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NEW: The Return of Tabor

Fiscal sanity and a national model return to Colorado

By Michael J. New

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This month brings good news to fiscal conservatives, as Colorado's Taxpayer's Bill of Rights (Tabor), and the associated revenue limit, comes back into effect. Supporters of limited government should cheer the return of America's best and most effective fiscal limit. While Tabor's return will have little short-term effect on Colorado's fiscal policy, it marks an important first step in rehabilitating the reputation of Tabor and so brightens the prospects for the enactment of effective fiscal limits across the country.

Tabor was a citizen initiative that was passed in 1992, garnering 53 percent of the vote. While previous efforts to enact effective revenue and spending limits met with little long-term success, Tabor possessed three features that dramatically enhanced its durability and effectiveness. First, Tabor was constitutional, which made it more difficult for the [General Assembly\(/topics/general-assembly/\)](#) to weaken the limit. Second, Tabor established a very low level of state revenue growth. Third, and perhaps most important, Tabor's provision requiring rebates of surplus revenues gave it visibility and popularity that other fiscal limits lacked.

State revenues started to exceed Tabor's limit in 1997. Between 1997 and 2001, Colorado taxpayers received tax rebates every year. In fact, they received a total of \$3.2 billion thanks to Tabor. Additionally, both the state income tax rate and the state sales tax rate were reduced during this time. Not only did Colorado easily lead the nation in tax relief, between 1995 and 2000, it ranked first among all states in gross state product growth and second in personal income growth. Tabor was seen as a model fiscal limit for other states to follow.

Unsurprisingly, however, the unions and many elected officials have opposed Tabor unrelentingly since its inception. In fact, during the 1992 campaign, Colorado [Gov. Roy Romer\(/topics/roy-romer/\)](#) denounced Tabor, saying that defeating Tabor was the "moral equivalent of defeating the Nazis at the Battle of the Bulge." Furthermore, every year from 1993 to 1999, a proposal on the Colorado ballot sought either to raise taxes or to increase spending in excess of the Tabor limit. Knowing these initiatives would markedly reduce the size of their annual tax rebate, Centennial State voters soundly defeated nearly all of these measures.

In 2000, however, Tabor opponents changed their strategy. Instead of attacking Tabor directly, they succeeded in passing Amendment 23, a spending mandate on education in kindergarten through 12th grade. Two features of Amendment 23 created significant budgetary pressures in Colorado. First, it required that K-12 education spending grow at a rate faster than the Tabor limit. Even worse, Amendment 23 mandated increases in education spending even when state revenues declined. Between 2001 and 2003, a combination of the Sept. 11 terrorist attacks and a severe drought caused state revenues to decline by more than \$1 billion - nearly 15 percent of the budget. Despite this, Amendment 23 forced Colorado to increase K-12 education spending by \$450 million at the same time.

In the face of this largely manufactured fiscal crisis, state spending advocates in Colorado, along with their allies in the legislature, opportunistically blamed Tabor. This led to the passage of Referendum C in 2005, which suspended Tabor's revenue limit for five years. This has allowed the legislature to spend, rather than rebate, all

revenues over the Tabor limit. Data from Colorado's Legislative Council Staff indicate that the legislature appropriated a total of \$3.6 billion above the Tabor limit between 2006 and 2010. Furthermore, the new Tabor limit will start - not at the current revenue level in 2010 - but instead where state revenues peaked in 2008. As such, Colorado residents are projected to miss out on an additional \$1.4 billion in tax rebates in 2011 and 2012.

Even so, Tabor is worth preserving. It is likely that Colorado residents will start to receive tax rebates in fiscal 2013. More important, Tabor can once again serve as a model fiscal limit. The passage of Referendum C caused significant damage to Tabor's reputation, and efforts to enact similar fiscal limits elsewhere have fared poorly. Indeed, during the fall of 2009, with a significant Obama backlash and fiscal conservatism surging, a Tabor-style fiscal limit was resoundingly defeated in Maine by a 60-40 margin. Fiscal conservatives desperately need an effective, popular fiscal limit. Tabor's return marks an important first step.

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