



Issue Brief

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From the Colorado Fiscal Policy Institute

Local Government Revenue/Spending Changes in Colorado, 1993-1999

Introduction

In 1992 Coloradans approved Amendment One, the Taxpayer's Bill of Rights or TABOR. This amendment fundamentally altered the way cities, counties and special districts in the state of Colorado conduct their fiscal business. TABOR imposed a strict revenue/spending limitation and required elections for any change in tax/debt policy resulting in a net tax/debt increase. TABOR is often associated with the idea that government spending is, or was, out of control. TABOR's revenue/spending limits and election requirements are supposed to make government more efficient and more accountable. Critics of TABOR argue that TABOR has created a complicated fiscal environment in which the level of government services is being forced down while bureaucracy is being increased.

One important measure of the effects of TABOR and Coloradans' opinions of government spending is the success rate of revenue elections since TABOR came into effect in 1993. This study examines election data from the State of Colorado Department of Local Affairs Division of Local Government (DLG), the Colorado Municipal League (CML), and Colorado Counties, Inc (CCI). It is possible that the data used does not include 100% of the relevant elections. For instance, DLG numbers are missing quite a few elections before 1996, while CML numbers do not include elections that increase taxes and CCI numbers only include elections related to TABOR. Nevertheless, combining these three sources do result in a more reliable data set.

Overall Success Rates

A logical place to begin examining the data is at the most aggregate level. Together, the three groups had a 90% success rate, with a low of 83% in 1999 and a high of 93% in 1998. Special districts were far and away the most successful with their elections, boasting a 95% success rate. Special districts were followed by cities, with a 78% success rate, and counties, with a 54% success rate. The numbers were skewed towards special districts because they held far more elections (see charts 1 and 2 below).

Chart 1

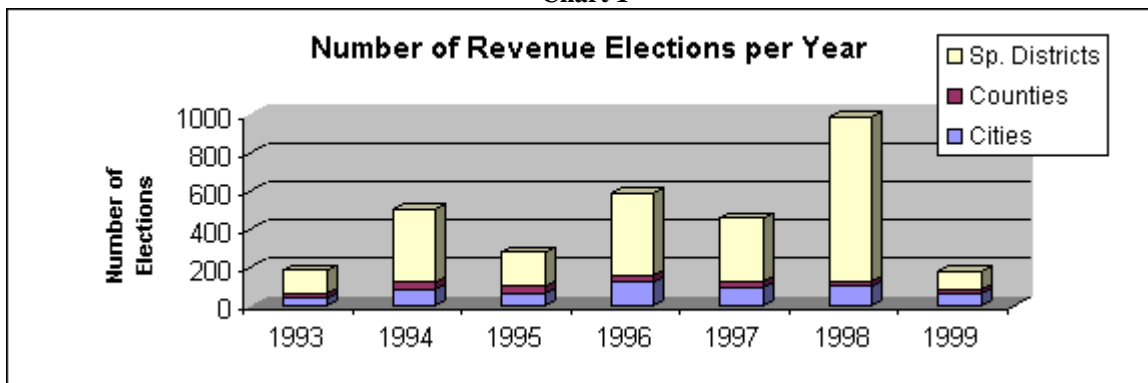
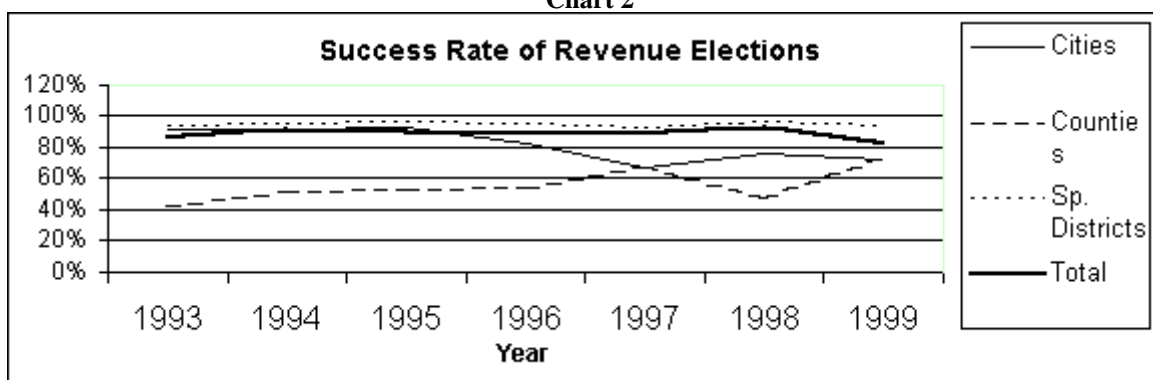


Chart 2



Success Rates by Purpose

Understanding the success rates for different types of revenue elections can provide a much more nuanced understanding of the situation. With that in mind, it is necessary to consider the success rates of elections sorted by purpose.

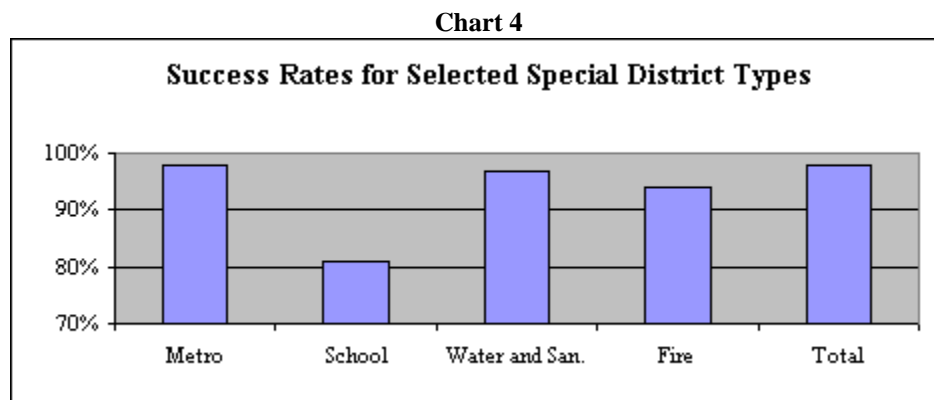
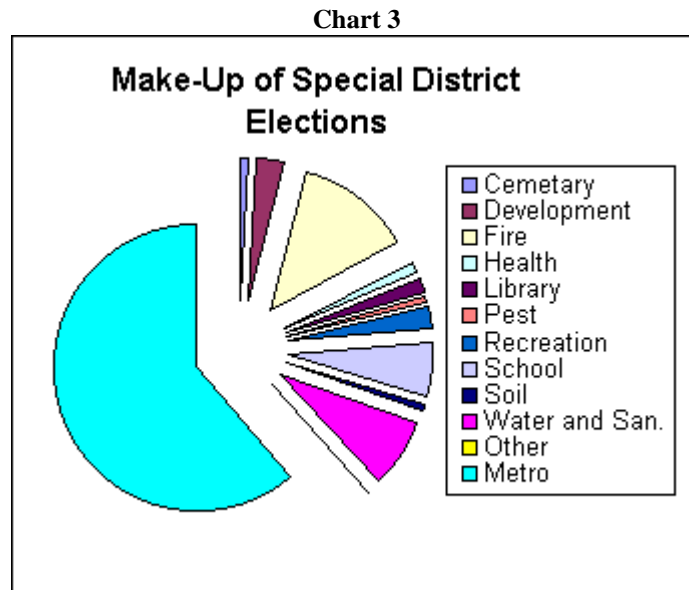
Special District Elections by Purpose

Special district elections, because each district is created for a specific purpose, are the easiest to divide by purpose. Chart 3 illustrates that a great deal of special district elections are for metropolitan districts. Colorado law allows most special districts to perform nine functions. A metropolitan district is a district allowed to perform more than one of nine functions. Some characterize contemporary metropolitan districts as ‘developer’ districts or ‘dirt’ districts. This is because metropolitan districts are often formed by developers to set tax rates for a development to help pay for infrastructure. A ‘developer’ district may have as few as five people (handpicked by the developer) deciding the fate of elections and therefore may skew the success rate for special districts.

From 1993-1999, the success rates for each of the four major categories of special district elections were, with one exception, as high as the overall success rate for special district elections. The one exception, school districts, may have as much to do with the types of taxes typically levied by school districts as the popularity of the purpose itself. This will be discussed

further below.

For cities and counties, dividing elections by purpose is not as clear-cut as doing so for special districts. Each election database entry was examined for clues to the purpose of the election, and a purpose was assigned. Consequently, the divisions for city and county elections may be somewhat less reliable than those for special districts.



City Elections by Purpose

City elections, much like special district elections, are mostly made up of one type of election (see chart 5). For cities, it is general spending elections. General spending elections refer to elections somehow increasing the amount of revenue or spending a city has for its general fund, as opposed to the other categories which refer to specific types of spending. After general spending, health/water/sanitation elections, road/transportation elections and recreation elections are the most common.

The success of city elections seems to vary significantly by type. Looking at chart 6, we can see that recreation elections and roads/transportation elections are considerably less successful than either the average or the other common election types. One element of that disparity is the prominence of collect/retain/expend elections in the general spending and total categories. As will be explained further below, these types of elections are largely successful and would tend to increase the success rates for the categories in which they are prominent. This does not, however, explain the disparity in success rates between health/water/sanitation elections and recreation elections.

Chart 5

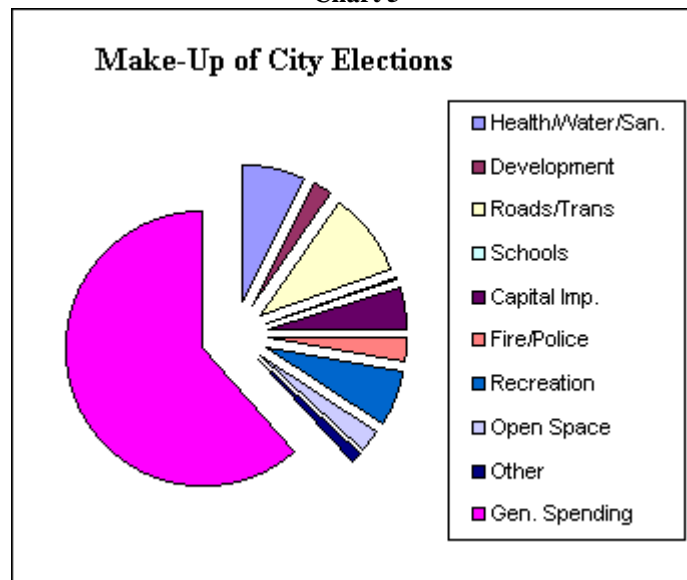
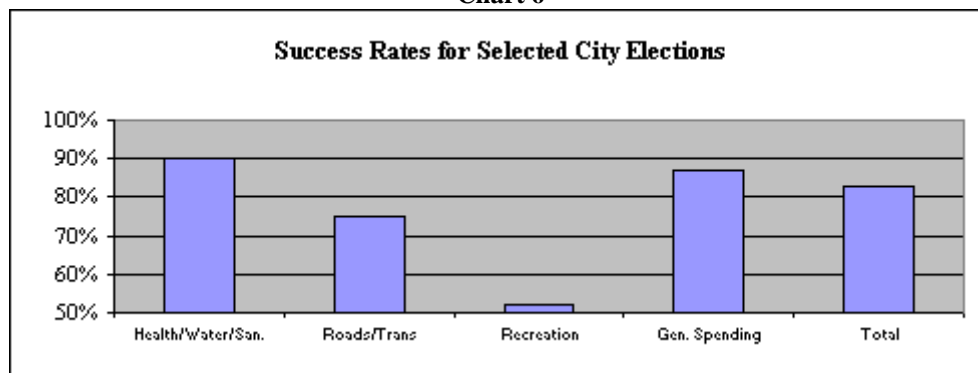


Chart 6



County Elections by Purpose

County elections are divided along much the same lines as city elections (see Chart 7). General spending, once again, is the largest portion of county revenue elections. Also, county elections prominently feature roads/transportation elections, fire/police elections, and open space protection elections.

County elections are not nearly as successful as city or special district elections (see Chart 8). Overall, county elections are successful 54% of the time. Fire/police elections and roads/transportation elections fare particularly poorly with 41% and 33% success rates,

respectively. General spending elections do quite a bit better, with a 70% success rate and open space elections do quite well with an 88% success rate. One important factor may be that county services are less obvious to the urban dwellers that make up the majority of the Colorado population. This would account for the success of open space elections, which deal with a highly visible problem. Also, it may reflect the theory that Coloradans prefer their government “weak, cheap and local” as counties are the least local of the three groups examined in this study. It is important to note that county success rates have been steadily improving since their low of 42% in 1993, reaching 74% in 1999 (see Chart 2).

Chart 7

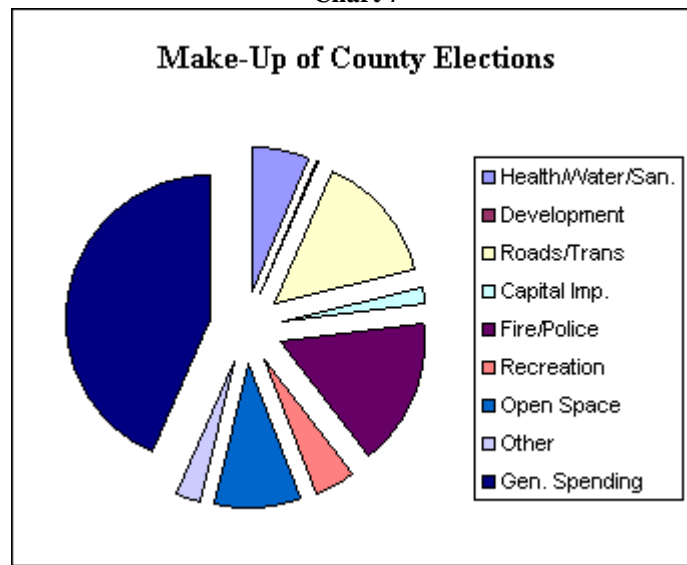
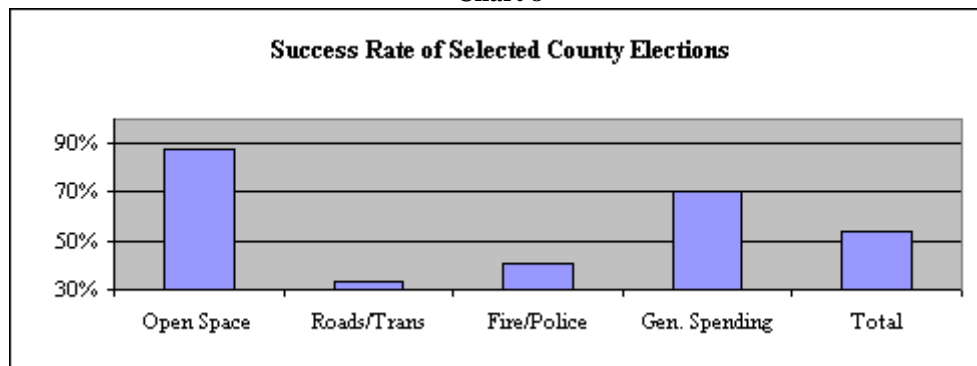


Chart 8

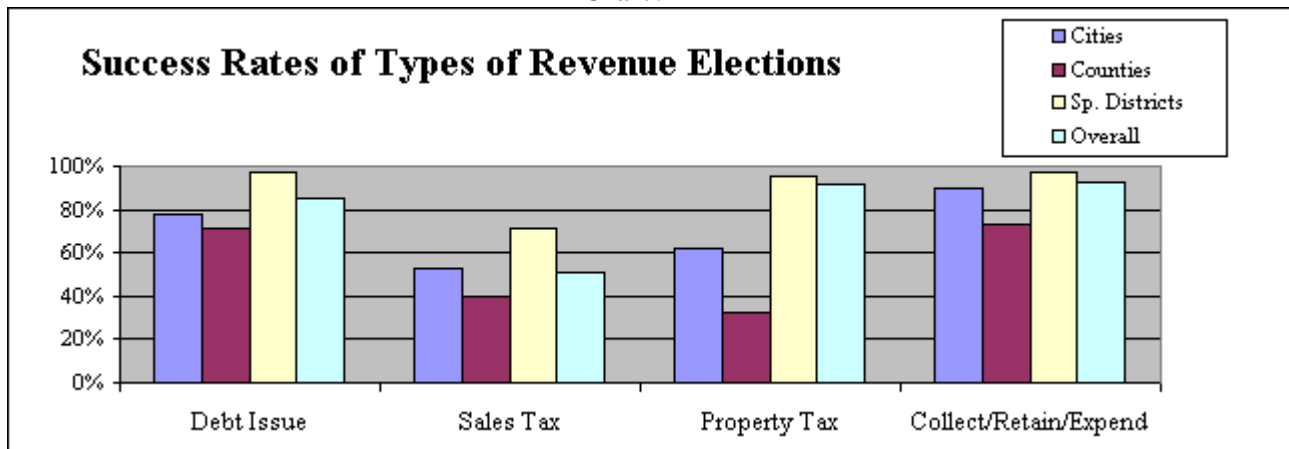


Success Rates by Debt/Tax Change Type

It can be quite informative to look at the sort of tax or debt policy changes and their respective success rates. Differences in the popularity of taxes or debt schemes can explain differences in the success rates for different types of elections. For the purposes of this study, all changes have been assigned to one of four categories: property tax, sales tax, debt change and collect/retain/expend. Property and sales tax are self-explanatory. Debt changes include all changes in debt policy that result in a net debt increase. Collect/retain/expend elections are what

are more commonly referred to as “de-Brucing” elections. These elections allow the enacting entities to collect and spend revenue above their TABOR limit. Collect/retain/expend elections do not include any tax increases; they only allow the enacting entity to spend some extra portion of its revenue.

Chart 9



Property Tax Election Success Rates

Generally, property taxes are considered to be the least popular form of taxation. This conclusion, however, is not supported by the data. Indeed, overall property tax elections succeed more often than sales tax or debt issue elections by a significant margin (see chart 9). The surprising overall success of property tax elections, however, is far from conclusive evidence of their popularity. Indeed, the city and county success rates lag far behind the success rate for special districts. While the data would seem to indicate that property taxes are not as unpopular as one might think, compared to debt or collect/retain/expend elections they are not particularly popular either.

Sales Tax Election Success Rates

Sales tax elections were the least successful of the four categories. Only county sales tax elections outperformed any other indicator, edging out county property tax elections. Once again, significantly higher special district numbers pulled up overall numbers.

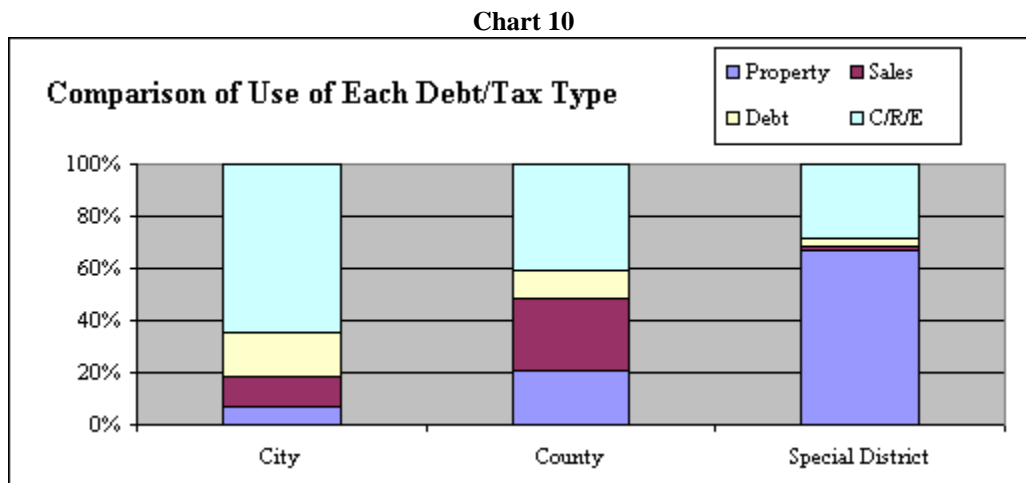
Debt and Collect/Retain/Expend Election Success Rates

It stands to reason that debt elections would do better than direct taxation elections. Debt elections allow government to spread the cost of a project along the life span of the project, and to ameliorate immediate effects upon the government’s spending limit without necessarily increasing taxes or forgoing a refund. Indeed, for the most part, debt elections are successful. Notably, cities and counties perform nearly as well as special districts on debt elections.

Collect/retain/expend elections are the most successful of all. A simple theory explaining their success is that they do not involve any increased tax burden or debt liability. It could be argued that collect/retain/expend elections offer increased government services at no cost. Like debt elections, collect/retain/expend elections boast high success rates for all three types of government.

Use of Each Debt/Tax Change Type by Each Type of Government

Clearly the varying success rates will have different impacts depending on the dependence of a government on that type of debt/tax (see chart 10). The poor overall performance of counties may be partially explained by their increased reliance on the relatively unpopular sales tax elections. It is interesting to note that special districts not only have a much higher success rate with property tax elections than cities or counties, but that property tax elections are a much bigger portion of their total than for cities and counties. The mixed data seems to suggest that voters interact with each of the three types of government in a different way and correspondingly support different sorts of funding packages.



Summary/Conclusion

The issues surrounding TABOR are much more complex than a simple election analysis can convey. Nevertheless, there are a few important lessons we can learn from this data. First, and perhaps foremost, property tax increases are not as unpopular as some might think. The success rate of property tax elections, outside of special districts, is similar to that of sales tax elections. If we include special districts, property taxes significantly outperform sales taxes. The data does not demonstrate definitively that property tax increases are more likely to succeed than sales tax increases, but it does suggest that the type of tax increase might not be as important as some think.

Second, the data suggests that, on average, the less local the governmental unit, the lower the success rate. Special districts are clearly the most local units, and clearly have the most success. Even ignoring metropolitan districts (which may be ‘developer’ districts) their success rate is quite high. Counties are the least local units, and clearly have had the least success. The relative success of property taxes, as noted above, suggests that the performance of county elections does not reflect the type of tax each increases, but on some other measure of county performance. It may be, as is sometimes suggested, that Coloradans simply prefer their governments “weak, cheap and local.” If that is the case, then counties, as the least local government unit, are fated to

lower success rates until that sentiment changes.

Finally, the data lends some credence to the idea that TABOR limits are being regularly exceeded via the election process. The data reveals that quite a few governments have successfully exceeded TABOR limits. It does not, however, suggest that TABOR limits have had no impact. Besides the fact that many elections actually have failed, the process of voting on spending increases may have forced governments to be more efficient. Unfortunately, evaluating an efficiency change is beyond the scope of this study.

At the most fundamental level, the data demonstrates that voters are generally supportive enough to prevent the decline of government services foreseen by some TABOR critics. At the same time, the data demonstrates that government growth is not as unpopular as some TABOR supporters might believe. Understanding the impact of TABOR in its entirety will reveal undoubtedly that the answer lies somewhere between the two extremes.

Bibliography

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