



# A Decade of TABOR

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*Ten Years After:  
Analysis of the Taxpayer's Bill of Rights*

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TOTAL Power of ONE in America*

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# Executive Summary

**“Its preferred interpretation shall reasonably restrain most the growth of government.”**

*- Taxpayer’s Bill of Rights, TABOR Amendment: Colorado Constitution, Article X-Revenue, Section 20*

TABOR (the Taxpayer’s Bill of Rights) is a tax-and-spending limitation, constitutional amendment. TABOR was passed in 1992 by the voters, and is contained in Article X, Section 20, of the Colorado Constitution. TABOR’s stated mission is to “reasonably restrain most the growth of government.” It allows only those tax rate increases approved by voters; while fees are not directly restricted, state government spending is limited to growth of Colorado’s population-plus-inflation in the prior year.

Colorado has in TABOR the strictest tax-and-spending limitation of the 50 states. This Issue Paper analyzes TABOR’s effect on Colorado, contrasting taxing and spending before and after enactment of TABOR.

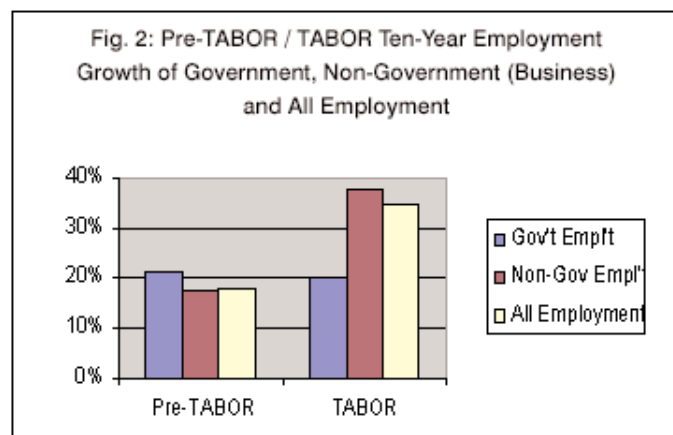
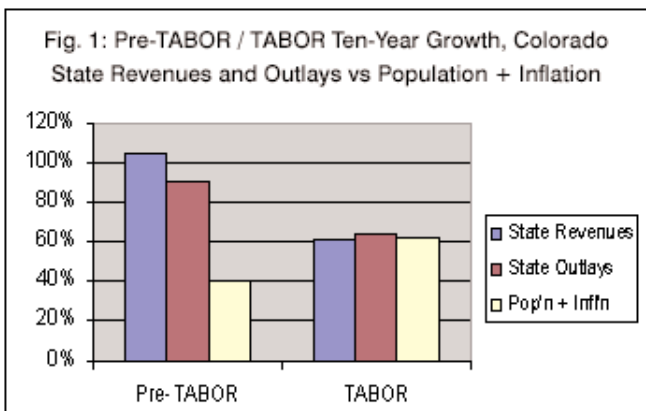
Ten fiscal years have passed since 1992; this Issue Paper compares ten years of TABOR performance to the preceding ten years. Colorado state documents—Comprehensive Annual Financial Reports (CAFR) and “Colorado Economic Perspective” (Office of State Planning and Budgeting)—provide the data.

In the decade before TABOR, Colorado state revenues and outlays (spending) grew well over twice the population-plus-inflation growth (See Fig. 1). With TABOR, all three were very close, indicating TABOR had significantly restrained and controlled Colorado government growth.

Though TABOR was part of the “go-go nineties,” its measured effects on government and non-government employment and distribution were quite impressive (See Fig. 2). Pre-TABOR, government jobs grew slightly more than business or total employment. After TABOR, business job growth nearly doubled that of government job growth.

The TABOR surplus rebate mechanism returned to taxpayers some \$3.25 billion over five years, fiscal 1997 to 2001, amounting to about \$800 per capita—\$3,200 for an average family of four.

TABOR is a success. It passed its own test to reasonably contain growth of Colorado government, taxing and spending.



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## Ten Years After: Analysis of the Taxpayer's Bill of Rights

By Fred Holden, Public Policy Specialist and Author,

**TOTAL Power of ONE in America**

The TABOR Amendment: What is It?

“Slow government growth” is the three-word mission statement of Colorado citizens who created the Taxpayer's Bill of Rights. TABOR is a unique, controversial and powerful tax-and-spending limitation amendment to the Colorado Constitution. It is found under Article X - Revenue, as Section 20. The full text of TABOR is provided as an Appendix to this Issue Paper. No other state has such a comprehensive tax-and-spending-limitation in place. With ten years history, its impacts can be studied, quantified and analyzed, and compared to the preceding non-TABOR years.

TABOR's main objectives were to contain government taxation and spending growth.

TABOR requires voter approval of all tax and debt increases and other changes in tax policy that would result in more money to government. Previous efforts to enact a version of TABOR had foundered on the issue of restrictions on government fees. The 1992 version of TABOR, which the voters approved, did not include limits on fees. The annual increase in overall state spending was limited to the annual rate of inflation-plus-population growth based on “United States Bureau of Labor Statistics Consumer Price Index for Denver-Boulder, all items, all urban consumers, or its

successor index.” [Art X, Sec. 20, (2) (f)]. Local revenue growth was limited by other provisions.

TABOR exempts spending growth “from gifts, federal funds, collections for another government, pension contributions by employees and pension fund earnings, reserve transfers or expenditures, damage awards, or property sales” [TABOR, part (2) (e)]. TABOR also requires various public disclosures and ballot information about proposed tax or spending increases.

TABOR does not tell lawmakers what legislation to pass or how to apportion available money to spending. TABOR does limit the total amount of money spent and does prevent tax rate increases, although voters are always free to approve extra spending or taxes.

### **TABOR—Love It or Hate It, but Can't Ignore It**

TABOR enjoys a love-hate relationship. Polls show that strong majorities of taxpayers and small business owners, leaders and managers, love TABOR. Those who like to control and expand state spending or are its recipients hate it. TABOR gets in the way of the latter's lobbying, legislative and political doling out largesse, creating a bigger pie or piece of the

pie—a bigger state—that can dispense more government goodies all around, and thus exert more and greater control over Colorado citizens.

In a 1987 meeting following the defeat of the 1986 tax limitation amendment, George Dibble, the then-president of Colorado Association of Commerce and Industry (CACI), the state business chamber of commerce, was asked by proponents what it would take to get CACI to support tax limitation. He said, “We will never support tax limitation.” Why? “Because the state already has all the money. We want a voice in how it is spent.”

With TABOR, taxpayers need not regularly, continuously, relentlessly and exhaustively monitor and react to the fiscal foibles of the political process. The people have their own quite demanding personal, professional and family lives, and prefer a systemic, “always on” solution. What they chose in TABOR was to use the authority and power of the Constitution to do the important work of limiting government growth.

### **A Brief History of TABOR**

Tax limitations first appeared on the Colorado ballot by citizen initiative in 1966. Tax reform initiatives were defeated in 1972, 1976, and 1978. Another string of citizen-taxpayer initiatives began in 1986 with Amendment 4, which would have required all tax increases to be approved by the taxpayers. Proponents John

and Diane Cox of Palisade were able to garner 37% in favor.

Colorado Springs property owner Douglas Bruce and supporters successfully organized a 1988 campaign for the first of three TABOR, or Taxpayer’s Bill of Rights petition drives that captured enough signatures to appear on the ballot. The TABOR initiatives brought together a strange agglomeration of opponents. “The Six Bigs”—big government, big business, big media, big labor, big education and big everything else—prevailed when Bruce’s 1988 attempt got 43% of the vote.

Surprisingly, Bruce came back in 1990 with a new, improved version which then-Governor Roy Romer fought vigorously with all the power of his office. It was barely defeated with a 49.5% yes vote. Seeing the trend—37%, 43%, 49.5%—the Legislature sensed that taxpayers wanted some kind of limit on continuing, unfettered tax increases, and passed the Bird-Arveschoug 6% spending limit (sometimes later called “the Swiss cheese” limit because it was so full of holes).

Like an English bulldog that never lets go, Bruce in 1992 brought out what was to be the third and last Amendment 1, finally passed by 54% of Colorado voters.

### **What TABOR Was Supposed to Do**

Here are some intended outcomes of the tax-and-spending limitation TABOR Amendment:

- Slow—not stop or cut—growth of state

and local governments taxes and spending.

- Control and provide information about local debt.
- Put the people more in control of their taxes.
- Encourage better utilization of public monies.
- Create incentives for fiscal prudence and government productivity.
- As a result of the above, stimulate growth of businesses and jobs, and reduce unemployment.

### **Pre-TABOR Ten Years, 1983-1992, Form an Analytical Base**

This Issue Paper analyzes only state government—not county, city, government education or special taxing districts. The main two data sources for the analysis were Colorado’s fiscal 2002 Comprehensive Annual Financial Report (CAFR) from the State Controller’s office (303-866-3281), and “Colorado Economic Perspective” from the Office of State Planning and Budgeting (303-866-3317). These provided for a before-and-after analysis spanning 20 years, ten years “Pre-TABOR,” ten years “TABOR.”

Two ten year periods were available—Pre-TABOR (1983-1992) and TABOR (1993-2002), each offering a base year and nine years of analysis. A single spreadsheet provides valuable results and clear insights. APPENDIX A is “Comparison, Two Ten-Year Periods, Pre-TABOR (1983-1992) to TABOR

(1993-2002), State of Colorado Growth, in Population; Employment (All, Government, Non-Government); State Revenues and State Outlays; Per capita Personal Income, Revenues & Outlays; Unemployment and Inflation.” APPENDIX B, otherwise the same, substitutes General Fund Revenues and Outlays for “State Revenues and State Outlays.” The overall analysis is presented in three parts: Pre-TABOR, TABOR, and a side-by-side comparison.

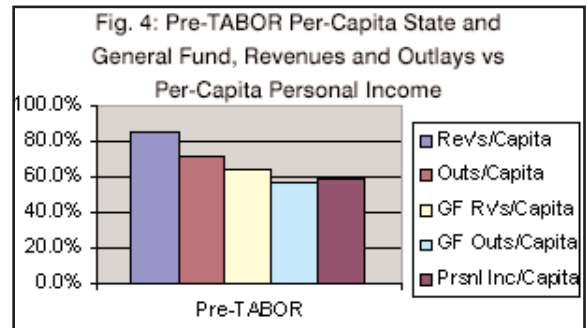
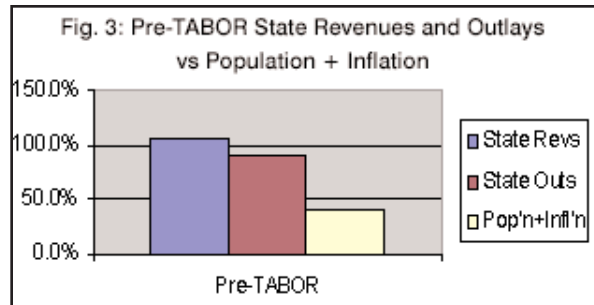
### **Taxes, Spending Grow Faster than Population-plus-Inflation, Personal Income Per Capita**

Pre-TABOR, 1983 to 1992, inflation grew 29.7%, population 10.4%, for a total of 40.1%. State Revenues increased 104.7%, State Spending 89.8%. Colorado government grew over twice the total of population-plus-inflation. The logic is, if inflation grows one percent, then one percent more purchasing power is needed to buy the same goods and services for the same population served. If population grows two percent, two percent more money is needed to provide government services to the additional people (though in other analyses, this number has been somewhat lower, so it is generous). For this example, by the TABOR Amendment, three percent would be an allowable one-year government growth rate.

“Compared to what?” is a key question. For instance, one might wish to compare taxes paid in terms of per capita government growth with personal income (ability to pay taxes).

Here is the growth data, and Figures 3 and 4 for the Pre-TABOR (1983-1992) period:

Population	10.4%
Inflation	29.7%
TOTAL	40.10%
State Revenues (Taxes)	104.7%
State Outlays (Spending)	89.8%
General Fund Revenues	82.7%
General Fund Outlays	73.4%
Per Capita Personal Income	
.....	59.2% (+ \$7,810)
Per Capita State Revenues	
.....	\$1,242 to \$2,301 (85.3%)
Per Capita State Outlays	
.....	\$1,277 to \$2,195 (71.9%)
Per Capita Gen Fund Revenue	
.....	\$521 to \$861 (65.4%)
Per Capita Gen Fund Outlays	
.....	\$527 to \$828 (57.0%)
All-Job Growth	18.1% (248,000)
Government Employment	
.....	21.1% (50,000)
Non-Gov't Employment	
.....	17.5% (198,000)



State revenues had the highest rate of growth, followed by State Outlays, then by General Fund Revenues and Outlays. All were higher than population-plus-inflation growth. Note the state got considerably more money from the taxpayers than taxpayers got from their earnings. While their ability-to-pay per capita personal income increased, 59%, per capita state taxes went up much more, 85%, along with per capita state spending, up 72%. General Fund Revenues and Spending increased 65% and 57%, respectively.

For this period, total employment grew 18.1% (248,000), while government employment grew 21.1% (50,000), and non-government employment grew 17.5% (198,000).

### **TABOR Slows Government Growth, Brings Taxing, Spending, Predictability into Line**

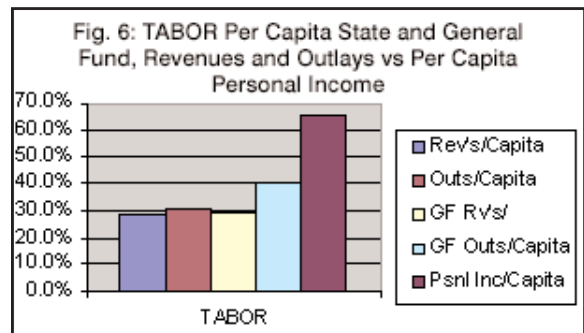
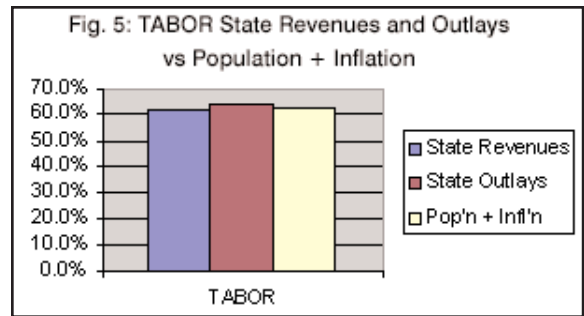
The same analysis for the post-TABOR ten-year period (1993-2002) shows that TABOR

achieved its goal. Overall state taxation and spending closely followed the defined growth target, which was the sum of population-plus-inflation. Population grew 25.3% and inflation 37.3%, for a total “government growth standard” of 62.6%. Compare that to State Revenue growth of 61.3%, and to spending growth of 63.8%. Per capita taxes and state spending rose 28.7% and 30.8%, respectively. Post-TABOR, taxes and spending grew more slowly than per capita personal income: 65.3%. Income went up more than twice the rate of the tax burden increase. The post-TABOR decade thus regained some of the ground that taxpayers had lost during the pre-TABOR decade of soaring taxes and spending.

Here is growth data for the TABOR (1993-2002) period:

Population	.25.3%
Inflation	.37.3%
TOTAL	.62.6%
State Revenues (Taxes)	.61.3%
State Outlays (Spending)	.63.8%
General Fund Revenues	.61.8%
General Fund Outlays	.75.9%
Per Capita Personal Income	.65.3% (+ \$14,437)
Per Capita State Revenues	.....\$2,453 to \$3,157 (28.7%)

Per Capita State Outlays	.....\$2,397 to \$3,134 (30.8%)
Per Capita Gen Fund Revenues	.....\$960 to \$1,239 (29.2%)
Per Capita Gen Fund Outlays	.....\$906 to \$1,271 (40.4%)
All-Job Growth	.....34.6% (586,000)
Government Employment	.....20.0% (59,600)
Non-Gov't Employment	.....37.7% (526,400)



Total-employment grew 34.6% (586,000 jobs), government employment grew 20.0% (59,600), and non-government employment grew 37.7% (526,400). The non-government jobs growth rate was more than double the rate of the preceding ten years.

It appears that in these ten years, taxpayers and businesses made more money, giving their employees more spending, saving and investing power because significantly less was taken from them in taxes. More job opportunities were also made available.

**A Ceteris Parabis, “Other Things Being Equal” Analysis**

This analysis is and must be, a ceteris parabis, “other things being equal” proposition. Longer time periods give better statistical reliability. But, over that longer time, the bigger picture of circumstances and conditions was changing. The national economy was in its longest-ever economic expansion, predicated on such

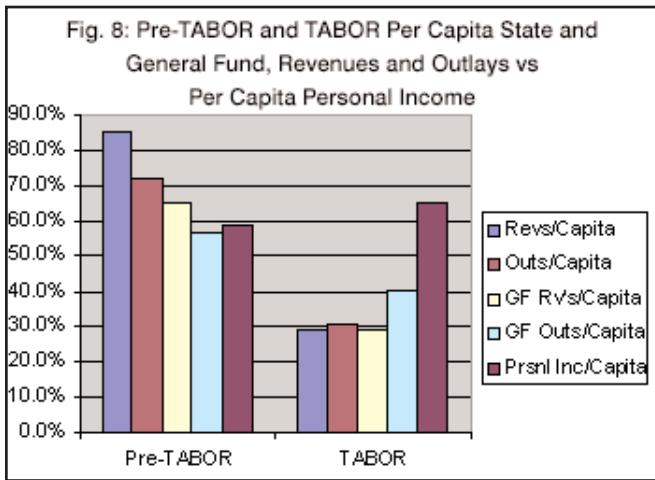
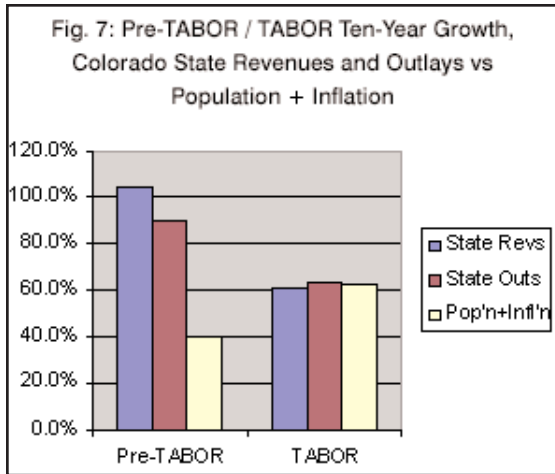
factors as the emergence of the Internet and E-mail, and dramatic productivity effects of computers and technology on the national and local scene. There is no way to ascertain absolutely the effect of extra-TABOR economic influences on these results, nor the absolute impact of TABOR only. Keeping these things in mind one can still assess results and interactions, and form conclusions based on the data within the ten-year time periods, and compare them.

**Side-by-Side Comparison Shows TABOR’s Power and Impact**

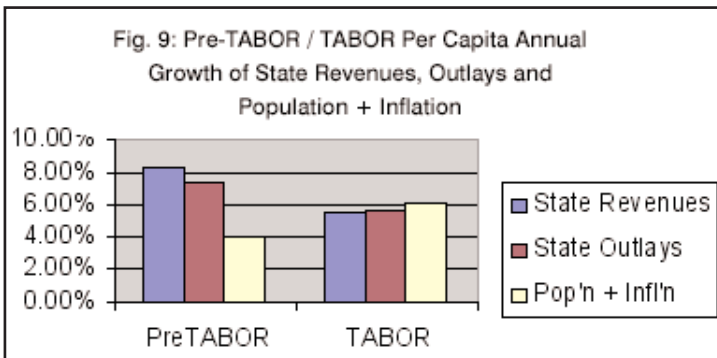
Here is the 10-year growth data, side-by-side: This information is shown graphically in

<b>Pre-TABOR and TABOR Data Comparison, Periods, 1983-1992, and 1993-2002</b>		
	1983-1992	1993-2002
Population	10.4%	25.3%
Inflation	29.7%	37.3%
TOTAL	40.10%	62.6%
State Revenues (Taxes)	104.7%	61.3%
State Spending (Outlays)	89.8%	63.8%
General Fund Revenues	82.7%	61.8%
General Fund Outlays	73.4%	75.9%
Per Capita Personal Income	59.2% (+\$7,810)	65.3% (+\$14,437)
Per Capita State Revenues	\$1,242 to \$2,301 (85.3%)	\$2,453 to \$3,157 (28.7%)
Per Capita State Outlays	\$1,277 to \$2,195 (71.9%)	\$2,397 to \$3,134 (30.8%)
Per Capita Gen Fund Revs	\$521 to \$861 (65.4%)	\$960 to \$1,239 (29.2%)
Per Capita Gen Fund Outs	\$527 to \$828 (57.0%)	\$906 to \$1,271 (40.4%)
All Job Growth	18.1% (248,000)	34.6% (586,000)
Government Employment	21.1% (50,000)	20.0% (59,600)
Non-Gov’t Employment	17.5% (198,000)	37.7% (526,400)

Figures 7 and 8:



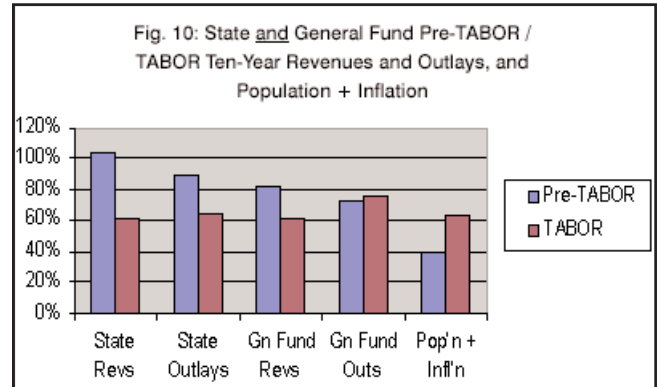
It is instructive to see Pre-TABOR / TABOR Comparison, not just in ten-year growth terms but in per capita annual growth, per Figure 9.



Quantifying the 20-year macroeconomic effects on the analysis is difficult because of the 1990's recovery. However, by comparing the percentages of growth and numbers of jobs created during each period, varying results of TABOR can be deduced.

Inflation went up more during the second period than the first. This was probably influenced significantly by the unprecedented rapid growth of population and employment in Colorado, and from influences from the outside interstate economic influences.

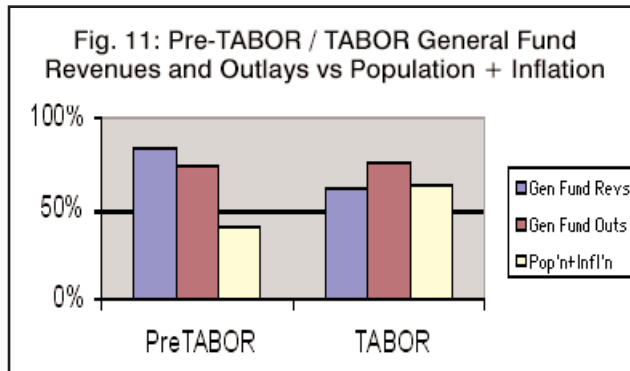
Another way to compare the above data is to see side-by-side individual components to compare one-on-one, Pre-TABOR to TABOR, as in Figure 10.



**General Fund: More Controllable by the Legislature?**

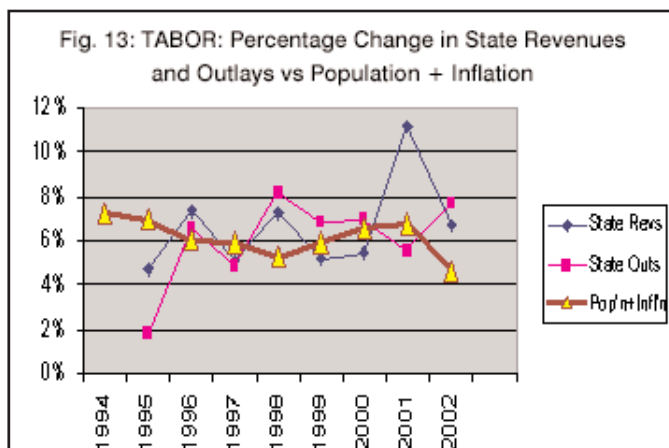
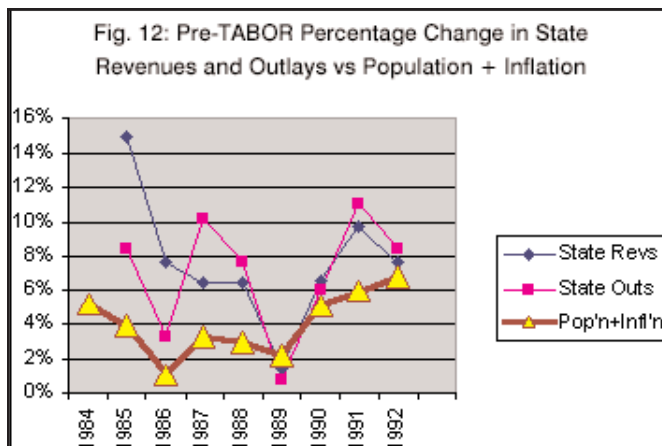
The preceding analyses have been for the larger all-state total revenues and expenditures. How about the General Fund, which is more directly under the control of the General Assembly? Are legislators better able to manage those finances? These questions can be

answered with this General Fund-only Figure 11.

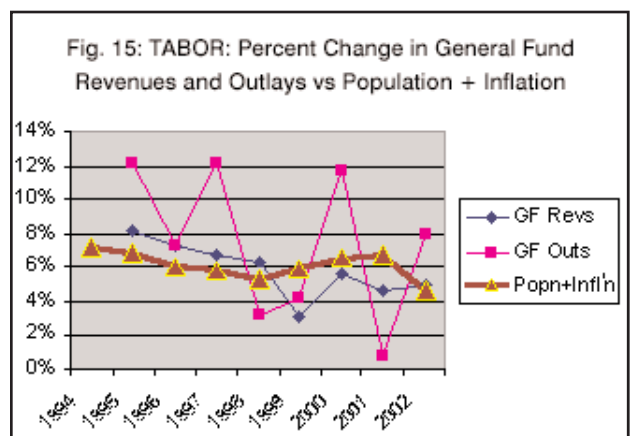
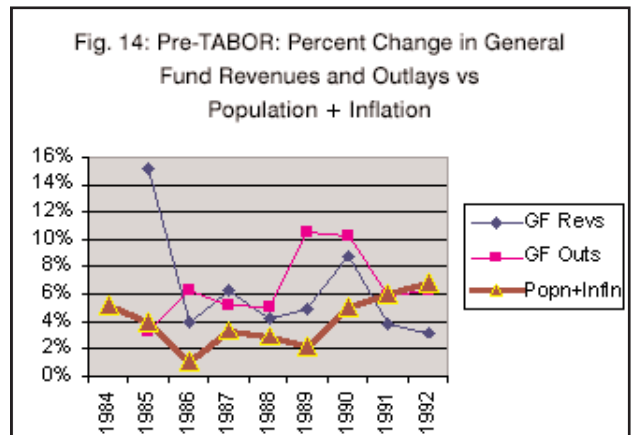


### Year-by-Year Funding Revenues and Outlays vs Population-plus-Inflation

Finally, it is of interest to view the resultant year-by-year funding and revenue receipts compared to the adopted control of population-plus-inflation. Figures 12 and 13 show the results for Pre-TABOR and TABOR all State data.



Figures 14 and 15 are much the same, but for General Funds:



### Possible Outcome Without TABOR

What if state taxes and spending after 1992 had continued to increase at the rates they did from 1982-1992? It is reasonable to assume that, if not for TABOR, the post-1992 increases would have been at least as large as the pre-1992 increases, since the national economy was booming. It is worth constructing a second analysis with the earlier, Pre-TABOR, state taxing and spending, per capita taxes and spending data, and comparing this to the actual TABOR data. This is shown in APPENDIX C, "Projections of Colorado State Government Growth in Revenues and

Outlays for the Years (1993-2002), Using Pre-TABOR (1983-1992) Growth Figures for Revenue and Outlays; plus Calculated Per Capita Differences.”

The analysis shows that total revenues would have been \$14,293 million more without the TABOR constraints; expenditures, \$8,770 million higher. For a Colorado citizen these translate into a total of \$3,385 per capita revenues (taxes) and of \$2,072 per capita spending. In other words, TABOR saved an average family of four in Colorado about thirteen thousand five hundred dollars in direct taxes. An additional \$3,200 in tax rebates were returned to taxpayers during the first TABOR decade, meaning that the average family of four paid about \$16,700 less in taxes as a result of TABOR.

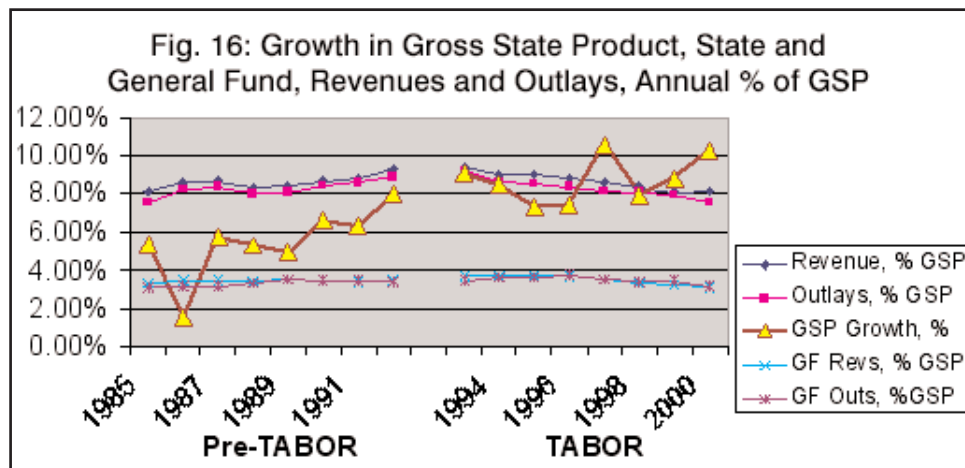
**Exploring TABOR Effects on Total State Output—Gross State Product (GSP)**

Another interesting economic analysis concerns TABOR effects on state output, the Gross State Product (GSP). GSP is the sum total of all produc-

tive output in new manufactured goods and in services, including both business and government. To illustrate, newly built houses count towards gross state product; resales do not.

GSP data is part of APPENDIX A, and is elaborated in APPENDIX D: “Colorado State Revenues and Outlays as % of Gross State Product for study period years 1983 through 2002, prior years 1978-1982.” A similar chart was used for General Fund data. GSP was available for only eight years of TABOR, 1993-2000, so only the preceding eight years were compared for Pre-TABOR.

As a percentage of GSP, pre-TABOR State revenues and spending averaged, respectively, 8.65% and 8.32%. They rose about one percent over the eight years (See Figure No. 16). TABOR values averaged, 8.59% and 8.43%, respectively, of State revenues and spending, with a slight downward trend. General Fund revenues and outlays have similar trends, between three and four percent. TABOR reversed the trend towards government becoming an ever-greater share of the



economy. The post-TABOR GSP grew at an average rate of 8.71% per year. This economic growth rate was over double the 4.24% pre-TABOR rate.

## **Cash Refunds Bring TABOR Up Close and Personal to Taxpayer Pocketbooks**

Money back from the state? The Colorado Fiscal 2002 CAFR, page 26, tells that for the first three years after passage of the TABOR amendment, the state did not exceed the revenue limitation so no surpluses were available, therefore no tax rebates. “In Fiscal Years 1996-97 through 2000-01, state revenues exceeded the TABOR limitation by \$139.0 million, \$563.2 million, \$679.6 million, \$941.1 million and \$927.2 million, respectively.” This totals \$3.25 billion returned to taxpayers, or a rough per capita estimate of a little over \$800–\$3,200 for a family of four, during those five years.

Unfortunately, the legislature and the governor resorted to accounting gimmicks on the TABOR refund. As TABOR began to produce a surplus in 1997, to be distributed back to Colorado taxpayers, the General Assembly passed and Governor Romer signed HB98-1414, to postpone “this year’s excess.” Apparently the legislature expected to use the next year’s excess to make the required refund. Using next year’s revenue to pay for this year’s refund worked fine until 2002-2003’s serious revenue downturn, when a refund was due, but there was no excess revenue. The 2002-2003 fiscal squeeze was a direct result of the 1998 legislature’s irresponsible decision to use an accounting trick so that spending could be increased. The 2003 legislature would have had a much easier budget session if the 1998

legislature had acted responsibly.

## **Tax-and-Spending Limitation Results**

The TABOR Amendment of 1992 has worked well to achieve its stated intention to “slow government growth.” (The full text is in APPENDIX E). What TABOR really did was stop excess government growth. TABOR did not stop reasonable government growth; as we have seen, government continued to grow at the rate of population-plus-inflation. TABOR is simply undoing the spending spree of the 1980’s, not shrinking government to unrealistic levels. TABOR encourages elected officials to better set priorities and resist heavy special interest lobbying pressures. TABOR frees up capital in the private sector to create more wealth-creating jobs that boost productivity and output. Here are the TABOR results:

- Private sector job creation more than doubled while government job growth held steady.
- An average Colorado family paid about \$16,700 less in state taxes during TABOR’s first decade.
- Per capita state taxes and spending growth had been growing far faster than inflation-plus-population. That extreme growth rate was halted.
- State government growth was very much in line with population-plus-inflation.

TABOR has succeeded. TABOR did not wreck the state economy or the state government, as its opponents had predicted. Instead, private-sector job creation and the state gov-

ernment were able to grow at a reasonable pace. Colorado families were able to retain much more of the fruits of their labor.

## **APPENDICES**

APPENDIX A. "Comparison, Two Ten-Year Periods, Pre-TABOR (1983-1992) to TABOR (1993-2002), State of Colorado Growth, In Population; Employment (All, Government, Non-Government); Total State Revenues and Outlays; Per capita Personal Income, Revenues & Outlays; Unemployment and Inflation."

APPENDIX B. "Comparison, Two Ten-Year Periods, Pre-TABOR (1983-1992) to TABOR (1993-2002), State of Colorado Growth, In Population; Employment (All, Government, Non-Government); General Fund Revenues and Outlays; Per capita Personal Income, Revenues & Outlays; Unemployment and Inflation."

APPENDIX C. "Projections of Colorado State Government Growth in Revenues and Outlays for Years 1993-2002, Using Pre-TABOR 1983-1992 Growth Figures for Revenue and Outlays; with Calculated Per Capita Differences Added."

APPENDIX D. Pre-TABOR 1985-1992 and TABOR 1993-2000 Gross State Product Annual Growth, and Revenues and Outlays as Percent of GSP.

APPENDIX E. The TABOR Amendment, Article X, Revenue, Section 20, Colorado Constitution.

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