



The Bell Policy Center

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HB 1194 - The Colorado Economic Recovery Act

Testimony to the Senate Finance Committee

By Wade Buchanan

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My name is Wade Buchanan and I am president of the Bell Action Network, the advocacy arm of the Bell Policy Center. We are a nonprofit, nonpartisan public policy organization committed to making Colorado a State of Opportunity for all.

As many of you know, the Bell has been active for a long time in understanding the causes of and finding solutions to the state's fiscal problems.

Ladies and gentlemen, we are a long way from where we should be to solve this problem. The measure you have before you is a short-term fix to a long-term, structural problem. At best, it will buy us time. It will not solve the problem.

Three and a half years ago, the Bell began a thorough, 18 month study of TABOR.

Two years ago this month we released *Ten Years of TABOR* - a report widely accepted as a thorough, accurate assessment of TABOR's strengths and weaknesses.

The causes of the fiscal problem we face today in Colorado are clearly identified in that report.

1. Revenue limits that are based on consumer price inflation ensure public services will not keep pace with need and will have to be cut over time; and
2. Limits that are calculated based on expenditures in the previous year permanently ratchet down service levels every time there is an economic downturn.

In short, the problem is caused by having the wrong revenue limits in TABOR.

The problem is not that we HAVE limits - it is that we have the WRONG limits.

The solution is also clear - and relatively simple. Change the revenue limits. Specifically, allow revenue to grow at the same rate as the overall economy.

This solution was the basis of a number of proposals last year - including one from the Joint Budget Committee and the one the Bell and our partners advocated. We sought - and still seek - a long-term, structural solution to a long-term, structural problem.

HB05-1194, as it was introduced in the House, provided a long-term solution. But the bill as it passed out of the House no longer does so. And the amendments we understand will be offered today will further erode its effectiveness.

So we should be very clear about what we are doing. We have diagnosed a disease for which there is a permanent cure. But we are opting not to use that cure. Instead, we are opting to treat only the symptoms of the disease, as we would a chronic illness for which there is no cure.



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That may be the way it needs to be. We fully understand the give and take of this process and the need to keep an eye on the ultimate goal of crafting a proposal voters will pass. We have great respect and appreciation for Sen. Groff and the many other members of the General Assembly who have dedicated so many hours to find something that will pass in both houses and in November.

In that spirit, we support and urge you to support the bill in its current form.

That said, let's be honest about what we are doing. What you have before you is a short-term fix, and we should not call it anything else. The amendments you are about to consider will make it even more short-term. It will leave the long-term solution for another day, another legislature and another governor.

We urge you to oppose amendments that further shorten the duration of the fix. The current bill sunsets after 10 years. That is short enough. Certainly 5 years is too short. This will be a costly campaign. Do we really want to do it all again in just five years?

Most important, we urge you to oppose capping the revenues that can be collected while the measure is in effect. The cuts we have faced are real. They will not be reinstated by even the most optimistic revenue projections. The state should be allowed to keep all the revenues generated by our very low tax rates during this period.

And if you do feel the need to adopt a cap, we strongly urge you set that cap as a percentage of the economy rather than a flat dollar figure. In other words, instead of saying the state can keep X millions of dollars above the current limit, you should say the state can keep all revenues up to Y percent of the overall state economy.

Thank you for this opportunity. I am absolutely certain that this is the most important issue most if not all of you will face in office. What hangs in the balance is the very existence of our community colleges, the quality of our schools and roads, the health of our citizens, and the competitiveness of our economy.

Colorado is a beautiful place. But in a global economy it isn't enough just to be pretty. We must invest in our future. We can't do that under the current rules.

Thank you. I am happy to try to answer any questions.