



COLORADO'S ECONOMY, ITS TAX SYSTEM AND "TABOR"

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MADISON — Colorado has experienced its worst economic slump in 15 years. Since 2000, the state has lost nearly 80,000 jobs. Jobs have been disappearing at more than three times the national rate. Colorado's much vaunted technology sector has cut more than 30,000 jobs, and the state's overall unemployment rate has doubled, according to a Colorado State University study.

The Colorado Legislature has cut about \$1 billion in each of the past two years because of declining revenue. This year, lawmakers will have to cut about \$60 million, according to the *Denver Post*. Because of constitutional restrictions, they are expected to look to cut higher education, corrections and human services.

Should Wisconsin follow in Colorado's footsteps? That is what sponsors of Assembly Joint Resolution 55, the so-called Taxpayers Bill of Rights (TABOR), believe.

It is "highly unlikely" that Colorado's program cuts will ever be restored, the Colorado Fiscal Policy Institute says, because TABOR will require additional state budget cuts. Those cuts must total \$640.1 million between 2004 and 2009, according to the Colorado Legislative Council.

How did this situation arise? In 1992, Colorado voters approved a constitutional amendment limiting state and local spending, popularly known as the Taxpayers Bill of Rights, or TABOR. This amendment limits state and local spending increases generally to inflation plus growth.

In 1982, Colorado voters had approved the Gallagher Amendment, which adjusts the ratio between residential property's assessed value and the value of all other property so that residential property comprises 45% of Colorado's tax base, and all other property comprises 55%. In Wisconsin, residential property makes up 70% of the state's tax base, and the ratio of one class of property to another cannot be adjusted because of the uniformity clause in Wisconsin's constitution.

Complicating the picture further, Colorado's Amendment 23 changed the way in which the state funds K-12 public schools by requiring the Legislature to provide specific increases each year. School funding must be increased by at least inflation plus 1% for ten years — through FY 2010-11 — and at the rate of inflation thereafter.

While TABOR and a 1913 cap on total property tax revenues have ratcheted down property taxes and shifted them from residential to commercial property, Amendment 23 has produced a shift in financing K-12 education from local school districts to the state of Colorado.

The interaction has created what the *Denver Post* describes as Colorado's "fiscal perfect storm." Thanks to another quirk in the way Colorado does government, any strategy to avoid sinking must be approved by two-thirds margins in the legislature and a statewide referendum.