



# TOXIC TWINS: I-1033 MIRRORS COLORADO'S CORROSIVE TABOR

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## Executive Summary

In November, Washington voters will make a choice on Initiative 1033. Sponsored by Tim Eyman, I-1033 possesses the same fundamental characteristics as TABOR, which was adopted by Colorado voters in 1992 and suspended in 2005. Like TABOR, I-1033 would cap state and local revenue growth according to a rigid formula based on population growth and inflation. Because I-1033 and TABOR share the same essential elements, I-1033 would have a similar corrosive effect on Washington that TABOR had on Colorado.

In Colorado, core public structures deteriorated under TABOR. From 1992 to 2005, the state experienced significant decay in health care, K-12 and higher education, transportation infrastructure, and other basic public services. For example:

- Between 1992 and 2001, across the nation Colorado dropped from 35th to 49th in state and local spending on K-12 education as a share of personal income.<sup>1</sup>
- Between 1992 and 2005, funding per resident student for higher education dropped by 31 percent after adjusting for inflation.<sup>1</sup>
- In 2006, about 40 percent of Colorado's roads and highways were in disrepair and over 100 bridges had been found to be structurally deficient.<sup>5</sup>
- In 1992, Colorado ranked 23rd in the nation with regard to adequacy and access to prenatal health care. By 2001, the state's ranking had fallen to 48th.<sup>1</sup>

Here in Washington, the effects of I-1033 are likely to be even worse. While TABOR took hold in Colorado during a relatively stable fiscal period, if enacted, I-1033 would take effect in the midst of the deepest recession since the Second World War. As a result, the severe cuts in areas including elementary class-size reduction, higher education, and health insurance for lower income Washingtonians would be made permanent.

It is worth noting that the damage caused by TABOR was so severe that Coloradoans voted to suspend it in 2005 to allow the state to rebuild its public infrastructure. However, restoration of fundamental services

such as health care and education has proven slow and difficult and Colorado is still feeling the effects of the stranglehold TABOR placed on public funding. For example in 2007, two years after suspending TABOR, Colorado's spending on Medicaid and highways ranked 49th and 48th in the nation, respectively.<sup>2</sup>

This report details how the revenue shortage created by TABOR in Colorado led to decreases in investments in education, communities, health, and transportation infrastructure. These findings have also been reported by the Colorado Fiscal Policy Institute and the Center on Budget and Policy Priorities.

### TABOR's Flawed Formula

In Colorado, TABOR capped state and local revenue growth according to a binding formula based on the annual rate of population growth plus a measure of inflation (population-growth-plus-inflation). This means that the amount of revenue the state government and local governments could collect in one year was strictly limited to the previous year's revenue adjusted by the rate of population growth and general inflation. This formula, however, is critically flawed because it doesn't allow government to grow at a rate that is sufficient to maintain basic public services like health care and education. Because of this, Colorado was forced to make deep cuts in these services and many others.

The TABOR formula also included a provision that caused the revenue cap to ratchet-down even further during economic downturns. This "ratchet effect" occurred when the economy fell into recession, which causes tax revenue collections to decline relative to collections in previous years. Going forward, these lower, recession-level revenues formed the new base of the TABOR cap. As a result, TABOR made it impossible for services to recover following a downturn, placing greater strain on workers and families.

Like TABOR, I-1033 includes both the population-growth-plus-inflation formula and the ratchet effect. Unlike TABOR, which applied the formula and ratchet effect to all levels of government including school districts and other local taxing districts, I-1033 would directly apply only to the state, county, and city levels of government. This does not mean that school districts and other local taxing districts in Washington would be held harmless under I-1033 – quite the opposite. On average, Washington's school districts receive 70 percent of their funding from state government sources.\* As a result, the kind of massive cuts I-1033 would necessitate at the state-level would likely lead to greatly diminished state aid for local school districts.

For more information on how I-1033 would impact Washington, see the Washington State Budget & Policy Center report "I-1033 Undermines Public Priorities", by Stacey Schultz and Jeff Chapman.

\* Jeff Chapman, "Balancing Adequacy and Equity in Washington State's Property Tax", Washington State Budget and Policy Center, [www.budgetandpolicy.org/documents/propertytax.pdf](http://www.budgetandpolicy.org/documents/propertytax.pdf)

## Education and Opportunity

Education provides pathways to success in business, industry, the arts, and sciences. Every child, teenager, and adult deserves access to a high quality education that opens doors to new opportunities and prosperity.

In Colorado, TABOR greatly restricted the state's ability to expand opportunity through investments in education. While the economic boom of the 1990's and early 2000's allowed many states to increase education funding, TABOR's rigid formula forced the state to make harmful cuts throughout the education system.

### Declines in K-12 Education

- In 1991-92, Colorado ranked 35th in state and local K-12 spending as a share of personal income. But by 2000-01, the state had fallen to 49th in the nation. And as of 2006 – one year after suspending TABOR – Colorado has only marginally improved its national ranking, moving up to 48th.<sup>1,2</sup>
- In 1992, per pupil K-12 funding in Colorado was \$400 below the national average. In 2007, funding had fallen to \$1,500 below the national average.<sup>1,2</sup>
- Between 1992 and 2001, average teacher salaries fell from 30th to 50th in the nation compared to pay in other occupations.<sup>1</sup>

### Declines in Higher Education

- Between 1995 and 2005, higher education funding per resident student declined by 31 percent after adjusting for inflation, from \$5,188 to \$3,564.<sup>1</sup>
- In 1991-92, Colorado ranked 35th in state spending for higher education as a share of personal income. In 2003-04, the ranking had fallen to 48th. As of 2008, the state's standing had not improved on this measure.<sup>1,2</sup>
- State funding for the University of Colorado remained flat between FY 1995 and FY 2004, despite an increase of about 5,000 in the overall student population. Today, higher education funding remains below 2005 levels.<sup>2</sup>

## Healthy People and Environment

Good health allows people to fully participate in the economic, social and civic life of the state. A clean, safe environment is essential for people to work and raise families. Yet TABOR greatly impeded Colorado's ability to invest in healthy families and a cleaner environment.

Between fiscal years 1992 and 2004 funding as a share of personal income for public health programs plummeted by one-third in Colorado. Additionally, the state drastically scaled back its Medicaid program, leaving a system that provides only the bare minimum of services required by the federal government. As a result:

- Between 1992 and 2004, the share of lower income children with no health insurance doubled from 16 to 32 percent, making Colorado the worst in the nation by this measure.<sup>1</sup>
- In 2008, due to extremely narrow eligibility requirements, Colorado ranked 47th among all 50 states in the percentage of the population enrolled in the Medicaid program.<sup>3</sup>
- Between 1995 and 2003, Colorado fell from 24th to 50th in the nation in the share of children who received all of their vaccinations.<sup>1</sup>
- In 2002, the state could no longer afford basic vaccines and had to suspend the requirement that all students be vaccinated against common diseases such as tetanus, diphtheria, and whooping cough.<sup>1</sup>
- In 1992, Colorado ranked 23rd in adequacy of prenatal care. By 2002, its ranking had fallen to 48th in the nation.<sup>1</sup>
- In 2003, budget restrictions forced the state to temporarily stop the enrollment of children in the children's health program and to suspend the prenatal program.<sup>4</sup>

TABOR has also frustrated Colorado's ability to maintain a healthy environment. In response to a budget shortfall created by TABOR, at least one county

(Larimer County) eliminated hazardous waste inspections and inspections of leaking underground storage tanks, along with health inspections at schools, restaurants, and other establishments.<sup>1</sup>

### Thriving Communities

Vibrant communities foster civic engagement, the arts, and economic innovation. They depend on reliable systems for transportation, communication, and justice. State infrastructure must be maintained to ensure robust economic growth and to keep pace with demographic changes. Under TABOR, Colorado's investments in roads, highways, and other structures that are vital to the state's economic growth waned.

### Eroding Highway Infrastructure

In Colorado, spending on critical state infrastructure languished under TABOR. Presently, the state ranks 48th in the nation in spending on highways as a share of personal income.<sup>2</sup> As a result:

- About 40 percent of the state's roads were rated poor in 2006. At 2008 funding levels, this percentage is expected to climb to 60 percent in 2016.<sup>5</sup>
- Over 100 bridges in Colorado have been found to be structurally deficient.<sup>5</sup>
- Congestion on Interstate 70 has been estimated to cost Colorado's economy about \$839 million each year.<sup>5</sup>

### No Economic Payoff

TABOR has done nothing for Colorado's economy. From 1980 to 1992 – the 12 years leading up to TABOR's enactment – employment in Colorado grew at an average annual rate of 2.1 percent, the same rate seen in neighboring mountain states. After the implementation of TABOR, however, economic growth slowed in Colorado relative to its neighbors. From 1992 to 2004, employment in Colorado grew an average annual rate of 2.6 percent, while other states in the region experienced a median annual growth rate of 2.8 percent.

Furthermore, Colorado's economy recovered much more slowly following the last recession compared to other states in the mountain region. Table 1 shows growth in employment in Colorado and seven neighboring states from 2001 to 2006. During this period, employment in Colorado grew by only 0.2 percent, far behind the regional median growth rate of 9.3 percent.

TABLE 1  
Job Growth  
(March 2001-January 2006)

Arizona	12.8%
Colorado	0.2%
Idaho	10.3%
Nebraska	7.5%
Nevada	19.1%
New Mexico	8.7%
Utah	8.0%
Wyoming	9.8%

Source: Bureau of Labor Statistics.

## Conclusion

In Colorado, TABOR forced deep reductions in core state services like health care and education. As a result, the state could not maintain its commitments to essential investments in education and opportunity, healthy people and the environment, and thriving communities.

I-1033 would subject Washington State to TABOR's rigid population-growth-plus-inflation spending limits, amidst the deepest recession in more than 60 years. Installing this cap now would lock into place the painful budget cuts enacted this year. Just as TABOR hindered Colorado's fiscal recovery following the recession of the early 2000's, I-1033 would starve Washington of vital resources at a time when investments in quality education, improved health care, and services for the growing elderly population are most needed.

## Endnotes

1. David Bradley and Karen Lyons, "A Formula For Decline: Lessons from Colorado for States Considering TABOR," Center on Budget and Policy Priorities, October 19, 2005, [www.cbpp.org](http://www.cbpp.org).
2. Colorado Fiscal Policy Institute, "Aiming for the Middle: Benchmarks for Colorado's Future," 2009 updated rankings, June 25, 2009, [www.cclponline.org](http://www.cclponline.org).
3. Kathleen O'Leary Morgan, "Colorado in Perspective 2008: A Statistical View of the 'Centennial State'," CQ Press, March 1, 2008.
4. Colorado Joint Budget Committee, FY2009-10 Staff Budget Briefing on the Colorado Department of Health Care Policy and Financing, December 3, 2008, [www.state.co.us/gov\\_dir/leg\\_dir/jbc/hcpbrf1.pdf](http://www.state.co.us/gov_dir/leg_dir/jbc/hcpbrf1.pdf).
5. Colorado Transportation Finance and Implementation Panel, "A Report to Colorado," January, 2008, <http://www.colorado.gov/cs/Satellite?c=Page&cid=1185266445450&pageName=GovRitter/GOVRLayout>