Testimony of Brad Young, former State Representative
Prepared for the Long Term Fiscal Stability Commission
July 29, 2009

Thank you Chairman Heath and members of the commission. My name is Brad Young and I am from Lamar. I currently lobby for independent pharmacies in Colorado, but I am not testifying on their behalf today. I am here as a former member of the Colorado House of Representatives having served for a total of 11 years. I was term-limited in 2004. During my last two terms of office I was vice-chair or chair of the Joint Budget Committee and chair of House Appropriations, so I have some familiarity with the issues you are addressing.

My goal is to explain the long term fiscal consequence of the TABOR limit of population growth plus inflation. That consequence was succinctly described by Ramesh Ponnuru, Senior Editor of National Review magazine. In an article published on March 28, 2005 he stated: "TABOR is a government-shrinking device. If revenues and spending can grow only with prices and population, then as the state economy grows the state government should, over time, make up a smaller and smaller proportion of it." The proof of Mr. Ponnuru's statement can be easily demonstrated by reviewing data that has been prepared by Legislative Council.

The first chart shows two plots. One line represents state revenues actually collected from 1976 through 2005. The other line represents state revenues that would have been allowed had they increased only by the TABOR limit. These two lines are illustrative, but need context. Economists suggest that to measure the size of government, state revenue should be presented as a percentage of state personal income, the most common proxy used by economists to represent the size of the state's economy.

The next chart also has two plots. One line represents state revenues actually collected as a percentage of state personal income. The other line represents state revenues that would have been allowed by the TABOR limit as a percentage of state personal income. If the size of state government is defined as the amount of state tax revenues collected as a percentage of state personal income it is simple logic to confirm Mr. Ponnuru's statement.

This is not an aberration of the Colorado revenue structure. The same trends are evident in every other state that has performed a similar analysis. The increase in state revenues above inflation and population growth is the result of increased productivity. Alan Greenspan states in his book The Age of Turbulence that productivity in the US has increased at a rate ranging from 1-3% using a 15 year moving average since 1870. Paul Romer, a highly respected former economics professor from Stanford University, has published similar numbers. Not surprisingly, Colorado's revenue growth averaged just over two percent per year above the TABOR limit from 1976-2005.

The fiscal and policy implications are vast. Shrinking government by 2% per year over a 25 year time span will shrink government by 40%, in 33 years by 50%, in 50 years by 64%.

The State of Colorado is now controlled by direct democracy. Periodic votes to allow the state to retain and spend tax revenues for specific purposes will undoubtedly occur. That is in direct contrast to Article IV, Section IV of the US Constitution that guarantees every state a "republican form of government." If the commission and the legislature are unable to devise a plan to present to the voters that will resolve the current fiscal situation, there is a possibility that the courts eventually will.

Thank you.

Brad Young