Missouri Needs a Taxpayer's Bill of Rights

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The passage of Referendum C last month in Colorado has editorial boards swooning. Colorado voters had "good reason" to suspend their state's revenue limit, cheered the *St. Louis Post-Dispatch* while the *New York Times* proclaimed that "Colorado Got Its Government Back." In their eyes, the victory of Referendum C proves that Colorado's Taxpayer's Bill of Rights (TABOR) was a failure and cripples efforts to enact similar proposals in other states. However, these editorial boards greatly overstate their case. An honest appraisal of the past 13 years shows that TABOR was a success in Colorado and that similar limits have a bright future in Missouri and across the country.

TABOR was enacted in Colorado in 1992 and took effect in fiscal 1994. It established a low limit for revenue growth and mandated immediate rebates of all surplus revenues to taxpayers. Starting in fiscal 1997, state revenues began to exceed the TABOR limit, and between 1997 and 2001, Colorado taxpayers received $3.2 billion in tax rebates. This tax relief was a boon the state economy. Between 1995 and 2000 Colorado led the country in the growth of gross state product and personal income.

It is true that Colorado began to face fiscal pressures in 2001. However, an honest analysis of Colorado's recent fiscal history indicates that TABOR is not the culprit. The September 11 terrorist attacks hit Colorado's economy especially hard because the attacks occurred right before the start of ski season. Visits to slopes declined by 14 percent in the months after September 11. A severe drought in 2002 put the state in even more substantial economic stress. For the first time since the 1970s, each of Colorado's 64 counties was declared a federal disaster area, and by some measures it was the worst statewide drought since the 1500s. Not surprisingly, it devastated Colorado's agriculture and tourism industries. Overall, tax revenues declined by over $1 billion between 2001 and 2003--approximately 15 percent of Colorado's general fund.

Making matters worse, another strain on taxpayers had already been baked into the budget cake. In 2000, teachers unions in Colorado passed Amendment 23, which mandated large annual increases in state spending for K-12 education even if revenue declined--and exempted this spending from the TABOR cap. This led to an increase in education spending of $450 million between 2001 and 2003, at a time when state revenues were falling sharply. Together, the September 11 attacks, a drought, and a ill-conceived education spending mandate are responsible for Colorado's fiscal woes.

Nonetheless, TABOR opponents in Colorado have opportunistically blamed TABOR for Colorado's fiscal woes and are rejoicing at the victory of Referendum C. But it's important to understand that Colorado voters did not abolish TABOR when they voted for Referendum C. They simply voted to allow the state legislature to spend rather than rebate a projected $3.7 billion in excess revenues over the next 5 years. While some are disappointed with the outcome, Colorado voters doubtless appreciate the fact that the choice to increase spending was in their hands, and not the hands of the legislature.

Indeed, during the 1990s, voters repeatedly rejected attempts to spend more than the limit mandated by TABOR. Every year from 1993 to 1999 there was a measure on the Colorado ballot to either raise taxes or spend in excess of the TABOR limit. Each of these measures lost. They included an effort to increase the gasoline tax in 1997 and a 1998 proposal to use half the TABOR rebate for road construction. Overall, despite consistent criticism by the media, unions, and much of the state legislature, TABOR has proven to be both a popular and durable fiscal limit for the past 13 years.

TABOR-style revenue limits merit support in Missouri and across the country. While Missouri does have its Hancock Amendment, the limit has become so loose that it has ceased to be a meaningful constraint on government growth. Colorado's TABOR experience suggests that a tighter limit would generate tax relief and help spur Missouri's economy. It would force the state legislature to examine current government programs more critically. Perhaps even more importantly, it would go a long way toward providing the lean and efficient government that Missouri taxpayers deserve.

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