

## **CAPITOL REVIEW: TABOR's demise exaggerated**

**By State Treasurer Mark Hillman**

Rumors of TABOR's demise have been greatly exaggerated. Last week's passage of Referendum C might have scarred the Taxpayers Bill of Rights, but the wounds were not fatal. In fact, Colorado taxpayers enjoy more protections against growth in government spending than those in any other state.

Perhaps the most frightening fruits of Ref C's passage are the hidden incentives for the Legislature to hike fees even higher to inflate the TABOR spending base as well as the inevitable carnage when spending-hungry special interests realize that there's not enough money to fund everyone's pet projects.

State government now has five years to budget without a TABOR safety net against excessive spending. That's a real danger to aggressive advocates of government growth because, just as the economy might produce more than the \$3.7 billion price tag commonly associated with Ref C, it could also produce less.

Meanwhile, TABOR still provides important obstacles to runaway government:

- Even during the five-year "timeout," government still cannot increase tax rates without a public vote. It's one thing to convince people to forego a refund but quite another to convince them to dig even deeper into their own pockets.

- The wisdom of TABOR is that the economy grows faster than population plus inflation. It's simple really: ask yourself, which do you expect to be more productive — monopolistic government or a competitive economy?

After it passed in 1992, TABOR methodically slowed the growth of government, reducing government's share of the state's economy (as measured by TABOR revenues) from 7.3 percent of personal income to 6.9 percent. The recession – not TABOR – then cut those revenues to 5.2 percent in 2002-03.

When Ref C expires, even a "ratchet-free" TABOR demands spending restraint. Last year, TABOR-bashers were advocating a limit based upon personal income growth – aka, PIG. This year, the Ref C campaign said "the glitch" was the so-called ratchet. Now the glitch is gone, but the wisdom of TABOR remains.

From 2000 to 2004, personal income grew at an average of 5.5 percent per year, compared to 4.3 percent for population. If the economy grows as expected during the next five years, PIG will increase by a total of 33.3 percent while inflation plus population grows at 18.5 percent. Based on those estimates, TABOR will save taxpayers \$5.7 billion in just the first five years after the limit is reinstated. A PIG limit would save taxpayers next to nothing.

- Because of its interaction with other Colorado spending limits, TABOR still locks in a six-percent cap on growth in general fund spending. Most everything above that limit goes toward highways and capital construction – not toward creating long-term reliance on costly government entitlements.

- While it's inevitable that spending interests will take another whack at the spending limit when Ref C expires, TABOR requires those causes to ask taxpayers for permission. Rather than taxpayers fighting to keep their own money, spendaholics must convince taxpayers that their earnings are better spent on government than on their own families and businesses.

As former Senate President John Andrews, an ardent opponent of Ref C, recently noted: "Our Taxpayer's Bill of Rights remains a vital protection to liberty and a political asset to be envied by Americans elsewhere."

Even after the passage of Ref C, no state in the nation protects taxpayers' pocketbooks like Colorado.

TABOR has proven its worth to Colorado and continues to present a strong defense against expansive government because the taxpayers remain in control. We may not win every battle, but TABOR's principles are still worth defending in Colorado and across the nation.

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