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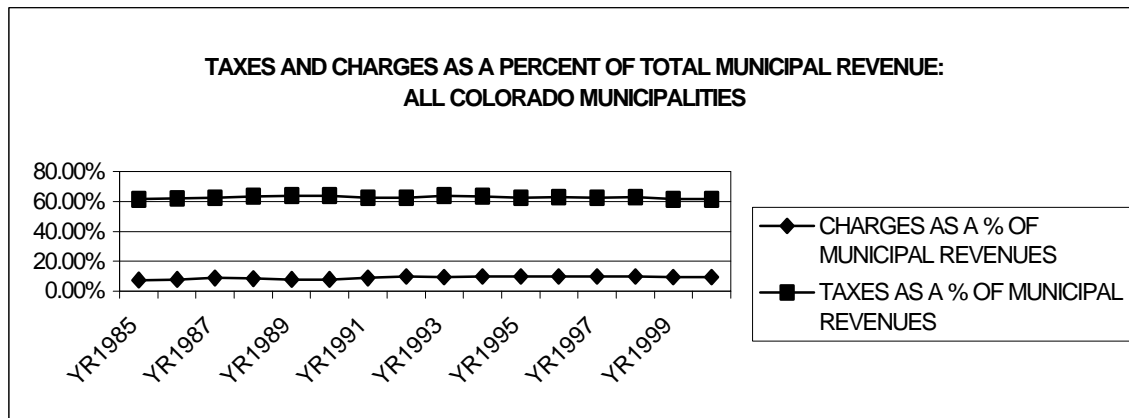
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Funding Municipal Government Pre and Post Colorado's TABOR Amendment

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Colorado's voters passed TABOR in November of 1992. Since that time, units of government have been subject to the requirement that tax increases be approved by a majority of the electorate. Fees, however, while still subject to TABOR's revenue retention limits in cities that have not passed revenue and spending changes, may be increased without a vote. Naturally, there has been speculation that this combination of legal requirements would lead to a shift in reliance from taxes to fees for the purpose of funding local government. This report fails to support that proposition.

The analysis in this report demonstrates a slight increase in the use of fees post-TABOR. Overall, fees jumped from an average of 8.04% of municipal revenues before TABOR to an average of 9.61% of municipal revenues after TABOR. Furthermore, the graph of the time series of municipal reliance on fees shows a slight blip in the trendline for fees in the period just after 1992. However, the increases were small enough to argue that they were within the statistical margin of error. While demonstrating increases, this report fails to strongly support the hypothesis that fees are replacing taxes as a principle source of municipal revenue.



Cities that have exempted themselves from the revenue retention limits of the TABOR Amendment demonstrate an almost identical trend line with those who have not. Although percent of total revenues is not a perfect measure as it is affected by changes in all revenue sources, fees consistently represent no more than 11% of total revenues regardless of how municipalities are grouped for analysis. Regardless of a municipality's experience with deBrucing initiatives, population growth, or size of budget, reliance on fees remained within a reasonable margin of error.

The small increase in fee revenue in the years since 1992 is a reflection of a combination of factors: TABOR is only one. Municipalities may also be reacting to fiscal stresses such as the increasing distaste for taxes. Furthermore, many municipalities took a critical view of their programs and services during the 1990s and adopted positions that services whose benefits accrued largely to individuals should be supported by fees and not taxes. Any of these pressures would result in the increase in fee reliance demonstrated by the data. Finally, this increase is naturally tempered by the forces of the market. There is a limit to the rate at which local government can increase fees, as fees are generally subject to public hearings and for most citizens, participating in the fee for service program is optional. All of these factors taken together contribute to the complicated mosaic of municipal financing.