than the taxpayer subsidizing his business. That is probably a good thing because the rancher is going to care if the inspection is done efficiently and effectively if he is paying for it, but likely to disregard any wastefulness if the inspection is

“free.” The taxpayer does not have to provide corporate welfare to another business.

Protection in the state constitution

Any tax and spending limitation must be in the state constitution, even though the video makes it sound like a bad thing. States that have TABOR-like controls only in statute discover that legislators find reasons to monkey with them whenever the controls

become inconvenient to the government. Outside the constitution, the protections for citizens become merely cosmetic.¹³

Conclusion

Much of what citizens and officials confront in making public policy is about trade-offs and setting priorities. The following questions rightly are addressed in considering a Taxpayer's Bill of Rights (TABOR):

- How much more of our families' budgets should be taken for public goods?
- Do we want government to have unlimited power to tax, spend, and borrow, or do we want to be able to decide, as a community, whether government should be given even more money?
- Should governments be required to set reasonable priorities in spending, or should they be able to increase spending on everything, without asking taxpayers if they want bigger government?

The Center on Budget and Policy Priorities (CBPP) video lacks any sophistication in weighing the issues or comparing the costs to our families and businesses. Discerning readers probably have figured out already that:

1. Many students attend Colorado's state universities, which today spend more money than ever—including personnel costs (see table, Appendix B).
2. Drivers can travel on Colorado roads that have been improved by billions of dollars of new projects.
3. Residents and tourists can visit Colorado's beautiful and well-maintained state and city parks.
4. Colorado's poor and elderly still have a safety net, which is more generous than ever.
5. Colorado public schools are still open for business, its students receive more funding than ever, and its achievement scores steadily rank among the nation's highest.

The Independence Institute has additional information on how well TABOR has worked in Colorado. Please visit our Web site at www.independencein-

institute.org or call our Fiscal Policy Center Director Penn Pfiffner, at 303-279-6536 if you would like more information.

The CBPP video is a sophisticated exercise in misdirection. It is full of complaints that the government does not increase taxes, spending, and borrowing as much as the talking heads would like. But what the talking heads never admit is that taxes, spending, and borrowing all can be increased—whenever the taxpayers give permission. TABOR is based on the same principle that all responsible parents teach their children: do not take someone else's property without permission. When government wants to take even more of taxpayers' hard-earned money, shouldn't government simply ask first?

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ADDITIONAL RESOURCES on this subject can be found at: <http://www.independenceninstitute.org/>

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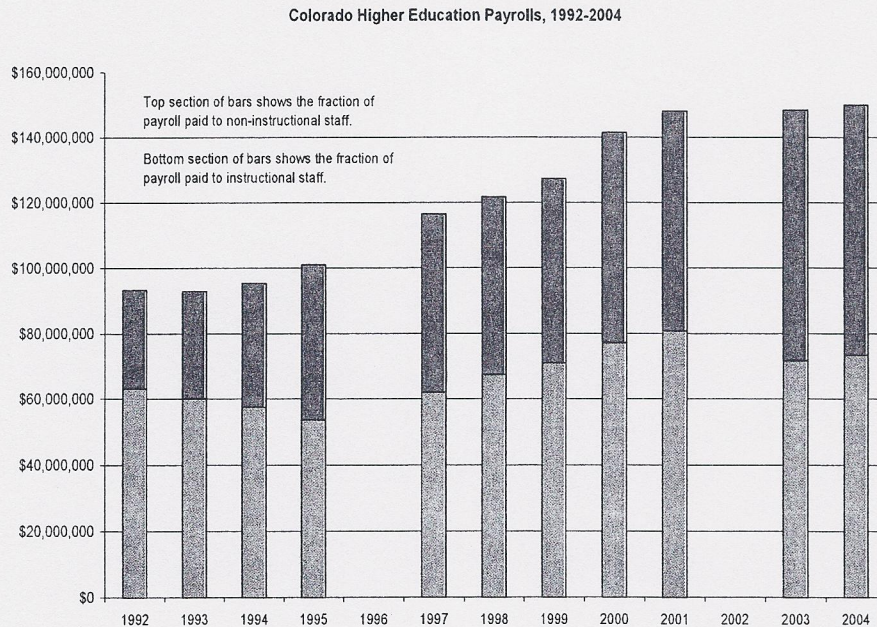
Appendix A:

Table of Colorado State Government Expenditures by Function
For the Years Influenced by the Recession

Colorado State Government General Expenditures by Function (thousands of dollars)				
	2001	2002	2003	Percent change 2001-2003
Education	\$5,287,541	\$5,798,172	\$6,133,704	16.0
Public welfare	3,312,898	3,131,520	3,442,625	3.9
Hospitals	157,390	253,652	297,784	89.2
Health	309,353	792,620	708,767	129.1
Highways	1,342,195	1,421,381	1,378,238	2.7
Police	95,073	103,053	105,653	11.1
Corrections	704,421	734,457	723,572	2.7
Natural Resources	233,924	193,235	198,642	-15.1
Parks and Recreation	64,377	69,307	72,418	12.5
Government Administration	393,523	422,050	457,652	16.3
Wages and Salaries	2,471,751	2,765,058	2,841,045	14.9
Per Capita Personal Income	34,491	34,032	34,542	0.1

Appendix B:

Comparison of Colorado Spending on Personnel at State Institutes of Higher Education
For the Years since the Enactment of TABOR



Endnotes

- ¹ Lola Spradley, presentation to the Colorado Union of Taxpayers, 16 January 2004.
- ² Aldo Svaldi, "Wallets Starting to Grow Heavier," *The Denver Post* 30 March 2006.
- ³ Ying Huang, Robert E. McCormick and Lawrence J. McQuillan, *U.S. Economic Freedom Index: 2004 Report* (San Francisco: Pacific Research Institute, 2004) 70.
- ⁴ United States Census Bureau, *Public School Finances 2004*, Tables 8 and 12, <http://ftp2.census.gov/govs/school/04f33pub.pdf>
- ⁵ National Center for Education Statistics (NCES), *Common Core of Data*.
- ⁶ National Education Association (NEA), *Rankings & Estimates Update (Fall 2005)*, Table 5; NCES *Common Core of Data*.
- ⁷ In 2000-01, the state contribution to K-12 education was \$2,301,334,260 appropriated for 724,508 pupils (\$3,176 per pupil). In 2005-06 state K-12 funding rose to \$3,175,865,293 appropriated for 780,708 pupils (\$4,068 per pupil). Data provided by Colorado General Assembly Joint Budget Committee.
- ⁸ Colorado Revised Statutes § 22-54-105.
- ⁹ Calculations made on data provided by Colorado Department of Education, Public School Finance Unit.
- ¹⁰ Randal O'Toole, *The Full Truth about FasTracks* IP 7-2004, Independence Institute, June 2004, 4.
- ¹¹ Linda Gorman, Ph.D., Health Care Policy Center Director, interviewed by Penn Pfiffner.
- ¹² Tom Dunn, *How Colorado Compares in State and Local Taxes* Number 03-15, Colorado Legislative Council, Denver Colorado, 21 November 2003, 1.
- ¹³ Barry Poulson, *Tax and Spending Limits: Theory, Analysis, and Policy* IB-2004-E, Independence Institute, February 2004, 2.