



May 2013

The so-called Taxpayer Bill of Rights (TABOR) is a radical, failed out-of-state experiment that is being considered by the North Carolina state legislature. At its core it ties our state's budget to a rigid and fundamentally flawed formula that would force permanent cuts to education, public safety, health care and other key services that support our economy and quality of life. By amending the state constitution to cap the growth in state spending to inflation plus population growth, the bill severely limits the state's ability to invest in the building blocks of a strong economy.

Much of what makes North Carolina a great place to do business, including our educated workforce, would be undone by TABOR. In Colorado, the only state to have put the law into its constitution, TABOR did so much damage to key investments that voters chose to suspend it. TABOR is a proven failure, so lawmakers should not force North Carolina down this same, dangerous path.

TABOR would force drastic cuts to schools, universities, infrastructure, and other services families and businesses rely on.

Under TABOR, North Carolina would be unable to maintain, even in prosperous times, the same level of these services that businesses, communities, and families rely upon today. That's because the population and inflation formula is fundamentally flawed. It ignores the faster growth of certain parts of the state population and the faster growing costs of certain services. For example, growth in North Carolina's elderly population—a group that requires more high cost services such as health care—is outpacing overall population growth. Likewise, health care costs grow much faster than the rate of inflation. With TABOR, North Carolina will be forced to make large, annual cuts to services and to choose between funding health services for the elderly and schools for North Carolina's children.

TABOR would “lock in” the state's extraordinarily low level of spending on key services, indefinitely.

The cuts forced by TABOR will come on top of the deep cuts North Carolina has already sustained to K-12 schools, higher education, and other investments since 2008 when the Great Recession began. North Carolina is spending 11.4 percent less on state investments than it was prior to the recession, and is now at a forty-year low as a share of the economy.¹ In addition, this particular TABOR bill would reduce the size of the state's Rainy Day Fund and restrict access to it, leaving us with fewer options for maintaining services during future recessions. Capping state spending now through TABOR will hold us back and keep us from making the investments that have set North Carolina apart from its neighbors.

TABOR undermines the ability of elected officials to represent the will of North Carolina voters.

Under TABOR, lawmakers give up their decision-making responsibilities to a formula, and that formula will result in cuts to services, whether we want them or not. TABOR also requires a two-thirds majority vote of each house of the legislature to temporarily override the spending cap. This would make our leaders less responsive to changing needs and less able to make quick, sound decisions in times of crisis. It could also create gridlock because a small group of legislators would be able to block progress unless their pet projects get funded, for example.

TABOR is bad for businesses, communities, and individuals.

A strong economy relies on stable and adequate public resources that support education, infrastructure, and community services. TABOR places a greater burden on businesses, communities, and families to pick

up the cost of services that are currently provided by the state. Businesses increasingly would be unable to count on the state to help train their workforce, assist with research, or provide incentives for growth.

TABOR is a Proven Failure

In Colorado, the only state to have put the law into its constitution, it did so much damage to key services that voters chose to suspend it.

Because of TABOR, Colorado's funding for K-12 education, colleges and universities plummeted to nearly the worst in the nation. In addition, the share of low-income children without health insurance doubled in Colorado between the passage of TABOR and its suspension in 2005. Colorado's business climate and quality of life did not improve under TABOR and TABOR did not improve Colorado's economy as promised. Instead, it put at risk the very building blocks of a strong economy—sound infrastructure and a well-educated, healthy workforce.²

Business and community leaders—and elected officials from both parties—now agree that TABOR is bad for Colorado's economy and quality of life.

Because of the harm to Colorado, state and local business leaders in Colorado were major players in the effort to suspend TABOR.

According to Tom Clark, executive vice president of the Denver Metro Chamber of Commerce, "For businesses to be successful, you need roads and you need higher education, both of which have gotten worse under TABOR and will continue to get worse."³

Brad Young, former Colorado state representative (R) and chair of the Joint Budget Committee says: ""The [TABOR] formula . . . has an insidious effect where it shrinks government every year, year after year after year after year; it's never small enough. . . . That is not the best way to form public policy."⁴

Coloradans have learned from their mistake, and thirty other states have heeded the warning.

After 12 years of TABOR, Coloradans voted to put a five year hold on TABOR in 2005 to allow state revenues to recover and grow with the economy.⁵ They also rejected additional measures to tighten the TABOR limit in the 2010 election.⁶ Despite TABOR amendments being proposed in 30 states since 2004—including North Carolina—Colorado remains the only state with TABOR.

¹ Burch, Brenna et al. "The FY2012-13 Final Budget: Underfunding Vital Investments in Education, Health, Environment, and Infrastructure." NC Budget and Tax Center. July 2012. Available at: <http://www.ncjustice.org/sites/default/files/BTC%20Reports%20-%20Final%20Budget.pdf>.

² Iris Lav and Erica Williams. "A Formula for Decline: Lessons from Colorado for States Considering TABOR." Center on Budget and Policy Priorities. March 2010. Available at: <http://www.cbpp.org/cms/index.cfm?fa=view&id=753>.

³ Ibid.

⁴ Ibid.

⁵ The Bell Policy Center. "The Road to 2011." January 2011. Available at: <http://bellpolicy.org/content/road-2011>.

⁶ Heath, Urie. "Colorado Voters Reject Tax-Cutting Measures 60, 61, 101." The Colorado Daily. November 2010. Available at: http://www.coloradodaily.com/cu-boulder/ci_16503769#axzz1F0H3uDtD.