

Taking the toxin out of TABOR

By Bob Ewegen

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Don't you love it when Washington politicians - whose knowledge of Colorado is limited to thinking that we look sort of square on a map - tell us how to run our state?

The latest Beltway Boy to tell us ignorant provincials how to think is former House Majority Leader Dick Arme of Texas. He co-authored a piece in the May 20 Denver Post demanding that we not touch a Taxpayer's Bill of Rights that he knows is so flawed that its most toxic provisions have been removed from a version he's trying to peddle to other states.

Beltway Dick and his local acolyte, John Andrews, claimed TABOR "has protected taxpayers by requiring voter approval for tax hikes - and by allowing government to grow no faster than inflation and population. It is being watched and imitated by tax reformers in other states."

The first statement, that TABOR requires voter approval for tax increases, is true. Of course, it will continue to be true if voters approve Referenda C and D, the Colorado Economic Recovery Act twins crafted by Republican Gov. Bill Owens and a bipartisan coalition that included 72 percent of the legislature.

Arme's next two claims, about how TABOR works and the assertion that it is being "imitated" elsewhere, are half-truths at best.

TABOR does not merely limit government to growing "no faster than inflation and population." Unless voters approve Referenda C and D this fall, TABOR's notorious ratchet clause will force Coloradans to slash about \$3.55 billion from our schools, highways and other services below the level of inflation and population growth since 2000.

The truth, as Owens has demonstrated, is that Colorado taxes will have been cut \$6.3 billion between his election in 1998 and 2010, even if Referenda C and D are approved by voters this fall. Most of that total, some \$500 million a year, comes from Owens-backed cuts in the state sales-tax rate from 3 percent to 2.9 percent and income-tax rate from 4.75 to 4.63 percent. Those tax cuts are permanent and not affected by the referenda. What Arme is demanding is an additional, \$3.1 billion slash that TABOR's ratchet would force in the next six years.

To understand how the ratchet works, assume your salary was covered by TABOR and you earned \$20,000 last year. This year, you were laid off for six months, so you earned \$10,000. With 2 percent inflation, TABOR would limit your earnings next year to just \$10,200 - 2 percent above this year's depressed level. No matter how hard you worked, TABOR would never allow you to regain your pre-recession \$20,000 living standard.

That's why Owens and his bipartisan coalition are asking voters to approve Referenda C and D. If the revenue projections that Arme is using come true, they will restore most, though not all, of the spending authority Colorado lost in the 2001-02 recession. We'd still be \$450 million below the TABOR limit by 2010. But by limiting our 12-year tax cut to \$6.3 billion instead of the \$9.4 billion cut Arme is demanding, we can rebuild our crumbling highway network and save our state college and university system from being privatized.

The threat that our higher education system may be privatized isn't an idle one, by the way. Andrews, a lance corporal in Arme's army, advocated just that in a Feb. 20 Denver Post column

in which he rhapsodized: "What if there were no publicly owned and operated University of Colorado? No state higher-education system at all?"

I'll answer that, John. Thousands of poor kids, like I was when I entered CU in 1963 on a state scholarship, would be denied a decent education - that's what.

Arme's final claim, that Colorado's TABOR "is being watched and imitated by tax reformers in other states," is another half-truth. Arme knows the TABOR spin-offs in other states have all been detoxified by removing the very ratchet clause Arme wants to con Coloradans into keeping.

CU economist Barry Poulson, a TABOR backer, described the Kansas version in a Feb. 10 article: "One key improvement we're proposing here *in Kansas* is the inclusion of budget stabilization and emergency funds that will help us better deal with economic downturns. In periods of rapid economic growth, when revenue exceeds the TABOR limit, surplus revenue would be deposited into the emergency fund and budget stabilization fund. When the cap is reached on those funds, surplus revenue is then offset by tax cuts or tax rebates. In periods of recession, when revenue is falling, money is then transferred from the budget stabilization fund. Colorado doesn't have these rainy day funds. (Emphasis added.)

"Another important improvement we've proposed in Kansas is the elimination of the so-called "ratchet-down" effect. In Colorado, when revenues dropped during the last recession, the TABOR spending and revenue limit dropped to that lower level and will grow from there - even after the economy has recovered and revenues have bounced back.

"That's not the way it'll work in Kansas. Here, when revenues drop during a recession, the 'rainy day' funds allow TABOR spending and revenue limits to remain at the pre-recession high-water mark and only kick back in after revenues recover to pre-recession levels."

Poulson knows our neighbors in Kansas are too smart to buy Colorado's toxic version of TABOR. But Arme hopes Coloradans will be dumb enough to swallow the original economic poison pill. Let's prove this arrogant outsider wrong.

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