



## Fundamentally Flawed

TABOR, the so-called Taxpayers Bill of Rights, would amend Minnesota's constitution to place extreme and inflexible limits on government resources. TABOR offers a formula to restrict government revenues that would put Minnesota on a dangerous diet, obstruct the ability of government officials to respond to changing circumstances, and eventually shift more of the total cost of government to low- and middle-income Minnesotans.

For more information about TABOR, please visit [www.mncn.org/tabor.htm](http://www.mncn.org/tabor.htm).

 Minnesota  
Budget  
Project

 MINNESOTA  
COUNCIL OF  
NONPROFITS

# The Truth about TABOR: Wrong in Practice

TABOR is a constitutional amendment that would fundamentally undermine the ability of government to fulfill its responsibilities to the public. TABOR would restrict growth in government revenues to a prescribed formula permanently placed in Minnesota's constitution. Any revenue collections that exceed the amount allowed by the formula would be refunded in some fashion. Voter approval would be required to override the formula's limits. Proponents promise that TABOR will empower citizens, increase accountability, stimulate the economy, and encourage government efficiency. In reality, however, TABOR is an extreme and inflexible tool which would ultimately create an insufficient and inefficient public sector.

### **TABOR: A Formula That Does Not Function**

TABOR limits the growth in government revenue collections for the current year to the previous year's revenues plus a constitutionally controlled increase, usually inflation plus population growth. This strict formula, however, does not reflect the challenges facing the public sector. The Consumer Price Index (CPI), which is the most common measurement of inflation, looks at the cost of a typical basket of goods and services purchased by an urban consumer. But what government buys is not the same as what consumers buy. Urban consumers are not maintaining roads and bridges, operating a court system, or providing health care to thousands of low-income children. Moreover, the cost of these government purchases are often growing faster than the overall CPI. Likewise, government services must respond to growth in specific sub-populations – such as school-age children, prisoners, and the aging baby-boomers – which may be growing at a faster rate than the state's overall population.

### **TABOR: A Dangerous Diet**

The TABOR formula does not allow government revenues to keep pace with the costs of meeting its obligations, meaning that the ability to build roads, fund schools, safeguard the public health, and maintain other core services is diminished over time. Proponents argue TABOR will encourage more efficiency in the public sector. But TABOR's revenue limits are not tied to performance. At some point, TABOR's diet moves beyond encouraging government efficiency and enters the realm of simply dismantling the state's infrastructure. Minnesota's response to recent budget deficits suggests – and experience in Colorado, the only state to ever try TABOR, confirms – that early childhood programs, health care, higher education, transportation, and aids to local governments are some of the first areas that could see reductions.

### **TABOR: Tying our Hands in Times of Trouble**

TABOR interferes with the ability of public officials to address unanticipated circumstances, whether they be a financial downturn or a crisis situation. TABOR's strict revenue limits are designed to reduce government's role in society, and do not allow for any circumstances in which a greater role for government might be necessary. Although TABOR would likely allow for an emergency fund, accessing the fund usually requires a supermajority vote of the legislature. And the ability to respond appropriately to a natural disaster, such as a flood, or a public health emergency, like the outbreak of the avian flu, often requires a long-term financial investment in preventive measures. This type of preparation for the future is among the first victims of budget cutting when revenues fall short.

### **TABOR: No Such Thing as a Free Lunch**

Unless voters decide otherwise, TABOR requires that any revenue the government collects above what the formula allows must be refunded in some fashion. Proponents argue that TABOR will put more money in the pockets of people. In reality, the public will still pay, just in a different way. In Colorado, where TABOR has been in effect for more than 12 years, state level attempts to override TABOR limits are rare, but local level efforts are frequent. The result of TABOR in Minnesota would likely be a permanent shift away from funding services through more progressive statewide taxes, like the income tax, to regressive local sources of revenue, like the property tax. Minnesotans might get a small rebate check from the state, but pay it all back in higher property taxes and increased local level fees. In addition, such a shift would further erode tax fairness in the state, as low- and middle-income Minnesotans would bear more of the total cost of providing government services.